

PORTUGAL

Development Assistance Committee (DAC)
PEER REVIEW 2010



ORGANISATION FOR ECONOMIC CO-OPERATION AND
DEVELOPMENT

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The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Australia and the United Kingdom for the Peer Review on 13 October 2010.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the **Development Assistance Committee**, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

ACRONYMS

AFDF	African Development Fund
CAMPO*	Migrant Support Centre in the Country of Origin (<i>Centro de Apoio ao Migrante no País de Origem</i>)
CERF	Central Emergency Response Fund
CIC	Inter-Ministerial Committee for Co-operation
CIVMIL	Civil military co-operation
CPLP*	Community of Portuguese Speaking Countries (<i>Comunidade dos Países de Língua Portuguesa</i>)
CSO	Civil society organisation
DAC	Development Assistance Committee
DIAS*	Diaspora for Cape Verde's Development (<i>Diáspora para o Desenvolvimento de Cabo Verde</i>)
EBA	Everything But Arms programme
EC	European Commission
ECHO	European Commission Humanitarian Office
EU	European Union
EUR	Euro
GHD	Good Humanitarian Donorship
GNI	Gross national income
GoCV	Government of Cape Verde
GoP	Government of Portugal
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
ICRC	International Committee of the Red Cross
IFRC	International Federation of the Red Cross and Red Crescent Societies
INCAF	International Network on Conflict and Fragility
INSARAG	International Search and Rescue Advisory Group
IPAD*	Portuguese Institute for Development Assistance (<i>Instituto Português de Apoio ao Desenvolvimento</i>)
LDC	Least developed country
LIC	Low income country
MDGs	Millennium Development Goals
MIC	Middle income country
NGO	Non-governmental organisation
OCHA	Office for Co-ordination of Humanitarian Affairs
ODA	Official development assistance

ODAMOZ	Official Development Assistance to Mozambique Database
OECD	Organisation for Economic Co-operation and Development
PBA	Programme-based approach
PCD	Policy coherence for development
PFM	Public financial management
PIC*	Indicative Co-operation Programme (<i>Programa Indicativo de Cooperação</i>)
PIU	Project implementation unit
PO05*	Co-operation Budget Programme 2005 (<i>Programa Orçamental da Cooperação</i>)
PO21*	Budget Programme 21 (<i>Programa Orçamental 21</i>)
PRGSP	Poverty Reduction and Growth Strategy Paper
SIDS	Small island developing states
SOFID*	Development Finance Corporation (<i>Sociedade para o Financiamento do Desenvolvimento</i>)
UN	United Nations
UNDAC	United Nations Disaster Assessment Co-ordination Teams
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations Refugee Agency
UNICEF	United Nations Children’s Fund
UNIDO	United Nations Industrial Development Organization
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
USD	United States Dollar

* Denotes acronyms in original language

Signs used

EUR	Euro
USD	United States Dollar
-	(Nil)

Notes on data used

Slight discrepancies are due to rounding.

For comparison over time 2008 constant US dollars are used.

Exchange rates (EUR per USD):

2007	2008	2009
0.7305	0.6933	0.7181

Portugal's aid at a glance

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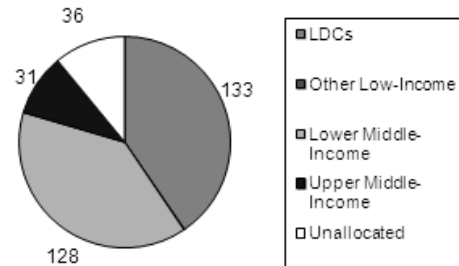
Gross Bilateral ODA, 2007-08 average, unless otherwise shown

Net ODA	2007	2008	2009	Change 2008/09
Current (USD m)	471	620	507	-18.2%
Constant (2008 USD m)	506	620	523	-15.7%
In Euro (million)	344	430	364	-15.2%
ODA/GNI	0.22%	0.27%	0.23%	
Bilateral share	57%	60%	53%	

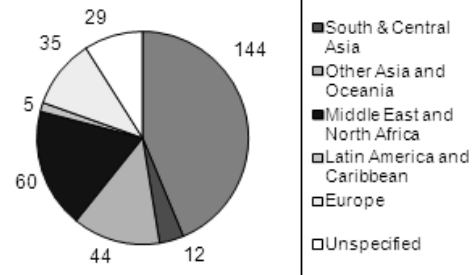
Top Ten Recipients of Gross ODA (USD million)	
1 Cape Verde	59
2 Morocco	48
3 Timor-Leste	43
4 Mozambique	24
5 Angola	19
6 Bosnia and Herzegovina	17
7 Guinea-Bissau	17
8 Serbia	16
9 Sao Tome & Principe	13
10 Afghanistan	12
Memo: Share of gross bilateral ODA	
Top 5 recipients	59%
Top 10 recipients	82%
Top 20 recipients	88%

By Income Group (USD m)

Clockwise from top



By Region (USD m)



By Sector

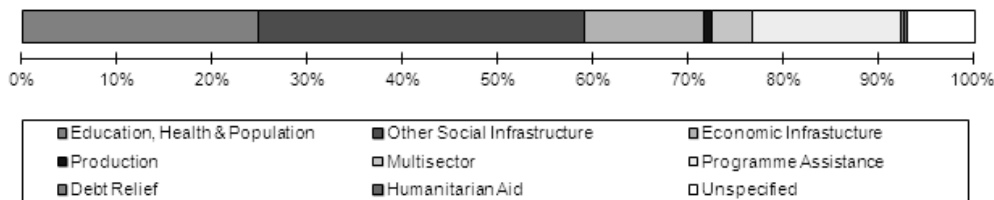


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DAC'S MAIN FINDINGS AND RECOMMENDATIONS

Overall framework for development co-operation

Strategic framework

An approach and system shaped by historical engagement

Portuguese development co-operation has strong historical roots which influence where it focuses and how it works. It is strongly focused on six partner countries with which it has historical connections, a shared language and close relationships: Angola, Cape Verde, Guinea Bissau, Mozambique, Sao Tome and Principe, and Timor-Leste. Five of these countries are least developed countries (LDCs) and four are fragile states. This means Portugal is involved in some of the most challenging and important issues in international development. History also influences how Portugal works with its partner countries. In particular, co-operation is based on the involvement of a large number of actors, and close personal and institutional relationships among them. Such a broad-based approach has the advantage of drawing in a wide range of departments and skills, but it also means the system is fragmented and that co-ordination is challenging. To help address these issues, Portugal established IPAD (*Instituto Português de Apoio ao Desenvolvimento*) in 2003, with the legal mandate to co-ordinate development co-operation.

A readiness to advance, despite constraints

Portugal is addressing many of the recommendations from the last peer review (conducted in 2006, see Annex A) in order to improve how it delivers development co-operation, to adhere to its international commitments and to deliver development results. It is building a clearer strategic and policy framework for its development co-operation. It has established a legal basis to help it ensure all Portuguese policies, whether international or domestic, do not undermine international development objectives. It has made some progress in increasing co-ordination within the system, though this remains a major challenge. Similarly, while it has made efforts to deliver aid more effectively, further progress is constrained by the fragmented nature of Portugal's bilateral aid programme. Overall, Portugal has not made significant progress in scaling up the volume of its official development assistance (ODA) to meet its promised target of 0.7% of GNI by 2015. It allocated only 0.23% of its GNI to ODA in 2009.

Progress towards a clear and strategic framework

Portugal has made significant progress in building an overall strategic framework for its development co-operation. The 2005 *Strategic Vision for Portuguese Development Co-operation* has provided a solid foundation for this change, on which other policies have been built. The *Strategic Vision* sets out some guiding principles and priorities for Portuguese development co-operation, by drawing on Portugal's own experiences, foreign policy priorities and international obligations. Thus, it emphasises Portugal's commitment to the Millennium Development Goals, human security, sustainable economic development, contributing to international development discussions and also promoting the Portuguese language. It also acknowledges some of the challenges for Portugal, including the fragmentation of the Portuguese development co-operation programme and the importance of co-ordination. As such, it has been a useful tool for IPAD as it seeks to fulfil its co-ordination mandate.

Since adopting the *Strategic Vision*, Portugal has continued to build a clearer strategic framework for its development co-operation, and in doing so has addressed some of the issues raised in the last peer review. In particular, Portugal has agreed a multilateral strategy to increase the coherence and focus of its engagement with multilateral agencies. It has also drafted six thematic or sector strategies, though these are yet to be formally approved. In addition, Portugal has approved some whole-of-government policies which relate to development, in particular the *Security and Development Strategy* and the *Development Education Strategy*. These inter-ministerial policies provide a good basis for a coherent and co-ordinated approach in these areas.

Portugal's plan to update the existing *Strategic Vision* offers an opportunity for Portugal to adjust its policy framework. Firstly, an updated *Strategic Vision* should set out how Portugal sees the future evolution of its development co-operation in terms of the modalities it intends to use, how it proposes to decrease fragmentation and on what sectors it plans to focus. Secondly, the updated document should make clear that ODA which supports teaching and using Portuguese should be a means to help achieve development in Lusophone countries, not to promote the Portuguese language as an end itself. Clarifying this in writing would help to enhance the developmental focus of Portuguese co-operation. Thirdly, Portugal should set out in the document how it will mainstream environment and gender equality within its development co-operation. It would then be in a position to design and implement an action plan for mainstreaming these cross-cutting issues – an ongoing challenge. Crucially, the process of updating the *Strategic Vision* also provides a very valuable opportunity for Portugal to deepen its policy-level discussion and engagement with key stakeholders, particularly parliamentarians and civil society organisations.

Increasing external engagement and involving other stakeholders

Portugal has deepened its engagement with external stakeholders, particularly the European Union (EU), where its effective engagement has been most notable in the areas of EU-African relations, security and fragility as well as policy coherence for development. Similarly, Portugal has improved its engagement with domestic civil society organisations and can build on this further. Portugal has also attempted to enhance the role played by the Portuguese private sector in development by establishing SOFID, a 60% state-owned financial institution. SOFID has been given a dual mandate: to contribute to the growth of the business sector in developing countries while also

supporting Portuguese companies. Portugal needs to reassess how it engages the private sector in development co-operation to ensure it contributes to poverty reduction and private sector development in partner countries.

The importance of building a strong base of support

Portugal knows it needs public support to make further progress in improving the development co-operation system and to meet its ODA volume commitments. It has taken a long-term perspective in this area by developing a whole-of-government strategy on development education and is working with teacher training institutes, other parts of government and non-government stakeholders to improve teaching on development issues in Portuguese schools. Portugal's approach to development education is likely to be of interest to other DAC members. But, in order to protect and promote support for development co-operation, Portugal also needs to communicate and build public support in the short and medium term. It needs a communications strategy, preferably with broad government approval under IPAD leadership, which encourages a much more proactive approach to engaging key stakeholders, notably parliamentarians and the media. This communications strategy should focus on Portugal's contribution to development results. Portugal will also need to allocate sufficient resources to ensure the strategy can be properly implemented once in place.

Promoting policy coherence for development

The potential for a strong legislative basis

Portugal has made a particular effort to improve the extent to which all its policies – whether domestic or international – are supportive of development objectives, *i.e.* to seek policy coherence for development (PCD). Its existing inter-ministerial co-ordination mechanisms – notably the Committee for Inter-ministerial Co-operation (CIC) – have proven useful in helping ministries to work together on some key policy issues that affect partner countries' development, particularly in the areas of migration and security. Portugal's experiences in these areas offer good practice lessons in how to consult and co-ordinate to ensure other policies are also coherent with development objectives. However, such an approach has not yet been used in a systematic way. Portugal also promoted PCD at the European level during its 2007 presidency of the EU. This is commendable and provided Portugal with the impetus to follow up the same issues at a national level.

Portugal is commended for passing a new law on PCD which provides an excellent opportunity to respond to the *OECD Ministerial Declaration on Policy Coherence for Development*. Portugal should apply the new law to address each of the three "building blocks" for PCD. These are (i) political commitment; (ii) clear co-ordination mechanisms; and (iii) the ability to monitor and report on progress. This would put it ahead of many other donors in addressing the challenge of PCD. The government has also supported public awareness in this area, including discussion about policy coherence for development and implications for Portuguese co-operation in the *Development Co-operation Forum*. It has also co-funded an NGO project which aims to monitor how Portugal's and the European Union's policies affect the development of African, Caribbean and Pacific states.

Recommendations

To build on its good progress in establishing a clear overall framework for its development co-operation, Portugal should:

- Use the planned update of its *Strategic Vision* as an opportunity to: (i) set out how it will reduce the fragmentation of its programmes and make use of different aid modalities; (ii) plan how to improve mainstreaming of gender equality and environment; (iii) encourage engagement with and support from civil society and parliamentarians; (iv) reiterate that language instruction, when funded by ODA, should only be used to promote development.
- Revisit its approach to engaging the private sector in development. Specifically, it should give IPAD a full seat on the SOFID board and, over the next three years, evaluate the extent to which SOFID has contributed to development and poverty reduction in partner countries.
- Develop a communications strategy which sets out how Portugal will pro-actively engage key target groups, demonstrate development results and build a wider base of public support for Portuguese development co-operation.
- Apply the new law on policy coherence for development, including by (i) strengthening the institutions or co-ordination mechanisms with a mandate, tools and authority to promote PCD; and (ii) establishing systems to monitor, analyse and report on the development impacts of Portugal's policies on partner countries.

Aid volume, channels and allocations

The significant challenge of meeting ODA volume commitments

Portugal has committed to increase its ODA to 0.7% of its GNI by 2015, however, it is not on track to reach this target, or its national interim target of 0.34% by 2010. Despite incremental volume increases between 2005 and 2008, ODA remained well below 0.3% of GNI over the review period. A cut in 2009 meant that Portuguese ODA stood at just 0.23% of GNI or USD 507 million (down from USD 620 million in 2008). Consequently, in 2009 Portugal was ranked 18 out of 23 DAC members in terms of its ODA/GNI ratio. This low baseline means that to reach its own 0.34% target, Portugal would have to increase its ODA by 74% in 2010 (based on a constant GNI). To reach 0.7% by 2015, Portugal would have to triple its ODA, equivalent to budgeting at least an additional USD 1 billion in 2015. This is an enormous challenge in the current economic context. Nevertheless, Portugal is strongly encouraged to deliver significant ODA increases by 2015. The new *Strategic Vision* should make clear reference to budget increases and set out how Portugal plans to achieve them. As the economic situation in Portugal improves, the DAC expects that Portugal will speed up its efforts to meet its international commitments. It should work with the EU to assess how it will achieve the 0.7% target. Addressing some of the issues around its current approach to budgeting ODA may help Portugal to scale up. In particular, it needs to include in its state budget a single ODA budget line with binding multi-annual figures. It also needs high-level political support for development co-operation so that it is prioritised in the competition for budgetary allocations.

Aid that is geographically focused but still fragmented

Portugal currently spends around 60% of its ODA bilaterally. Its strong commitment to the five Portuguese speaking countries in Africa, plus Timor-Leste, means that its bilateral aid is geographically tightly focused and concentrated on LDCs. This focus is a strength of the Portuguese approach. Portugal has succeeded in increasing its sector focus since the last peer review and, given the relatively small size of its total programme, it should continue to do so. However, Portugal's bilateral support is still fragmented, consisting of a large number of often very small projects. Managing so many small projects involves high transaction costs. Portugal could get more out of its limited budget if it integrated these projects into more comprehensive programmes or phased out some of its smaller interventions in favour of fewer, larger-scale projects.

Portuguese bilateral aid and the central role of technical co-operation

Portuguese bilateral grant aid involves a high proportion of technical co-operation. Every year during the review period over half of ODA grants were provided as technical co-operation, equivalent to 25% of total ODA. Technical co-operation includes imputed student costs, scholarships, training programmes and technical assistance. Much of the student costs and scholarships are for study in Portugal and much of the technical assistance is provided in kind, by Portuguese civil servants. Because of a shared language, and in some cases similar government systems, Portugal is well placed to provide technical assistance to Portuguese-speaking countries. However, Portugal delivers only a small proportion of its bilateral grants through modalities such as programme-based approaches and investment projects which involve financial transfers and enable partners to programme the funds directly. Portugal has started experimenting with programme aid and is encouraged to channel further increases in its bilateral ODA in this way. This could be done alongside efforts to reduce fragmentation.

Support to and through NGOs is also limited; indeed Portugal channelled only USD 12 million in this way in 2008, spread across a large number of organisations. Acknowledging that it needs to build stronger relationships with its own NGOs, both for dialogue and accountability and for building partnerships in delivering development assistance, Portugal has drawn up a framework agreement with the Portuguese National NGO Platform. This is an important step and Portugal should now aim at building more strategic relationships with a limited number of NGOs. Portugal should also seek to engage more with partner countries' NGOs.

Portugal has also initiated a major loans programme in the form of lines of credit arranged by the Ministry of Finance. Partners may or may not use all the money available in the line of credit so their impact on Portugal's annual ODA budget will fluctuate. Once a line of credit is signed, partner countries can then agree with Portugal to draw down concessional loans for specific development projects. Once a firm commitment for a specific developmental loan is agreed, only the value of that loan can be recorded as an ODA commitment. Lines of credit have been agreed with non-priority partner countries. Portugal is encouraged to ensure that the use of these loans does not reduce the strong geographic focus of its ODA or threaten the overall concessionality of its aid, in line with the 1978 DAC Recommendation on the Terms and Conditions of Aid.

More strategic support through multilateral agencies

Multilateral aid is a crucially important part of the Portuguese ODA programme so the introduction of a multilateral strategy for Portuguese aid has been a very important step. Ensuring effective implementation of the multilateral strategy should be a major focus for Portugal over the coming four years. Portugal channels around 40% of its ODA through multilateral organisations. The majority of this goes to the EU (65% in 2008), primarily as assessed contributions. This makes the EU by far the most important multilateral partner for Portugal, followed by the World Bank (17%). In order to increase efficiency, the strategy focuses on improving the management of Portugal's multilateral assistance and of its engagement with multilateral partners. The strategy is also intended to improve coherence among all parts of government involved in multilateral co-operation – particularly IPAD and the Ministry of Finance, both of which play important roles in multilateral engagement – and to strengthen Portugal's overall capacity to engage with key institutions on the issues that matter most to Portugal. IPAD leads Portugal's engagement with the EU on development issues. It has rightly prioritised this forum, recognising that the EU accounts for the majority of Portugal's multilateral portfolio. The strategy makes clear that Portugal intends to continue to channel around 40% of its ODA through multilateral channels, but it expects the volume to grow in line with its overall ODA budget increases. Portugal should examine the potential for further increases in multilateral expenditure, focused on a small number of multilateral partners, as an effective way to scale up its aid. Successful implementation of the multilateral strategy requires improved co-ordination between IPAD and the Ministry of Finance.

Recommendations

Portugal should make every effort to honour its ODA volume commitments while also ensuring it channels its budget effectively. To do so, it should:

- Establish realistic interim targets for significant increases in ODA by 2015, embed these multi-year binding targets in the state budget and stick to them. It should also work within the EU framework to meet its commitment to achieve the 0.7% target. As the economic situation improves, the DAC expects that Portugal will speed up its efforts to meet its international commitments.
- Continue to increase its sectoral focus while also reducing the large number of standalone small projects and investing in larger projects or programmes.
- Increasingly complement its use of technical co-operation with grant modalities which involve greater financial transfers to partner countries particularly as it scales up Portuguese ODA.
- Build strategic partnerships with some key domestic and partner country NGOs, for example by introducing multi-year strategic framework agreements.
- Ensure that lines of credit are used with caution in order to i) protect the focus of the development program and (ii) comply with the DAC Recommendation on the Terms and Conditions of Aid.

Organisation and management

The challenges of co-ordinating a fragmented system

IPAD has made clear progress in improving overall co-ordination since the last peer review, although a number of significant challenges remain. While there are still 16 ministries involved in development co-operation, they are now officially obliged to obtain IPAD's approval for all new ODA-funded activities. Most line ministries also now need co-financing from IPAD. This co-financing mechanism has been a very helpful tool for IPAD to promote co-ordination. The Ministry of Finance does not require co-financing and, though it does seek IPAD's formal approval for its bilateral ODA activities, in practice this has sometimes been at a very late stage, such as when the text of a memorandum of understanding is being finalised, rather than when the scope or suitability of an activity is determined. Also, IPAD does not yet have a framework to co-ordinate work with the municipalities, 17 of which were involved in development co-operation in 2008. In its six partner countries, the use of indicative country programmes (PICs) or country strategies has helped IPAD's co-ordination role since it means that all ministries have subscribed to agreed goals for the overall country programme. In the next generation of these country strategies, the challenge will be to ensure that the PICs themselves become more than a rationalisation of Portugal's existing engagement and form the basis of strategic medium-term planning.

Addressing the challenge of budget oversight

Currently it is difficult for IPAD to co-ordinate and oversee Portuguese ODA because it does not have full financial oversight of the ODA budget. Only around 15% of the total ODA budget goes through IPAD. Most bilateral transfers take place directly between Lisbon and partner country line ministries. Neither IPAD in Lisbon nor Portugal's embassies on the ground are involved in deciding these disbursements. IPAD has to collect financial data from all relevant actors for its own use, for embassies and indeed for its partners. Portugal's embassies are its official representation in its partner countries and they need reliable and up-to-date financial information in order to exercise oversight and provide accountability. Portuguese embassies also have very little delegated financial authority – they need to refer back to Lisbon for approval of even small purchases and this approval process can be time consuming.

Portugal is in the process of changing its whole approach to state budgeting, aiming for a simpler and more results-orientated system. Under the new system, the development co-operation budget will be known as the *PO 21 (Programa Orçamental 21* or Budgetary Programme 21). In principle, it should allow for multi-annual budgeting, which would help Portugal to make its aid more predictable. The funds for the *PO 21* will be held by the Ministry of Finance, so that line ministries will need IPAD's authorisation to draw them down. This system has the potential to help address some of IPAD's current budget oversight and co-ordination challenges. Over the longer term, if Portugal changes how it delivers its bilateral aid to increase financial transfers, it will also be able to consolidate more of the bilateral budget within IPAD, helping IPAD both to co-ordinate and to exercise budget oversight.

The constraints of limited field capacity and an inflexible human resource framework

In order to improve the management of its development co-operation, Portugal needs to increase the capacity and mobility of one of its key resources: its staff. Portugal has one of the lowest levels of decentralisation of all DAC members, with only 12% of its staff posted in the field in 2008. Being a small donor, Portugal cannot become highly decentralised; however, its limited capacity in the field constrains its ability to co-ordinate and to improve the monitoring and impact of its aid. Portugal has created only a small number of new field positions since the last peer review. The current framework for recruitment is also an obstacle to making further progress in building skills and capacity in the field. Staff who work in field offices are recruited on short-term contracts and they cannot transfer to Lisbon. This means valuable field experience is neither transferred to headquarters, nor retained in the field. Meanwhile, in headquarters IPAD can only recruit from a general civil service pool; development specialists can only be recruited on strictly short-term contracts. To fulfil its role and to ensure continuing improvement in the management of Portuguese aid, IPAD will need to be able to recruit, develop and deploy development expertise and move staff between the field and headquarters.

Progress on evaluation and the next steps for results-based management

The last peer review called on Portugal to build a “culture of evaluation” – IPAD has made progress in this direction. The evaluation function within IPAD now reports directly to the organisation’s president and has its own budget line, giving it some autonomy. It has established follow-up mechanisms and has drafted an evaluation policy, which now needs to be approved. IPAD’s next step is to spread the growing culture of evaluation to the line ministries and others involved in delivering development co-operation. Portugal also needs to use results-based management across its development co-operation. IPAD needs to ensure the use of appropriate output and outcome objectives at the design stages of individual projects and for country programmes. It needs to ensure that monitoring also measures progress towards these objectives, in addition to existing detailed financial monitoring.

Recommendations

Portugal has already made progress in improving the co-ordination and management of its aid. To build on this it should:

- Review its overall business model to reduce the fragmentation of the system and the budget and to further improve co-ordination, oversight, efficiency, effectiveness and accountability. Over the long term it should increase consolidation of the ODA budget within the institution responsible for overall co-ordination of development co-operation.
- Agree in writing, that IPAD should be involved right from the early stages of line ministries’ project formulation, not just at the project approval stage.
- Agree strategic partnerships with municipalities in order to align development co-operation priorities and activities.
- Reform the human resources framework to enable greater staff mobility and the recruitment and retention of specialists. In its six main partner countries it should also

delegate more authority to, and ensure the right type of skills to increase capacity in its embassies.

Practices for better impact

Implementing aid effectively

Commitment to effective aid despite practical constraints

Portugal is committed to making the delivery of its aid more effective; it has developed detailed action plans to help it implement the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. The guidelines for country strategies cite the importance of alignment (and shadow alignment in fragile states), predictability and the use of programme-based and harmonised approaches. There is also awareness of the aid effectiveness principles amongst both IPAD staff and those from other ministries who are closely involved in development co-operation. In practice, Portugal has made progress against the aid effectiveness principles. However, further advances are constrained by two main organisational barriers: (i) the limited delegation of authority and decentralisation of staff to the field, which hinders Portugal's ability to engage in country-level policy dialogue or aid co-ordination mechanisms; and (ii) the Portuguese approach involving many small projects and multiple actors who traditionally do not all work through formal co-ordination mechanisms in-country. Despite these constraints Portugal has made some advances and it can use the planned update of its country strategies and changes to the budget process to help make further progress.

Good examples of how Portugal can support ownership, alignment and harmonisation

Portugal has made progress in aligning its aid with partner countries' policies and priorities. It also tends not to use parallel implementation units. While Portugal also situates or aligns some of its projects within partner-led programmes, this should now be done systematically. The next step is to make greater use of partner country systems, such as financial management and procurement. The current low use of partner country systems partly relates to Portugal's limited use of programmatic approaches or investment projects. Portugal also needs to increase the proportion of its technical co-operation which is co-ordinated with partner countries' capacity development strategies. This should be a priority for Portugal since technical co-operation is such an important part of what it does and how it aims to support partner country ownership.

Portugal has made efforts to harmonise with other actors at country level, though in many cases this remains limited to information sharing, rather than substantive co-ordination. Portugal has now had some positive experiences with its involvement in country-level aid co-ordination mechanisms – such as the general budget support groups in Cape Verde and Mozambique – and with joint sector programmes, such as in Timor-Leste. Portugal should build on these examples to make these co-ordinated approaches the norm in the longer term. This would reduce transaction costs for itself and its partners and increase the impact of its limited budget.

Improving the predictability and transparency of Portuguese aid is also important. Specifically, Portugal should ensure its annual disbursements reflect its annual commitments as closely as possible and that multi-annual projects are supported by multi-annual budgets. It should also ensure its ODA is recorded in partners' national budgets. So far it has done this in Mozambique, Sao Tome and Principe, Timor-Leste, and to a lesser extent in Cape Verde. Portugal should look at these examples to see how it can systematically ensure timely and regular aid information which can be recorded in partners' budgets.

Improving tying status reporting and the untying of ODA

Portugal should continue to untie its aid in line with its international commitments. Portugal's reported figures indicate good progress in untying its aid. In 2008, Portugal reported that 91% of its bilateral ODA was untied, compared to 71% in 2007. For LDCs specifically it reported 95% of its ODA as untied in 2008 and 91% in 2007. These good figures are threatened, however, by planned increases in the use of tied loans and the approach to reporting tying status. Portugal has recently signed a series of lines of credit which are tied. Most are for middle income countries, but some were also signed with LDCs such as Angola, Mozambique and Sao Tome & Principe. Use of tied loans to LDCs, in particular, is counter to the 2001 DAC Recommendation on Untying. Portugal should ensure that any future lines of credit with LDCs are untied. It should also discuss revising the terms of the existing lines of credit with its partners. Furthermore, even though Portugal's technical co-operation is generally reported as untied, most of it is provided in kind (*i.e.* projects delivered by Portuguese civil servants with sector-specific expertise, imputed student costs and scholarships). These activities are usually not open to tender, which means they are essentially tied. They should be reported as such, even though technical co-operation is not included in the 2001 Recommendation.

Learning from special topics

Capacity development: from new principles to better practices

Portugal is putting in place a policy and guidance framework to support capacity development. IPAD has recently developed guidelines for capacity development which are closely aligned with international good practice. The task IPAD now faces is to ensure they are applied in practice – not only by its own staff but also by those ministries who deliver much of Portugal's technical co-operation. Clearer prioritisation of capacity development within the next iteration of the overarching *Strategic Vision* would help IPAD to ensure widespread application of the good practice outlined in the guidelines. It would also help if all those planning projects were required to consider, at the appraisal stage, how projects will contribute to sustainable capacity development.

Portugal should focus on enhancing the sustainable and transformative impact of its technical co-operation on partners' capacity. It has already introduced important and welcome reforms to its scholarship programme – to ensure it supports capacity development in partner countries, rather than facilitating brain drain. This addresses one of the recommendations in the last peer review. Portugal should now examine how it can use its technical assistance and training to maximise the sustainable impacts on partner country capacity. To do so, it will need to co-ordinate more of its technical co-operation

with its development partners, in line with its commitments under the Paris Declaration. It will need to create incentives for the line ministries which provide technical co-operation to measure their impact for sustainable capacity development and skills transfer and to plan their own exit once capacity is built. In addition, Portugal should make more use of local or regional resources to deliver technical co-operation, potentially reducing costs while maximising regional skills transfer.

Security and development: strengthening engagement in a high priority area

Building on its long-term engagement in the security sector both with ODA and other forms of international co-operation, Portugal made “security and development” a government-wide priority with its 2009 *National Strategy on Security and Development*. The national strategy has been endorsed at the highest level in Portugal. It describes how Portugal sees security and development as two sides of the same coin, making the links between them and the importance of co-ordination explicit. For Portugal this is crucial, since in 2008 support to the security sector (for conflict and peace-related projects and judicial reform) accounted for nearly a quarter of Portuguese bilateral aid. This commendable whole-of-government approach and prioritisation may also provide lessons for other DAC members. In practice, while it is too soon to see any clear impact of the national strategy, there are signs that co-ordination among the different actors involved is improving.

Portugal is closely engaged in providing technical assistance for security sector reform in its partner countries. One aspect that would add quality to its engagement would be to connect with programmes that also support the oversight and accountability of the security sector – an area which has been pinpointed as crucial for sustainable reform.

Portugal has also been closely involved in piloting and implementing the *OECD DAC Principles for Good International Engagement in Fragile States*. In line with these principles, Portugal can be commended for focusing on state building as a central objective and for staying engaged over the longer term. The new national strategy also acknowledges that it should aim to respond more quickly and flexibly. In addition, Portugal should ensure its staff have a solid understanding of the “do no harm” principle and of the importance of “conflict sensitivity”. These concepts are about designing and running activities so that they do not have unintended consequences on local conflict or political dynamics. Portugal may find that conducting conflict analyses jointly with other actors is a cost-effective option.

Recommendations

To increase further the effectiveness and impact of its aid, Portugal should:

- Ensure that the next generation of country strategies explicitly commit Portugal to: (i) use partner country systems; (ii) make use of programme-based approaches and ensure small projects are situated within or closely linked to larger programmes; and (iii) increase co-ordination with other donors.
- Increase the predictability and transparency of its aid by securing multi-year figures in its state budget and by providing regular information on aid commitments and disbursements to all partner countries, so that they can be reflected in their budgets.

- Continue to untie more of its ODA and protect the progress it has already made in untying by reviewing the tying terms of its existing lines of credit and ensuring that any future lines offer untied loans only. It should also ensure that the tying status of both its grants and loans is properly reported.
- Turn its commitment to capacity development into practice by (i) co-ordinating more of its technical co-operation; (ii) reducing the dominance of expatriate expertise in favour of local or South-South exchanges; (iii) identifying incentives for line ministries to focus on building capacity with a view to phasing out their involvement; and (iv) requiring all ODA-eligible activities to identify how they will contribute to capacity.
- Reinforce its strong engagement in security and development by (i) giving a higher priority to civilian oversight and transparency when working in security sector reform; and (ii) increasing staff and high-level awareness of the “do no harm” principle and of the importance of conflict sensitivity when programming in fragile contexts. It should engage in joint conflict analyses and use the findings to inform the design and management of its country programmes.

Portugal and the good humanitarian donorship principles

A clear, co-ordinated policy for humanitarian action would enhance overall impact

Portugal faces ongoing challenges in delivering co-ordinated and effective humanitarian programming, mainly due to the lack of an umbrella policy or a co-ordinated strategic approach for the various ministries involved in providing humanitarian aid. Lessons from recent disaster response operations and disaster preparedness programmes could help guide and focus a much needed humanitarian policy. In addition, Portugal should focus on enabling effective inter-ministerial humanitarian co-ordination mechanisms, building on the National Operations Co-ordination Centre model. It would also benefit from mainstreaming humanitarian concerns, particularly disaster preparedness, into the PICs, and it should develop a set of funding guidelines that promote stronger strategic partnerships with humanitarian organisations.

Portugal’s National Civil Protection Authority is likely to remain the key humanitarian delivery mechanism. International accreditation for this organisation and further training for its deployable personnel, especially in humanitarian principles, would be useful. Staff across IPAD could also benefit from such training.

Portugal is by far the smallest humanitarian donor amongst the DAC members and allocates on average only 0.17% of its ODA to humanitarian programming. Nevertheless, Portugal could benefit from allocating its funding more strategically and in line with the Good Humanitarian Donorship (GHD) principles, particularly those related to increasing predictability, avoiding earmarking, providing longer-term funding and allocating funding according to the severity of a crisis.

Recommendations

To capitalise on its recent humanitarian experiences, Portugal should:

- Develop an overarching policy and funding guidelines for humanitarian action that embody the GHD principles and focus on areas where Portugal could clearly add value, such as disaster response and preparedness. Adequate humanitarian action staff should be allocated to develop and implement this policy.
- Formalise an inclusive cross-ministry Portuguese humanitarian co-ordination body and conduct regular humanitarian emergency simulation exercises.

SECRETARIAT REPORT

Chapter 1

Strategic Orientations

Portugal's development co-operation is anchored in its historical relationships and existing engagement with its key partners. It now has a clearer strategic framework, which is built on its experience while also reflecting the country's international commitments. However, Portugal still faces some challenges in fine tuning the framework and in building public and political support to enable it to deliver.

The strong historical roots of Portuguese development co-operation

History has helped to shape modern day Portuguese development co-operation, both in terms of *where* Portugal focuses and *how* it organises and delivers its support. Firstly, Portuguese development co-operation is strongly focused on a small number of countries with which it has historical and colonial connections, a shared language and close relationships. Portugal identifies six priority partner countries: Angola, Cape Verde, Guinea Bissau, Mozambique, Sao Tome and Principe, and Timor-Leste. The close links between Portugal and these countries are evident at government and personal levels, and in trade, migration flows and the strong presence of the Portuguese private sector. Portugal is committed to each of these countries and its partners know Portugal can be relied upon to stay engaged over the long term. The strong focus on these six countries means that the majority of Portugal's partners are least developed countries. Two of the six priority countries are small island states, while five of them are, or have been, fragile states, and so security issues have long featured strongly in Portuguese development co-operation. Portugal is, therefore, involved in some of the most challenging and important issues in international development.

This historical background has led to a development co-operation approach based on the involvement of a large number of actors and the personal and institutional relationships among them. Line ministries play a strong role in delivering Portuguese development co-operation. They focus on technical co-operation between Portuguese and partner country's central and local public administrations. While this approach successfully draws in a wide range of departments and skills, which is supportive of

whole-of-government approaches in some areas, it also means that the system is fragmented. Therefore, overall co-ordination is vital. Portugal has established the Portuguese Institute for Development Assistance (IPAD) within the Ministry of Foreign Affairs to take on the co-ordination challenge (Chapter 4).

There are clear links between Portuguese development co-operation and other aspects of its foreign policy. In particular, Portuguese foreign policy emphasises promotion of the Portuguese language, internationalisation of Portuguese business, and strong engagement in multilateral fora including the United Nations and European Union. Development co-operation may not be the top priority but it is certainly seen as an important foreign policy tool. Portugal also sees promoting the interests of its key partner countries as an important foreign policy priority. This is evident not only in its development co-operation, but also in its wider diplomacy. Portugal works closely with the Community of Portuguese-Speaking Countries (CPLP) which is involved in development, cultural and other issues (Box 1). Portuguese engagement in the CPLP is led by the Ministry of Foreign Affairs and is considered a priority.

Building a strategic framework for development co-operation

Portugal has made progress in building a clearer strategic framework for its development co-operation. The 2005 “*Strategic Vision for Portuguese Development Co-operation*” has been at the heart of this change (MNE/IPAD, 2005). This document sets out some guiding principles and priorities for Portuguese development co-operation by drawing on Portugal’s own experiences and foreign policy priorities, as well as international good practice and commitments. Thus, the document emphasises both Portugal’s commitment to the Millennium Development Goals and to the international promotion of the Portuguese language. It also outlines a mission statement which affirms Portugal’s contribution to international development, peace and democracy in general, and especially in Portuguese-speaking countries (Box 2). When added together, the priorities set out in the *Strategic Vision* – in terms of sectors and goals – remain broad. In addition, the document acknowledges that fragmentation is a challenge for Portuguese aid (Chapter 3). While it does outline the different modalities available for Portuguese development co-operation, it stops short of committing to a more programmatic approach or any specific modalities.

Box 1. The Community of Portuguese-Speaking Countries (CPLP)

The CPLP, established in 1996, is a forum for strengthening relations and co-operation between its eight members (Angola, Brazil, Cape Verde, Guinea Bissau, Mozambique, Portugal, Sao Tome and Principe, and Timor-Leste). Its objectives are:

- political and diplomatic co-ordination among its member states, strengthening their presence in the international arena;
- co-operation in education, health, science and technology, defence, agriculture, public administration, communications, justice, public security, culture, sports and media; and
- promotion and dissemination of the Portuguese language.

The CPLP holds regular meetings at head of state, ministerial and parliamentary levels. It seeks to promote mutually beneficial co-operation and is particularly active in cultural and in parliamentary co-operation programmes. One of its eight governing principles is the promotion of development. In 2006, the CPLP agreed a strategy for co-operation which endorsed the Millennium Development Goals.

Overall, the *Strategic Vision* has been a useful tool for pushing for better co-ordination of development co-operation. It emphasises the importance of tackling organisational and co-ordination issues and calls for a better link between political decision making and accountability. Reflecting the fact that local municipalities have also long played a role in Portuguese development co-operation, particularly in twinning arrangements between towns or regions, the *Strategic Vision* also identifies the need for a framework for the involvement of municipalities, to ensure co-ordination with other activities and priorities. This is one of the co-ordination areas where IPAD could make more progress (Chapter 4). Portugal has taken steps to realise the vision set out in the strategy. Crucially, its implementation has been supported by strong political backing from the Secretary of State for Foreign Affairs and Co-operation. Furthermore, in addition to the strategy itself, IPAD has tried to measure progress towards its objectives. In particular, implementation has been supported by an “operationalisation” document with individual action points (MNE/IPAD, 2006a) and an internal assessment of progress, which is publically available (MNE/IPAD, 2009a). Portugal has also tried to assess its own contribution towards the Millennium Development Goals (MNE/IPAD, 2008a).

Building on the overall strategic framework, Portugal is also developing a number of thematic strategies (Box 2). The drafts set out Portuguese intentions and priorities in the areas of education, health, environment, rural development, gender and good governance. However, although these were drafted in 2007, most still awaited formal approval in 2010. Their approval has been delayed so that the drafts can be discussed in the Development Co-operation Forum. Importantly, Portugal has also finalised a strategy for how it engages with multilateral organisations; this outlines which priorities to advocate for in order to increase coherence with its bilateral aid (Chapter 3) (MNE/IPAD, 2009b). It aims to use its voice to call for greater attention to Africa, to least developed countries and to fragile states and security issues. In addition, Portugal has updated its guidance for producing country-level indicative co-operation programmes (PICs) and has produced new PICs for each country. Each of these describes the development context in that country, before setting out Portugal’s priorities there (MNE/IPAD, 2006b).

A special feature of Portugal’s strategic framework is the use of whole-of-government strategies in some key areas. In particular, the *National Strategy for Security and Development* was a high-level response to a need for greater co-ordination and coherence between security and development (GoP, 2009a). “Security and development” is now an explicit focus of Portuguese development co-operation and has close links with broader Portuguese security-related co-operation (Chapter 6). It is also an area where inter-ministerial co-ordination has seen particular improvement through the new inter-ministerial strategy and the regular inter-ministerial meetings that have followed it. Other cross-government strategies exist in the areas of gender and the environment. While they are domestic policies, they also include international sections. Although they have not yet had a significant impact on development co-operation, they provide a good base on which to build.

Box 2. Key elements of the strategic framework for Portuguese development co-operation

A. The Strategic Vision (2005)

“The fundamental mission for Portuguese Development Co-operation is to contribute, most especially in the Portuguese speaking countries, to a better and more stable world that is characterised by economic and social development and by the consolidation and strengthening of peace, democracy, human rights and the rule of law.”

Guiding principles:

- Commitment to the Millennium Development Goals
- Reinforcement of human security
- Promoting the Portuguese language
- Promoting sustainable economic development
- Contributing to international development discussions

Priorities:

- Principles of human rights, good governance, environmental sustainability, cultural diversity, gender equality and the fight against poverty
- Portuguese speaking countries and their regions
- Good governance participation and democracy, sustainable development and the fight against poverty, particularly in education, health, rural development, environment and economic growth.
- Education for development and raising public awareness

B. Sector and thematic strategies

- Multilateral strategy
- Education
- Health
- Environment
- Rural development
- Gender
- Good governance, participation and democracy

C. National strategies

- Security and development
- Sustainable development
- Climate Change
- Implementing Security Council Resolution 1325
- Female genital mutilation
- Development education
- Human trafficking
- Domestic violence

Source: MNE/IPAD (2005), *Strategic Vision for Portuguese Development Co-operation*, MNE/IPAD, Lisbon, www.ipad.mne.gov.pt/images/stories/Publicacoes/VisaoEstrategica_ing.pdf

While the 2005 *Strategic Vision* has had a strong and positive impact on Portuguese development co-operation, a planned update will provide an opportunity to make some important adjustments based on the experience of the last five years. In particular, most development co-operation staff see Portuguese language training as one of a number of methods available to Portugal to promote poverty reduction and economic development. However, in some policy documents, including the *Strategic Vision*, and in other parts of government, promotion of the Portuguese language is seen as an end in itself. When updating the *Strategic Vision*, Portugal has the opportunity to make this important distinction clear and thus help ensure all ODA focuses on development objectives. The update should also set out how Portugal sees the future evolution of its development co-operation in terms of modalities and priority sectors. Portugal is already aware that given its limited budget it needs to ensure a strong focus and that it finds its niche or added value (Chapter 5). Updating the *Strategic Vision* is an opportunity for Portugal to focus even more. This should be based on an assessment of where its partners feel

Portuguese co-operation adds the most value and how to reduce fragmentation within its programmes. In addition, the strategy should be designed so that it can also be used as a tool for co-ordination and consolidation and a basis for buy-in from all relevant parts of government, from the big players like the Ministry of Finance to smaller ones like local municipalities. It should also refer to key cross government strategies. Updating the strategic document also provides an opportunity to deepen engagement with key stakeholders, particularly Parliament and civil society, as well as key partner countries.

Growing recognition of the importance of external engagement

The *Strategic Vision* emphasises the importance of Portugal’s contribution to debate and discussion on international development, a principle which is also evident in the multilateral strategy. In practice too, Portugal has engaged in international fora in order to advocate for issues of major concern to its key partners, notably fragility and security. Portugal’s success during its 2007 Presidency of the European Union (EU) in raising the profile of Europe’s relations with Africa, of fragile states and of migration and development is testament to its commitment to advocate for these issues. IPAD is responsible for engaging with the EU on development issues and with UN agencies, which enables it to take a lead policy role in these forums. However, the Ministry of Finance leads engagement with the international finance institutions. This means that improving co-ordination between IPAD and the Ministry of Finance will be fundamental to successful implementation of the multilateral strategy.

Increasing dialogue with Portuguese civil society on development issues

Portugal intends to deepen its engagement and dialogue with domestic civil society organisations and developmental non-governmental organisations (NGOs; MNE/IPAD, 2005). Whilst in practice the approach is not yet systematic, some progress has been made on specific initiatives:

- At the political level, the Secretary of State has established a close relationship with the Portuguese NGO Platform, an umbrella group of 57 NGOs.
- The introduction of quarterly meetings between the President of IPAD and the Portuguese NGO Platform.
- Portugal has established the Development Co-operation Forum which last year attracted over 40 stakeholder representatives, including NGOs, foundations, municipalities, unions and universities. IPAD used this forum to consult key NGO stakeholders on the development education strategy, agreed in 2009. More recently it used it to seek views on updating the *Strategic Vision*. NGOs widely appreciate the introduction of the Development Co-operation Forum, but they note it could be improved by including more organisations. Currently participating organisations are able to suggest agenda items. They felt that allowing them to engage in setting the agenda would be an important step forward.
- In its 2009 call for proposals, IPAD prioritised NGO funding applications which included advocacy components, indicating it is keen for NGOs to play a more active advocacy role.

Portugal can build on these recent experiences to construct a more strategic approach to its dialogue with civil society and NGOs. Making use of umbrella organisations or foundations could help support the advocacy efforts of smaller organisations without any fear of compromising their independence. Portugal also needs to consider ways to ensure its policies, strategies and procedures enable civil society organisations to make a substantive contribution in each of its partner countries. When the last round of PICs were drawn up, for example, although IPAD succeeded in consulting 18 government departments, it did not consult its own civil society unit which would have been well placed to consider the potential role and views of civil society organisations. This opportunity should not be missed when the next round of PICs are discussed.

The ongoing challenge of engaging the private sector

Portugal needs to reassess its approach to involving the private sector in development. The *Strategic Vision* highlights the importance of both supporting private sector development in partner countries and of mobilising international private resources for development. It acknowledges that Portuguese companies are already active in Portugal's priority partner countries. The *Strategic Vision* has called for the establishment of an institution to involve Portuguese enterprises in the economic development of key partner countries (MNE/IPAD, 2005). In response to this, in 2008, Portugal established SOFID (*Sociedade para o Financiamento do Desenvolvimento*), a 60% state-owned financial institution. SOFID aims to contribute to the sustainable development of the business sector in developing countries but also to support Portuguese companies and to internationalise Portuguese business, one of Portugal's main foreign policy objectives. SOFID only supports investment proposals from companies or consortiums which have at least 20% Portuguese capital. When using ODA, Portugal should ensure that development, rather than the internationalisation of Portuguese business, remains the primary purpose. Although SOFID was conceived to contribute to Portugal's development efforts, IPAD – which has the leadership and co-ordination mandate for all Portuguese development co-operation – only has an observer role on SOFID's board. In practice, the fund has been slow to disburse funds and even to agree commitments, possibly due to a lack of visibility or clarity over its core mission. Within the next three years, Portugal should evaluate SOFID's contribution to development, poverty reduction and the development of the local private sector in partner countries.

Fledgling efforts to integrate cross-cutting issues

Despite their rising profile at the national level, neither the environment nor gender equality have been priorities for Portuguese development co-operation. This is true both for direct financial support and for mainstreaming these issues into the general programme. Whilst Portugal has recently developed whole-of-government strategies for gender equality (GoP, 2007a, 2009b) and the environment (GoP, 2006), these are yet to have a significant impact on development co-operation. IPAD has also developed thematic papers on each of the issues, but these have not yet been formally approved and do not focus on *integrating* the two issues into wider Portuguese development co-operation.

There is minimal screening of development co-operation projects for both gender equality and environmental issues. Although five of the six current PICs include integration of gender and environment as an objective, it is not evident that this is yet

translating into projects and programmes. IPAD has the mandate to promote cross-cutting issues across Portuguese development co-operation. Yet, its limited resources and expertise on these specific issues constrain IPAD's ability to promote mainstreaming, both internally and with line ministries and other partners. IPAD could draw on existing expertise and prioritisation of both environment and gender equality across the Portuguese government in order to mainstream these two issues. Some existing efforts include a planned Ministry of Environment training for Portugal's development co-operation staff on environmental screening, climate change, disaster risk reduction and the use of environmental impact assessments. There are also plans to make use of OECD and EU policy guidance in these areas as work on environmental issues grows, notably on integrating climate change adaptation into development co-operation (OECD, 2009a) and integrating climate change considerations into policy (EC, 2003). Neither of these practices is yet apparent in Portuguese development co-operation. Portugal has, however, already piloted a short course on gender in fragile states for development staff and new diplomats.

Portugal has recently improved its reporting on the gender equality and environment statistical markers which indicate low prioritisation of the two cross cutting issues.¹ For the gender equality marker this has highlighted that gender is not well mainstreamed into Portugal's development co-operation projects and very rarely is gender equality the principal objective of a project. Projects which have environment as a principal objective are also few. Portugal is now trying to report how much of its aid supports environmental issues using the Rio Environment Markers. Better screening processes and greater awareness will also help Portugal to improve its application of the statistical markers.

Despite the lack of an overarching approach to environmental issues and gender equality within development co-operation, Portugal has supported some innovative initiatives, mainly in response to specific requests from partner countries. These illustrate how Portugal can integrate these issues into its wider development co-operation programme. For example, Portugal has:

- supported training of partner officials on conducting and using environmental impact assessments;
- helped the government of Cape Verde to train a group of environmental inspectors; and
- provided police training in Cape Verde including techniques for dealing with domestic violence.

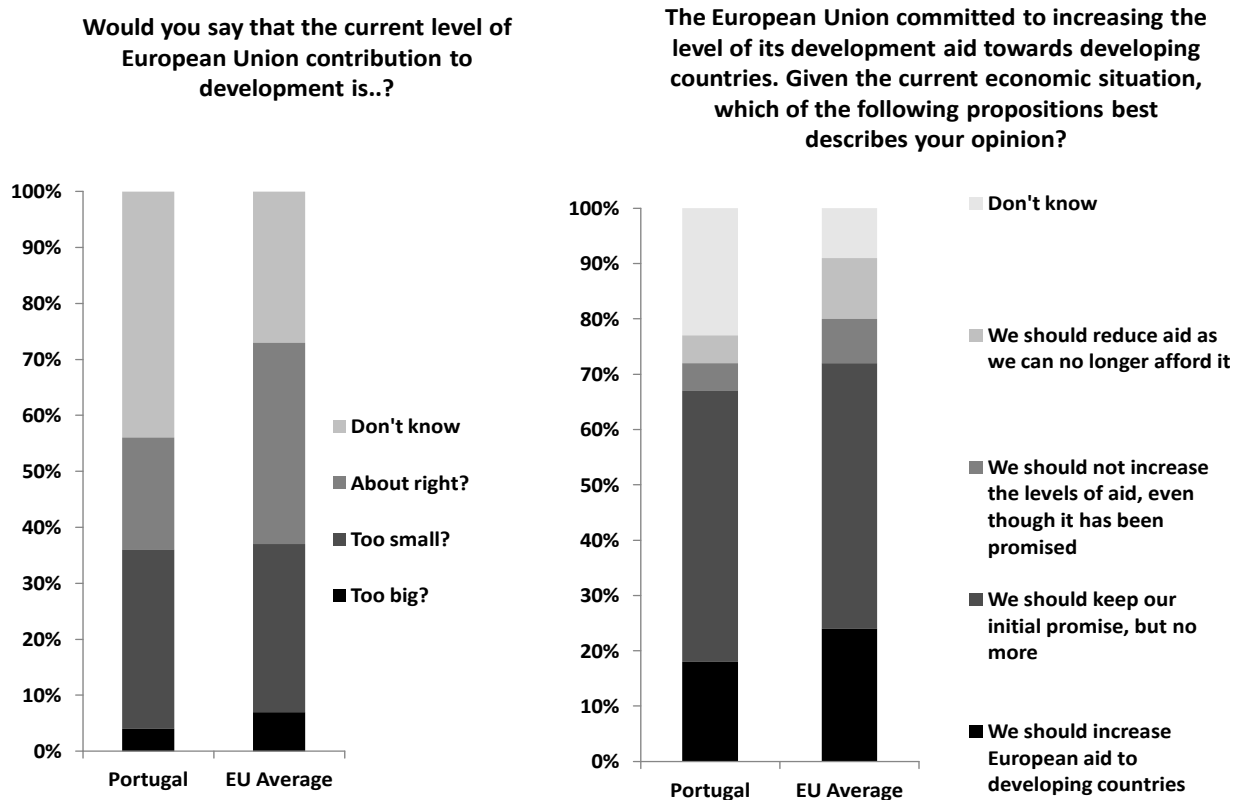
There has been a recent rise in interest in environmental issues following a push at ministerial level and good experiences in inter-ministerial co-operation for international climate summits. The same push may also increase spending on environmental issues, specifically on renewable energy projects. However, Portugal should ensure any expansion into new spending areas avoids further fragmenting its development co-operation (Chapter 3) and is not tied to Portuguese products (Chapter 5). As yet, there has not been the same level of political attention given to gender equality within development; although a political push helped Portugal to agree a national action plan on

1. These self-assessed markers, in contrast to coding of ODA by sector, aim to measure the extent to which gender or the environment are considered as objectives within all projects and programmes. Although Portugal provided a submission, it was agreed that the results were not accurate. Portugal will conduct the exercises for 2009 data.

implementing UN Security Council Resolution 1325, on women in conflict. Such attention may be necessary to make further progress and to secure resources to develop and apply an appropriate screening system and a training or awareness-raising programme for staff.

The importance of building public and political awareness

There is public support for Portuguese development co-operation, but it needs to be strengthened if Portugal is to have the public and political backing necessary to make progress towards its aid volume commitments (Chapter 3). Available data for 2009 indicate that levels of support for development in Portugal were not markedly different from the European average. In 2009, a similarly high proportion of people surveyed in Portugal and the EU in general believed that aid promises should be kept (though not expanded) (Figure 1). In Portugal, however, a high proportion of people answered “don’t know” when asked about levels of EU spending on aid. On the other hand, basic awareness of the MDGs was higher in Portugal (35%) than the European average (24%). This may be linked to an MDG awareness raising campaign, partly supported by IPAD. Taken together, these figures indicate that Portugal already has a good interest base from which it could deepen awareness and public support. This, in turn, should stimulate the political support needed for increasing development co-operation.



Source: EC (2009a), “Development Aid in Times of Economic Turmoil”, *Special Eurobarometer*, No. 318, EC, Brussels, http://ec.europa.eu/development/icenter/repository/eurobarometer200910_en.pdf

There is limited parliamentary engagement in Portuguese development co-operation, in spite of the existence of a Committee on Foreign Affairs. There are few “champions” pushing for increased development co-operation. Portugal perceives that this is because of limited interest and support amongst the general public. It needs to tackle both the limited support in parliament and amongst the general public simultaneously. The Portuguese government, including IPAD, should take a more pro-active approach to engaging parliamentarians on key strategic issues. Useful strategies would be to consult parliamentarians on updating the *Strategic Vision* and PICs, and involving them in following up aid programme reviews, including this peer review. Portugal also needs to ensure it responds quickly when parliamentarians do take an interest in a specific partner country or issue, as they did with UNITAID, the levy on commercial airplane flights to garner resources for investment in health in low income countries.

The need to develop a strategic approach to communication

Portugal has no communication strategy to support its development co-operation, nor has IPAD allocated sufficient resources to the communication area. However, IPAD has launched a number of specific communication initiatives since the last peer review which it hopes it can use to inform a future strategy. Of particular note is the introduction of the Portuguese Development Days. Now in their third year, the Development Days have grown each year and in 2009 there were around 8,000 visitors. Other initiatives include new media and television promotion of the Millennium Development Goals and other general development issues. However, IPAD has not yet focused on communicating the results of Portuguese development co-operation spending. Portugal would benefit from a properly resourced communications strategy, which:

- encourages much more proactive engagement with key stakeholders, particularly parliamentarians and the media;
- sets out how IPAD’s communications team can forge better links with other parts of government;
- focuses on the contribution of Portuguese development co-operation to development results;
- draws on experience or assessments of the effectiveness of its own communication efforts to date, and those of other donors, for example the OECD Network of Development Communicators.
- addresses how all IPAD and other development co-operation staff can contribute to communication.

Portugal has prioritised development education at home

Portugal has made significant progress on development education (i.e. educating the public on development issues and promoting global citizenship) and has a long-term perspective on building public awareness and support. IPAD’s strategy draws in commitment from other parts of government, notably the Ministry of Education, and civil society organisations (Box 3). This follows on from the prioritisation of development education in the *Strategic Vision* and IPAD’s decision, in 2005, to establish a development education budget line for NGOs. IPAD’s budget for development education, which covers NGO projects and its own activities, increased from EUR 0.5 million in

2005 to 1.5 million in 2009. A number of teaching packs have been produced and development education forms part of the curriculum at teacher training colleges. IPAD also participates in international development education networks. Portugal's progress and lessons in implementing its development education strategy is likely to be of interest to other DAC members.

Box 3. The Portuguese National Strategy for Development Education (2010-2015)

This first national development education strategy was published in 2009 following consultation with national stakeholders - including the Ministry of Education and the NGO Platform. Although IPAD led the process and provides the secretariat to follow up on it, the strategy is considered to be national. Thus IPAD has co-operated with others to draw up an action plan to implement the strategy and each stakeholder – NGOs and relevant government departments – must allocate some of their own resources to deliver it. The strategy's four specific aims are:

1. Building the capacity of Portuguese public bodies, civil society organisations and development education actors.
2. Promoting the advancement of development education in Portugal's formal education sector at all levels, including participation by educational communities.
3. Promoting the advancement of development education in non-formal education settings in Portugal, including the participation of various Portuguese civil society groups.
4. Promoting awareness raising and political advocacy to call for government action for international development.

Source: MNE/MinEd 2009

Future considerations

- Portugal should use the planned update of its *Strategic Vision* as an opportunity to: (i) encourage engagement and support of civil society and parliamentarians; (ii) reiterate that language instruction, when funded by ODA, should only be used to promote development; and (iii) set out how it will reduce the fragmentation of its programmes and make use of different aid modalities.
- Portugal should revisit its approach to engaging the private sector in development. Portugal should (i) give IPAD a full seat on the SOFID board; and (ii) over the next three years, evaluate the extent to which SOFID has contributed to the development of the local private sector and, more broadly, to development and poverty reduction, in partner countries.
- IPAD should appoint sufficient staff to develop and implement a practical action plan for integrating (i) gender equality and (ii) environmental sustainability across Portuguese development co-operation.
- Portugal needs to develop and fund a communications strategy which is pro-active, includes parliamentarians as a key target group, and goes beyond general awareness raising to demonstrating development results.

Chapter 2

Policy Coherence for Development

Aid alone cannot ensure development. Alongside official development assistance, other financial flows and the non-aid policies of donor countries have a significant impact on developing nations. In recognition of this fact, OECD members are committed to ensuring that their non-aid policies support, or at least do not hinder, partner countries' development. In other words, they will pursue *policy coherence for development* (PCD). The *OECD Ministerial Declaration on Policy Coherence for Development* adopted in June 2008 confirmed this commitment (OECD, 2008a). To achieve policy coherence for development, DAC members need: (i) political commitment and policy statements that translate commitment into plans of action; (ii) policy co-ordination mechanisms that can resolve conflicts or inconsistencies between policies and maximise synergies for development; (iii) systems for monitoring, analysing and reporting on development impacts of donors' policies (OECD, 2009b, 2010b). These are the *building blocks* for policy coherence for development. Since the last peer review, Portugal has made good progress towards ensuring greater policy coherence for development (Table 1). The existing inter-ministerial co-ordination mechanisms have proven useful for helping ministries work together around some policies that affect partner countries (e.g. migration and security). The new law on PCD approved by the Council of Ministers in November 2010 should help to formalise this process. Portugal then needs to develop its capacity to monitor, analyse and report on the impact of its policies on partner countries' development.

Table 1. Portugal's progress since 2006 towards the three PCD building blocks

Building block	Situation in 2006	Progress made by 2010
Building Block A: <i>Political commitment and policy statements</i>	<ul style="list-style-type: none"> Portugal did not have a policy statement clearly stating its commitment to ensure coherence of its policies with development objectives. There was not much political or public attention to policy coherence for development. 	<ul style="list-style-type: none"> A law on policy coherence for development was approved in November 2010. National laws and strategies on migration and security and development demonstrate Portugal's commitment to ensuring that its policies do not undermine partner countries' development. Portugal has made some efforts to raise public awareness and build public support for PCD.
Building Block B: <i>Policy co-ordination mechanisms</i>	<ul style="list-style-type: none"> It was not clear if the Council of Ministers and the Inter-ministerial Committee for Co-operation (CIC) could act as co-ordination mechanisms to promote PCD. IPAD lacked capacity to involve key ministries in policy co-ordination. 	<ul style="list-style-type: none"> The new law on policy coherence for development focus on strengthening and clarifying the roles of inter-ministerial co-ordination mechanisms. The existing co-ordination mechanisms (Council of Ministers and CIC) have checked how some policies (e.g. migration and security) might affect partner countries' development, but this is not yet systematic.
Building Block C: <i>Monitoring, analysis and reporting</i>	<ul style="list-style-type: none"> IPAD lacked analytical capacity and human resources to assess the development impact of Portuguese policies. 	<ul style="list-style-type: none"> The new law requires Portugal to report on PCD every two years. It is not clear if it will also ensure Portugal has systems to monitor, analyse and report on policy coherence. Field offices and partner countries sometimes provide informal feedback on the impact of Portuguese policies at the field level. Portugal should encourage this process.

Building political commitment to policy coherence for development

Enshrining Portugal’s commitment to PCD in a new law

Portugal adopted its first law on policy coherence for development in November 2010. The new law aims to: (i) confirm Portugal’s commitment to ensuring that its national and international policies do not negatively affect partner countries’ development, (ii) strengthen inter-ministerial co-ordination mechanisms at political and technical levels, and (iii) reinforce PCD monitoring through the elaboration of a biennial whole-of-government report. At a political level, the Ministry of Foreign Affairs will be responsible for co-ordinating sectoral ministries around PCD issues. IPAD will play a similar role at the technical level, supporting a “network of PCD focal points” consisting of representatives from each ministry participating in the CIC. This network will also provide inputs to the national report on PCD, to be produced every two years under IPAD’s lead.

Enacting this law is a major step forward in consolidating Portugal’s commitment to policy coherence for development. It puts Portugal ahead of many other DAC members since only a minority have so far adopted specific and binding policy statements on policy coherence for development (OECD, 2009b). Now that the law has been approved, it should provide a good platform for raising awareness and engendering a cultural shift in favour of domestic policies that support international development. To maximise its positive impact, Portugal should apply the new law; give the co-ordinating institutions the mandate, tools and authority to check for policies that could undermine partner countries’ development; and establish mechanisms for analysing and reporting on the impacts of Portugal’s policies on partner countries.

Even before enacting the legislation, Portugal showed commitment to ensuring consistency of its policies with partners’ development objectives in some specific areas. The 2005 *Strategic Vision* recognised that achieving the MDGs depends not only on official development assistance, but also on “coherence in the different spheres of economic policy” (MNE/IPAD, 2005). This concern has been reflected in several national strategies approved in Portugal in the past three years. These strategies cover issues such as migration, security, climate change and gender equality, and should help Portugal to ensure that development is considered in these specific areas. They integrate development concerns at different levels:

- The national policies on *migration* and *security and development* clearly look for coherence with development objectives. The *Immigration Law* (GoP, 2007b) and the *National Plan for Migrant Integration* (GoP, 2007c) take into consideration the impact of migration on development and include pro-development measures (Box 4). The *National Strategy for Security and Development Co-operation* (GoP, 2009a) integrates development concerns into Portugal’s security interventions, promoting the “security and development nexus” (Chapter 6).
- The policies on *sustainable development*, *gender equality* and *climate change* are whole-of-government documents. Each includes sections on development co-operation (GoP, 2006, 2007a, 2007d). They do not explicitly aim to foster coherence between national policies and partner countries’ development objectives. Nevertheless, they indicate Portugal’s commitment to integrating development co-operation as one of the government’s priorities in each area. They may also help to

raise awareness within line ministries of development co-operation and result in a stronger commitment to international development.

The Portuguese government has supported some public awareness initiatives on the importance of ensuring consistency of Portugal’s policies with partner countries’ development. It held a discussion about policy coherence for development and implications for Portuguese co-operation in the *Development Co-operation Forum* (Chapter 1). In addition, IPAD co-funds the NGO project *Coerência.pt* which aims to monitor how Portugal’s and the European Union’s policies affect the development of African, Caribbean and Pacific states (ACP). Over three years, the project will produce case studies in 12 policy areas: trade, environment and climate change, security, agriculture, bilateral fisheries agreements, social policies, migration, research and innovation, information technologies, transport and energy. The project should harvest information that will help the government to identify and address issues of incoherence.

Commitment to PCD at European level can help promoting it at national level

Portugal has been very engaged in promoting policy coherence for development at the European level. PCD was one of the key priorities in Portugal’s agenda during its 2007 Presidency of the European Union. During Portugal’s Presidency, the EU Council adopted four *Council Conclusions* that reinforced European commitment to ensuring that its policies will not harm developing countries, particularly in the areas of migration, security and climate change (European Council, 2007a, 2007b, 2007c, 2007d). Portugal also played an active role in the negotiation and approval of the EU-Africa Joint Strategy and its first action plan (2008-2010). The strategy’s objective is to deepen the political partnership to jointly address common challenges on areas that go beyond development assistance, such as climate change, development, energy, migration, peace and security, trade and regional integration, good governance and human rights (EC, 2009b). This is also seen as an opportunity to reinforce coherence and complementarity of the support provided by the European Union and its member states to Africa (MNE/IPAD, 2010a). In addition, as agreed by the EU Council, Portugal regularly provides inputs to the European Commission biennial report on PCD.

Portugal has also advocated in European Union fora on behalf of its partner countries, promoting their interests in areas beyond development assistance. For instance, following its graduation from the least-developed countries’ list, Cape Verde would lose preferential partnerships with the European Union. Portugal helped its partner to overcome this difficulty by helping to negotiate a one-year extension of Cape Verde’s participation in the EU’s Everything but Arms (EBA) programme.² Portugal also helped Cape Verde to establish a special partnership agreement with the European Union aiming to cover areas of common interest, including aid and non-aid issues (Annex D).

Portugal’s success in raising the profile of policy coherence for development at the European level could help it make further progress nationally. For instance, the national strategies – particularly those on migration and security and development – translate commitments made at the EU level into national laws and policies. Portugal should

2. The “Everything but Arms” programme was adopted in 2001 and removed quantitative and tariff barriers to the EU market for least developed county (LDC) exports.

extend this practice to other areas and take advantage of the high profile of PCD at the European Union level to promote it at the national level.

Co-ordination mechanisms should be used to support PCD

Portugal's existing inter-ministerial co-ordination mechanisms do not systematically check for potential inconsistencies between Portuguese policies and partner countries' development. There are two main government fora where policy coherence issues can be discussed: the Council of Ministers and the Inter-ministerial Committee for Co-operation (CIC). As the highest level executive body, the Council of Ministers has the authority to deliberate on national bills, including those that might affect partner countries. However, it does not regularly verify if policies are coherent with partner countries' development objectives. It is the Secretary of State for Foreign Affairs and Co-operation who is able to bring development to the Council's agenda.

The CIC and other thematic inter-ministerial commissions promote government co-ordination in development co-operation, but do not necessarily take into account the impact of other national policies on development objectives. The CIC was created in 1985 to reinforce co-ordination of Portugal's development co-operation policies under the lead of the Ministry of Foreign Affairs. It is currently chaired by IPAD and brings together technical-level officials from other ministries and government agencies to consult and exchange information about development co-operation. Alongside this inter-ministerial committee, Portugal has some *ad hoc* inter-ministerial commissions on specific topics such as climate change and security and development. Together, these groups help Portugal to take more of a whole-of-government approach to international co-operation. They have also helped to sensitise other ministries to the development impact of their policies, as in the example of migration (Box 4).

While these existing inter-ministerial co-ordination mechanisms do not systematically address PCD issues, they have proven useful for advancing development coherence in several policy areas. For instance, they worked well in agreeing national strategies on migration, security and development, gender equality, climate change and sustainable development. These strategies were firstly debated by the CIC and the thematic inter-ministerial commissions and then submitted to the Council of Ministers for approval. Portugal could consider how these co-ordination mechanisms could be applied more systematically for ensuring coherence between national policies and development objectives.

Following adoption of the new law, Portugal is expected to strengthen the existing co-ordination mechanisms, which should help to systematise its identification of policy incoherencies. It will be important to specify how the "network of PCD focal points", existing as a sub-committee in the CIC, will promote government co-ordination to identify inconsistencies or conflicts between different policies and how it will feed its conclusions up to the Council of Ministers. Portugal could build on the example of the *Immigration Law* and *National Plan for Migrant Integration* to learn how its co-ordination mechanisms advanced policy coherence in the migration area (Box 4).

Box 4. Policy coherence for development in practice: the example of migration

- Portugal has made progress in ensuring policy coherence for development in the area of migration: it is politically committed to create positive synergies between migration and development and its policy co-ordination mechanisms are helping to realise this objective.
- **Political commitment:** Portugal has made national and international commitments to enhance synergies between migration and development.
- At the national level, it approved a *Migration Law* and a *National Plan for Migrant Integration* which consider the developmental impact of migration flows. Both documents were prepared following a wide consultation process with different government ministries, civil society organisations and migrant associations in Portugal. These consultations suggested the need for a migration policy that promoted not only the interests of Portugal, but also those of the migrants and their native countries. At IPAD's request, the *Migration Law* includes measures on circular migration – facilitating the entry of foreign workers and students who wish to return to their countries of origin after a temporary stay in Portugal. However, this law also includes a special regime for high-skilled foreign workers, which might cause negative brain drain effects. The national plan aims to facilitate remittances, increase immigrants' access to job offers and public services, stimulate circular migration and encourage migrants to invest in their home countries.
- At the international level, Portugal considers migration and development as a priority area for advancing PCD within the European Union, making it a special topic of its 2007 EU Presidency. It is also very active in the Global Forum on Migration and Development (MNE/IPAD, 2009c).
- **Co-ordination mechanisms:** The Inter-ministerial Committee for Co-operation (CIC) has proven to be a good mechanism to ensure PCD in the area of migration. It provided an effective communication channel between IPAD and the Ministry of Internal Affairs, helping to build trust between these two institutions and sensitising the Ministry of Internal Affairs to development issues. Both the *Migration Law* and the *National Plan for Migrant Integration* were discussed at the CIC and the national plan was approved by a Council of Ministers' resolution. IPAD, as the CIC's chair, played an important role in ensuring that development aspects were taken into consideration in these documents.

The need to monitor, analyse and report the impacts of its policies on development

Portugal does not have sufficient capacity or resources to systematically collect and analyse evidence of the development impact of its policies in partner countries. It does not yet have a system for monitoring, analysing and reporting on the development coherence of its policies. However, its new law obliges Portugal to produce a report on policy coherence for development every two years, and this should encourage greater monitoring and analysis of PCD. IPAD does not have enough staff in the field to monitor activities beyond development assistance but does make use of informal and *ad hoc* feedback from field missions and partner countries. Indeed, informal feedback has already proven to be relevant for promoting coherence. For example, Portugal's decision to advocate on behalf of Cape Verde within the European Union was taken after feedback from the field on the potential difficulties arising from Cape Verde's graduation to a middle income country (Annex D).

Portugal could improve its capacity to monitor and analyse policy coherence for development by building on its existing assets and experience. Firstly, development co-operation and line ministries staff based at embassies could work together more regularly. They could collect evidence of the impact of Portugal's policies and activities in the field and feed their impressions back to respective ministries, IPAD and the institution or

co-ordination mechanism in charge of resolving policy incoherencies. Secondly, Portugal could invest more in initiatives such as *Coerência.pt* (see above) to gather additional evidence on PCD. Finally, Portugal could improve its PCD analysis when developing the indicative co-operation programmes (PICs). The current guidance suggests that each PIC document should have a section on “Analysis of cohesion between aid and development policy and other Portuguese policies.” However, none of the existing six co-operation strategy documents contains a substantive analysis of the effects of non-aid policies and activities on the partner country. Instead they simply reaffirm the commitment to co-ordinate co-operation activities conducted by different Portuguese actors. The PCD section in each country strategy should analyse the potential incompatibilities and synergies among its different policies in each partner country. This analysis should inform Portugal’s political, commercial and co-operation relations with each partner.

Future considerations

- Portugal should apply the new law on policy coherence for development, including by (i) strengthening the institutions or co-ordination mechanisms with a mandate, tools and authority to promote PCD; and (ii) establishing systems to monitor, analyse and report on the development impacts of Portugal’s policies on partner countries.
- Portugal should use the new law as a tool to raise awareness of policy coherence for development amongst the public, parliament and government officials.
- Under IPAD’s co-ordination, the line ministries’ attachés and development co-operation staff at embassies should work together on a regular basis to collect and relay evidence on the impacts of Portuguese policies and activities in partner countries.
- Portugal should further develop the policy coherence section in its country strategies to map out how it will analyse, monitor and deal with policy coherence for development on an ongoing basis. This could also help to make feedback from the field systematic.

Chapter 3

Aid Volumes, Channels and Allocations

Portugal's official development assistance (ODA) has not increased significantly over the past five years; 2009 data confirm that the country is well off track to meet its international ODA commitments. Development co-operation does not have a specific line in the state budget and increasing ODA levels depends on negotiation with a wide array of government ministries. Portugal's bilateral aid is focused on six Portuguese-speaking countries and most of its multilateral aid is channelled to the European Union. The planned increased use of loans is likely to worsen the financial terms and conditions of Portugal's aid as well as its focus on least-developed countries.

Overall official development assistance

Portugal is not on track to meet its international ODA commitments

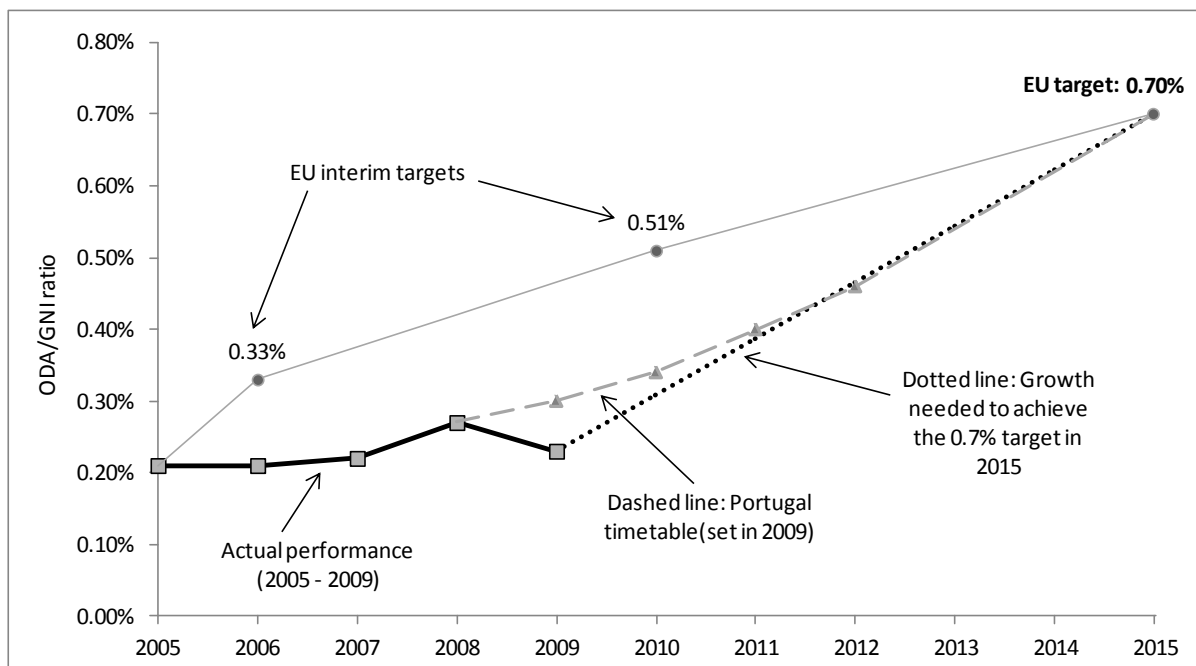
Portugal is not on track to achieve the international official development assistance volume targets agreed at European and global levels. Aiming to increase aid to 0.7% of gross national income (GNI) by 2015, EU member states have agreed to meeting minimum country targets of 0.33% in 2006 and 0.51% in 2010 (European Council, 2002, 2005). However, between 2005 and 2008, Portugal's ODA disbursements were consistently below 0.3% of GNI despite incremental aid volume increases (Figure 2). Net ODA disbursements increased from USD 377 million in 2005 to USD 620 million in 2008, but in 2009 it dropped to USD 507 million (at current values). In 2009, Portugal was ranked 18 out of 23 DAC members in terms of its ODA/GNI ratio, which was 0.23% that year.

In recognition of the fact it was not on track to meet the EU interim aid volume targets, Portugal has set a new timetable for ODA increases. However, it is also falling short of this growth path (Figure 2), which included milestone targets of 0.30% of GNI in 2009, 0.34% in 2010, 0.40% in 2011 and 0.46% in 2012 (GoP, 2009c). Portugal did not achieve its own 2009 objective and is significantly off track to meet the 2010 national and EU targets. Assuming that Portuguese GNI in 2010 remains at 2009 levels, Portugal would have to increase its net ODA by 74% in 2010 to reach its own 0.4% of GNI target (net ODA equal to USD 881.7 million) and more than double it to meet the EU 2010 target (0.51% of GNI, or USD 1.1 billion). Furthermore, to meet the 0.7% target by 2015 Portugal would need roughly to triple its annual ODA budget by 2015 (assuming constant GNI).

External and domestic constraints hold back aid growth

Increases in the development co-operation budget are constrained by international and domestic economic conditions, EU budgetary discipline requirements and the complexity of Portugal's budgeting system. The international economic and financial crisis deeply affected the Portuguese economy, which did not grow in 2008 and contracted in 2009 (OECD, 2010c). This has limited Portugal's capacity to increase public expenditure while also respecting the European Union's Stability and Growth Pact (EC, 2010a). In 2009, Portugal exceeded the maximum levels of government deficit and debt defined in the pact (EC, 2010b). This tight fiscal framework means that public expenditure, including aid, is under pressure.

Figure 2. Evolution of Portugal's ODA/GNI ratio against commitments



Source: OECD DAC statistics; GoP (2009c), "Orçamentação por Programas – Relatório" (Programme Budgeting – Report), Orçamento do Estado para 2009 – Relatório (State Budget 2009 – Report), GoP, Lisbon, www.portugal.gov.pt/pt/Documentos/Governo/MF/rel_OE2009.PDF

The complexity of the development co-operation budgeting process also hampers substantial ODA increases. In particular, growth is constrained by:

- **The absence of multi-year targets for ODA growth in the state budget.** Portugal's ODA budget is currently defined on an annual basis, which does not ensure a sustainable growth path. Despite a pilot multi-year budgeting calendar for ODA increases from 2009 onwards, the actual state budget document does not include these targets.
- **The lack of a single budget line for development co-operation and fragmentation of the aid budget.** Portugal's ODA budget is dispersed across 15 ministries and a common document summarises all development co-operation planned expenditures

(Chapter 4). However, the absence of a specific line or financial envelope for development co-operation in the state budget means that ODA levels are not secured and any increases depend on line ministries that do not necessarily see international co-operation as a priority. IPAD controls only 14% of the ODA budget (MNE/IPAD, 2010a) and does not seem to have enough authority to push for budget increases in the various ministries.

- **Budget allocation based on past expenditures.** This inhibits substantial financial increases and budget flexibility. The state budget is first allocated to each ministry and then shared among intra-ministerial divisions. The allocation for development co-operation inside ministries is based on past expenditures. This only allows for incremental growth of the ODA budget and gives little room for reallocating the budget among different actors.

Setting and sticking to a realistic growth path

Despite these constraints and the adverse international economic context, Portugal should honour its national and international commitments to allocating 0.7% of GNI. In the current fiscal context, it may not reach this by the EU target date of 2015. However, it should achieve a significant increase by this date and should set and stick to feasible targets up to 2015. It should follow the example of ten DAC members (including seven EU countries) who increased their ODA budgets in 2009 in spite of the financial crisis. It should work within an EU framework to agree a new timeline beyond 2015 and then abide by that timetable. As the economic situation in Portugal improves, Portugal should speed up its efforts to meet its international commitments. Securing significant increases up to 2015 will be important for Portugal's credibility as an important player in development co-operation and will require political commitment from the Portuguese government. Increases would also be facilitated by reform of the current budget process.

Official development assistance is outweighed by private financing

Official development assistance is only one type of financial flow between Portugal and developing countries. The other types include *other official flows* (official transactions which do not meet the ODA criteria) and *private flows at market terms* (e.g. direct investment and export credits). From 2001 to 2007, other official flows to developing countries were negative, largely because of non-ODA loan repayments.³ Repayments were particularly important in 2007 and resulted in a net flow of USD 237 million *from* developing countries to Portugal (ODA was USD 471 million in the same year; Table B.1, Annex B). Portugal should consider partners' ability to service debts when agreeing both non-ODA loans and ODA eligible loans to developing countries. In almost every year since 2005, private flows from Portugal to its partners have overshadowed total official flows (sum of official development assistance and other official flows; Table B.1, Annex B). In 2008, private flows were USD 906 million. In the same year migrants' remittances to LDCs were around USD 100 million.

3. There were no other official flows from Portugal to developing countries in 2008 and 2009.

Bilateral co-operation

A strong geographical focus

Portugal's bilateral co-operation remains focused on a small number of Portuguese-speaking countries. Its six priority partner countries are all vulnerable: five are least developed countries (LDCs), two are small island developing states (SIDS) and four are in situations of fragility⁴ (Table 2). Nevertheless, their partnership with Portugal is solid and stable, based on deeply-rooted historical ties (Chapter 1). Given the limited size of Portugal's aid programme, the strong focus on these six countries is very important and should be retained.

Table 2. Portugal's priority partner countries

Priority partner countries	Portuguese-speaking	Least developed country	Fragile state	Small island developing state
Angola	X	X	X	
Cape Verde	X			
Guinea-Bissau	X	X	X	
Mozambique	X	X		
São Tomé and Príncipe	X	X	X	X
Timor-Leste	X	X	X	X

Source: MNE/IPAD (2010a). *Portuguese Co-operation Memorandum 2010*, MNE/IPAD, Lisbon

Table 3. Main recipients of Portuguese net bilateral aid, average 2007-2008

(Constant 2008 USD million)

Top ten recipients	Top ten recipients of grants	Top recipients of loans
Cape Verde 55	Timor-Leste 45	Morocco 48
Morocco 48	Cape Verde 40	Cape Verde 21
Timor-Leste 45	Mozambique 24	Bosnia-Herzegovina 16
Mozambique 24	Angola 20	
Angola 20	Guinea-Bissau 17	
Bosnia-Herzegovina 18	Serbia 17	
Guinea-Bissau 17	Sao Tome and Principe 14	
Serbia 17	Afghanistan 12	
Sao Tome and Principe 14	Lebanon 11	
Afghanistan 12	Brazil 3	

Note: countries with names in bold are not among Portugal's priority partner countries.

Source: OECD DAC Statistics.

However, loans to middle income countries (MICs) have recently affected the geographic concentration of Portuguese bilateral aid and reduced its strong focus on LDCs. Between 2007 and 2008, loans made Morocco the second and Bosnia-Herzegovina the sixth biggest recipients of Portuguese aid (Table 3). As a result, the proportion of net bilateral aid directed to the six priority partner countries decreased from an average of 84% from in 2002-06, to 53% in 2007-08. Similarly, increased use of loans

4. A fragile state is one "with weak capacity to carry out the basic state functions of governing a population and its territory and that lacks the ability or political will to develop mutually constructive and reinforcing relations with society." (OECD/DAC International Network on Conflict and Fragility website).

affected the share of aid to LDCs, which decreased from 61% in 2006, to 39% in 2008 (Table B.3). Cape Verde’s graduation from LDC status in 2008 also contributed to this reduction. Compared with the DAC member average, Portuguese aid is still more geographically concentrated (OECD, 2009c) but Portugal should be careful to resist further dispersal of its aid and should retain its focus on LDCs.

A fragmented programme despite sectoral concentration

To promote sectoral concentration, the 2005 *Strategic Vision for Portuguese Development Co-operation* identified three priority working areas: (i) good governance, participation and democracy; (ii) sustainable development and the fight against poverty; and (iii) development education. DAC statistics confirm that Portugal has increased its sectoral concentration since the *Strategic Vision* was introduced. Although Portugal is present in an average of 10 sectors in its priority partner countries, three sectors are increasingly attracting Portuguese bilateral ODA: (i) education; (ii) government and civil society; and (iii) transport and storage (Table B.5, Annex B). These three sectors (named according to DAC Sector classification) are in line with the strategic axes identified in the 2005 *Strategic Vision*.

- Education received 22% of bilateral ODA between 2007 and 2008, up from an average of 17% in 2002-2006 (half of this support consists of scholarships).
- Government and civil society accounted for 28% of bilateral ODA in 2007-2008, twice as much as the 2002-2006 average of 14%. Within this sector, conflict, peace and security absorbed 22% of bilateral ODA in 2007-2008, up from only 4% in 2002-2006. This highlights Portugal’s strong commitment to countries affected by fragility.
- Transport and storage received 11% of bilateral aid in 2007-2008, compared with an average of 3% between 2002 and 2006. This growth is largely accounted for by loans, which often focus on economic infrastructure.

Portugal has been less successful in reducing the fragmentation of its bilateral programme. It still conducts a great number of unrelated small projects in its partner countries. From 2006 to 2008, there was no major change in the number of projects executed (between 900 and 1,000 each year). Moreover, the majority of projects are small: between 2005 and 2008, around 70% of Portugal’s bilateral activities were valued at less than USD 100 000 annually. Managing such a large number of projects may involve high transaction costs, especially when projects are negotiated, implemented and evaluated individually. In response to this problem, Portugal has introduced the concept of “Co-operation Clusters” (Box 5) as a step towards reducing the fragmentation of its bilateral programme. However, these clusters only group small projects together under themes, rather than consolidating or combining them. Portugal could get more out of its limited development co-operation budget if it integrated these projects into more comprehensive programmes or consolidated them into fewer, bigger projects and programmes.

Box 5. Co-operation Clusters

The Co-operation Cluster is an instrument introduced by the 2005 Strategic Vision for Portuguese Cooperation, and is aimed at improving the internal coherence of Portugal's development programme. It provides an umbrella framework for co-ordinating projects implemented in the same sector and region by different Portuguese development actors. The objective is to channel aid funds through an integrated approach, promoting co-ordination and synergies among different Portuguese projects.

This mechanism also promotes sectoral concentration of Portugal's aid and may be a platform for co-ordination with other donors' intervention. Portugal has established Co-operation Clusters in Mozambique (infrastructure, heritage recovery and socioeconomic development on Mozambique Island), Cape Verde (new information and communication technologies) and Timor-Leste (rural and community development). Each cluster involves clearly defined areas and sectors chosen jointly with partner countries. The Mozambique Island's cluster also involves international organisations (the United Nations Development Programme – UNDP – and United Nations Industrial Development Organization – UNIDO), thereby helping to build synergies with other donors.

Technical co-operation is the mainstay of Portuguese ODA grants

Grants are the most stable component of Portugal's bilateral aid and over half of them involve technical co-operation. The volume of bilateral grant disbursements was fairly steady between 2004 and 2008, varying between USD 230 and 271 million (in constant 2008 USD). Technical co-operation accounted for 54%-65% of total grants, highlighting its importance in Portuguese aid (Figure 3 and Table B.2, Annex B). Technical co-operation may be the mainstay of Portuguese bilateral grants, but since it is mainly provided in kind it involves minimal financial transfers from Portugal to partner countries. Within this, imputed student costs⁵ (about USD 40 million per year between 2005 and 2008) and scholarships (about USD 4-6 million per year) accounted for more than a quarter of all Portuguese technical co-operation and over half of Portugal's support to the education sector (constant 2008 USD). Portugal also provides technical assistance and training, usually in kind (i.e. delivered by Portuguese civil servants). Technical assistance is a modality with which Portugal has a lot of experience and because of a shared language, and in some cases similar government systems, Portugal is often well placed to provide it.

Portugal delivers a very small part of its bilateral grants through project and programme aid,⁶ an aid modality that can generate more financial transfers to partner countries – such as for physical investments and balance of payments support. In 2008, Portugal disbursed only USD 23 million (3.6% of gross ODA disbursements) as project or programme aid. This is starkly different from the DAC average for that year, which was 24%. Portugal has just started experimenting with programme aid and should try to channel more bilateral ODA increases in this way. This could help to consolidate its fragmented aid programme while also supporting partner country ownership (Chapter 5).

Humanitarian assistance and debt relief have decreased in recent years and are both now very small components of Portuguese official development assistance. In 2004,

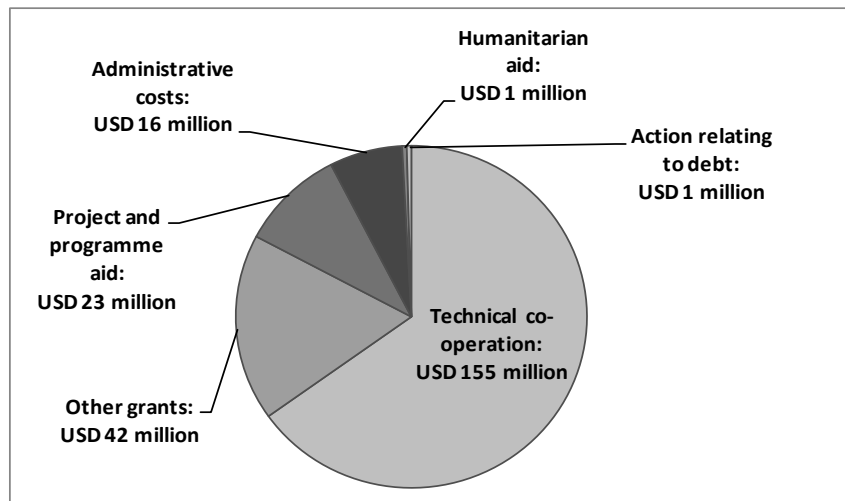
5. Imputed student costs are the implicit subsidies of tuition costs for foreign students in Portugal.

6. Project aid comprises investment projects that increase partner countries' physical capital, whereas programme aid "includes budget and balance-of-payments support, financing of capital goods and commodities, and sector programme assistance" (OECD, 2007a).

Portugal spent USD 23 million (in constant 2008 USD) on humanitarian assistance, but this had fallen dramatically in 2007 and 2008 to USD 1 million. This is equivalent to less than 1% of total ODA, a very small proportion compared to the DAC average of 6% (Annex C). Debt forgiveness is no longer a major component of Portuguese ODA since its last major debt forgiveness and rescheduling arrangement in 2004 (rescheduling USD 899 million of Angola's debt).

Figure 3. Distribution of Portugal's gross bilateral grants in 2008

(Current 2008 USD)



Note: Other grants include ODA grants in associated financing packages, core support to national NGOs, core support to international NGOs, contributions to public-private partnerships, promotion of development awareness, refugees in donor countries, and other items that do not fall under the headings defined by the DAC Statistical Reporting Directives.

Source: OECD DAC Statistics.

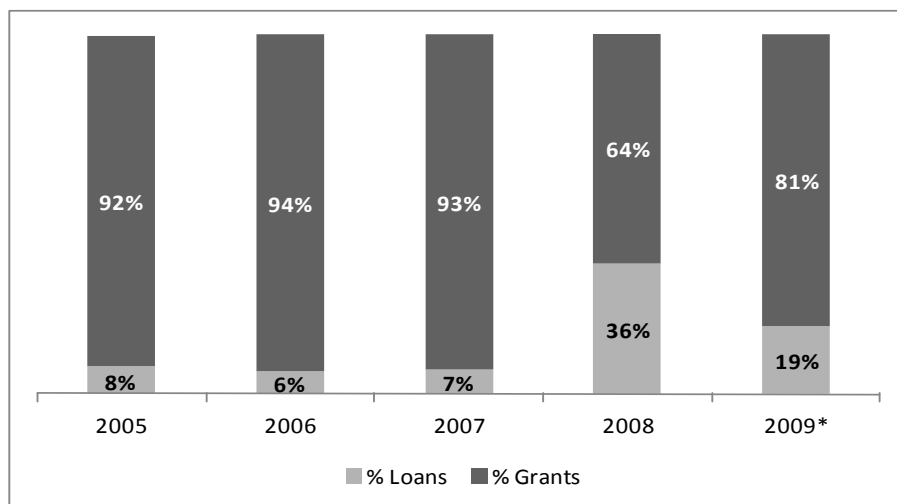
Portugal channels only a small proportion of its ODA to or through NGOs: this was USD 12 million in 2008. While this is a significant increase from USD 5 million in 2004, it still represented only 2% of total net ODA in 2007 and 2008. Moreover, these funds are spread across a large number of small activities. In addition to the existing framework agreement with the Portuguese NGO Platform, Portugal should consider establishing strategic relationships with a small number of NGOs that could complement government programmes. This could help to make Portuguese support to and through NGOs more strategic and focused and Portugal would then be in a better position to scale up its support to NGOs. Stronger partnerships with NGOs would also foster policy dialogue and wider external support for overall ODA increases (Chapter 1).

An increased use of loans might harden the financial terms and conditions of Portuguese aid

While the volume of grant disbursements has been fairly stable since the last peer review, loan disbursements have fluctuated, peaking in 2008 (Figure 4). Between 2005 and 2007, loans were a small component of bilateral aid, varying between USD 16 million and USD 21 million (in constant 2008 USD). In 2008, they increased seven-fold, mainly because of a USD 95 million loan to Morocco. As a result, the loan

share of total net bilateral ODA increased to 36% in 2008, up from 7% in 2007. These figures may increase even further following the signing of “lines of credit”.

Figure 4. The share of loans and grants in net bilateral ODA, 2005-2009



* Preliminary figures for 2009.

Source: OECD DAC statistics.

The recent signing of lines of credit may boost ODA loans but will also affect the overall concessionality and strong geographic focus of Portuguese aid in the future.⁷ Lines of credit are credit facilities arranged by the Ministry of Finance (see Annex E for a list of existing lines of credit). Once a line of credit is signed, partner countries can then agree with Portugal to draw down concessional loans for specific development projects. Partners may or may not use all the money available in the line of credit. Once a firm commitment for a specific developmental loan within the line of credit is agreed, the value of that loan only can be recorded as an ODA commitment. The terms are fixed for the borrower; the Ministry of Finance provides a subsidy to meet the difference between this interest rate and the current market rates. Procurement under the lines of credit is carried out by the partner countries, but is tied to Portuguese goods and services (Chapter 5). In recent years, Portugal signed major lines of credit with MICs and LDCs, accounting for a total of USD 328.5 million in 2007, and USD 721 million in 2008. Once partner countries draw down these funds, the loan share of Portugal’s bilateral aid will increase – if bilateral grants remain stable – and the concessionality level of Portugal’s overall ODA is likely to worsen significantly. Furthermore, the increased use of these loans will reduce the strong geographic focus of Portuguese aid since some of the countries benefiting are not among Portugal’s priority partners. Therefore, Portugal should use the lines of credit mechanism with caution, in order to (i) protect the focus of its aid and (ii) comply with the *DAC Recommendation on the Terms and Conditions of Aid* (OECD, 1978), which sets a minimum average grant element⁸ that every DAC member has committed to.⁹ In

7. The concessionality level is “a measure of the „softness” of a credit reflecting the benefit to the borrower compared to a loan at market rate” (DAC Glossary).

8. The grant element “reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to first repayment of capital). It measures the concessionality of a loan” (DAC Glossary).

addition, IPAD and the Ministry of Finance need to work together to ensure that ODA-eligible loans do not impose overly burdensome repayment schedules on partner countries.

Multilateral co-operation

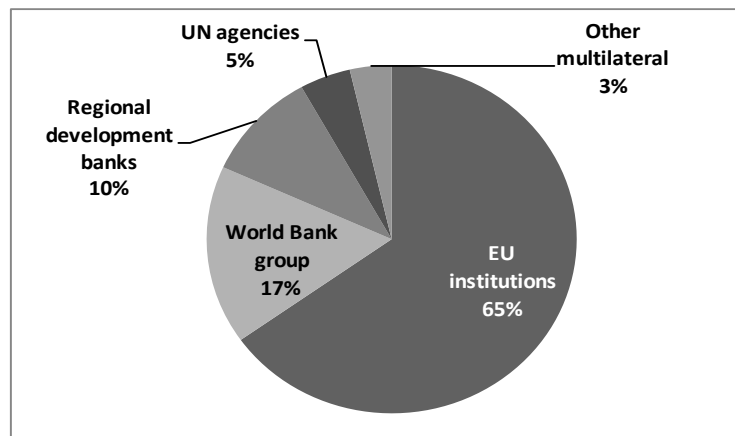
An important component of Portuguese ODA

Multilateral aid is an important and stable part of the Portuguese aid programme. Since 2005, multilateral aid has accounted for around 40% of Portugal's total ODA, which is significantly higher than the DAC average (26% of total DAC ODA in 2008). In volume terms, it increased by around 24% between 2005 and 2008, reaching USD 247 million in 2008 (Table B.2, Annex B). These figures reflect Portugal's strong commitment to working with multilateral organisations.

The European Union is Portugal's biggest multilateral partner

Most of Portugal's multilateral aid is channelled to European Union institutions. In 2008, Portugal's assessed contributions to the EU accounted for 65% of its multilateral aid, representing nearly three-quarters of its contributions to the EU. Reflecting its importance in Portugal's multilateral portfolio, the European Union is the forum where Portugal is most active in policy discussions (Chapters 1 and 2). In 2008 the World Bank received 17% of Portugal's multilateral ODA, the regional development banks 10% (70% to the African Development Bank and 27% to the Asian Development Bank), and UN agencies 5% (Figure 5).

Figure 5. Distribution of Portugal's multilateral ODA, in 2008



Source: OECD DAC Statistics.

While almost all contributions to the EU institutions, World Bank and regional development banks went to their core budgets, 70% of flows to UN agencies were

9. The 1978 DAC Recommendation on the Terms and Conditions of Aid states that: (i) the average grant element of a donor's overall ODA should be at least 86% and (ii) the aid grant element from each donor for each individual LDC recipient should be at least 86% over a three-year period; or for LDCs as a group, the average grant element from each donor should be at least 90% in each year.

earmarked. Portugal uses earmarking to increase support to its priority sectors and partner countries, particularly Timor-Leste. In 2008, 82% of Portugal's non-core multilateral contributions went to fragile states (USD 22.6 million) and 60% went to Timor-Leste (USD 18 million). Indeed, earmarked funds to Timor-Leste via multilateral organisations accounted for 42% of Portugal's gross ODA to this priority partner country in 2008. This has been an effective way of scaling up support to a country to which Portugal is committed but in which it does not have a strong presence on the ground. Nevertheless, when its multilateral budget grows, Portugal should consider channelling the increase as core funding to a small number of key partner agencies. This would help secure Portugal's seat at the table in strategic level discussions and reduce transaction costs for both Portugal and its multilateral partners.

Portugal is trying to make its multilateral aid more strategic

Portugal adopted a new multilateral strategy in 2009 which aims to improve the management and impact of its multilateral assistance. The strategy has two general objectives: (i) to improve the co-ordination between different parts of government, particularly between IPAD and the Ministry of Finance, both of which are involved in multilateral co-operation (Chapters 1 and 4); and (ii) to strengthen Portugal's capacity to influence the policies of multilateral organisations. It states that Portugal intends to continue to provide around 40% of its ODA through multilateral channels and sets out criteria to select and allocate funds to different multilateral organisations (MNE/IPAD, 2009b). These criteria are aligned with the priorities established in the 2005 *Strategic Vision* for Portuguese co-operation.

It is still too early to assess the results of this new strategy, but Portugal should make sure it has enough financial and human resources to implement it. Portugal plans to draft specific strategies for each of the priority multilaterals identified in the new multilateral strategy: the European Union; the Community of Portuguese-speaking countries (CPLP); the United Nations (particularly UNDP and the United Nations Population Fund – UNFPA); the OECD, the Global Fund to Fight AIDS, Tuberculosis and Malaria; international and regional finance institutions; the Ibero-American summit. These strategy documents should be helpful tools for Portugal to increase the impact of its funding. In them, Portugal should clearly outline its ways of working with each agency, ensuring that its own priorities and the agency's governance and reporting systems are respected.

Future considerations

- Portugal should establish realistic targets for significant increases in Portuguese ODA by 2015 and embed these multi-year binding targets in the state budget. It should also work with the EU to agree a new timetable for achieving 0.7% of GNI as ODA. As the economic situation improves, the DAC expects Portugal to speed up its progress towards its aid volume commitments.
- Portugal should increasingly complement its use of technical co-operation with grant modalities which involve greater financial transfers to partner countries.

- Portugal should continue to increase its sectoral focus and reduce the fragmentation of its aid programme. It should prioritise investments in areas where it is already engaged and reduce the number of small projects or consolidate them into bigger programmes.
- When committing to loans through lines of credit Portugal should: (i) protect the focus of the development programme, and (ii) ensure the lines of credit do not significantly reduce the overall concessionality of its ODA and particularly the concessionality of its support to LDCs.
- Portugal should build more strategic partnerships with domestic and partner country NGOs, for example by introducing multi-year strategic framework agreements with key NGO partners or umbrella organisations.

Chapter 4

Organisation and Management

The Portuguese development co-operation system involves many parts of government. Although there has been progress since the last peer review, co-ordination continues to pose a challenge. The fragmented nature of the system leaves room for inefficiency and makes overall management, control and consistent monitoring difficult. Portugal also needs to consolidate its programming and budgeting processes, alter its human resource management system and move to a more results-based approach.

Co-ordinating a fragmented organisational structure

The system involves many players

There are 16 central government ministries and various municipalities (17 in 2008) involved in delivering Portuguese development co-operation. IPAD, the agency charged with co-ordinating Portugal's development co-operation, spends less than 15% of the ODA budget (Figure 6). The Ministry of Finance, in contrast, manages around half the budget and is responsible for loans and for contributions to the international financial institutions. The line ministries for science and higher education, defence and internal administration – all of which mainly provide technical co-operation – are each responsible for over 5% of the total ODA budget. The involvement of a range of ministries is not unusual amongst DAC members. However, the challenge for Portugal is that the majority of development co-operation funding comes from ministries other than the ministry primarily responsible for development co-operation. This type of system, though inclusive, needs strong co-ordination.

IPAD has a challenging co-ordination mandate

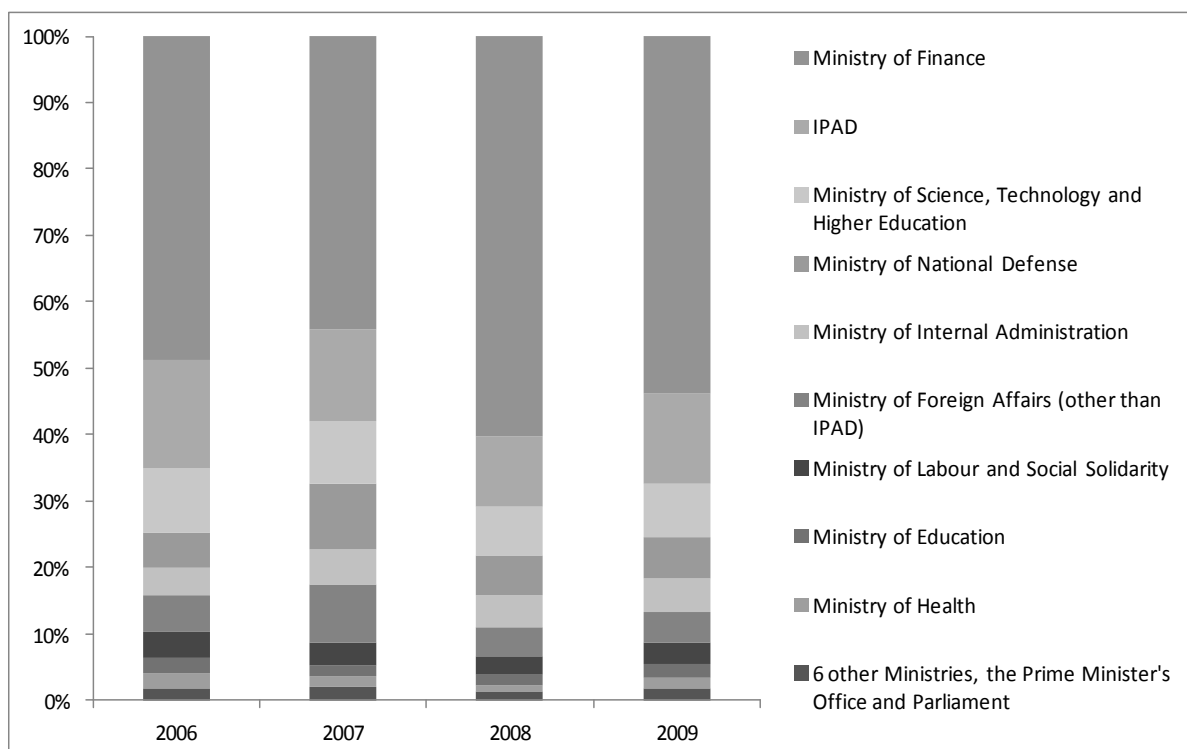
IPAD was established in 2003 in recognition of the need for overall co-ordination of Portuguese development co-operation. IPAD is formally part of the Ministry of Foreign Affairs, but is run as a separate “institute” and has its own administrative functions (Annex F). It has political representation at the level of Secretary of State, which is not a Cabinet position.

IPAD has made progress since the last peer review in its challenging task of co-ordinating the whole system. All ministries are now officially obliged to obtain IPAD's approval for any ODA-related project, and in many cases they need IPAD co-financing. Previously, other ministries had their own budgets to cover the expenses related to their technical co-operation projects. While the line ministries still provide technical co-operation staff, IPAD increasingly covers the associated expenses and may

also provide funds for specific equipment. This simple co-financing mechanism compels ministries to co-ordinate with IPAD and provides a tool to ensure projects meet Portugal's and partners' priorities and standards. However, IPAD's share of the overall envelope for Portuguese development co-operation has not increased since 2006 and not all ministries require IPAD co-financing. At embassy level, co-ordination is aided by the small teams involved and the presence of line ministry attachés. In headquarters, co-ordination among line ministries and with IPAD is more challenging. IPAD needs additional tools to ensure it can co-ordinate all relevant players, including the Ministry of Finance and local municipalities:

- The Ministry of Finance: controls a greater share of the ODA budget than IPAD and does not need co-financing for its bilateral activities. Like other ministries, the Ministry of Finance should obtain IPAD's approval for ODA eligible projects. In practice, it sometimes consults IPAD at a very late stage – for example when the text of a memorandum of understanding is being finalised – which means that IPAD has little scope to influence the planned activity. Indeed, IPAD has limited information on some existing Ministry of Finance bilateral activities.
- The municipalities: IPAD does not have a co-financing arrangement or other co-ordination framework with the municipalities and has not been able to co-ordinate their activities to date. A mechanism is needed which ensures municipalities co-ordinate and share information with IPAD and relevant embassies.

Figure 6. Portuguese ministries' share in ODA expenditure, 2006-2009



Note: 2009 data are provisional

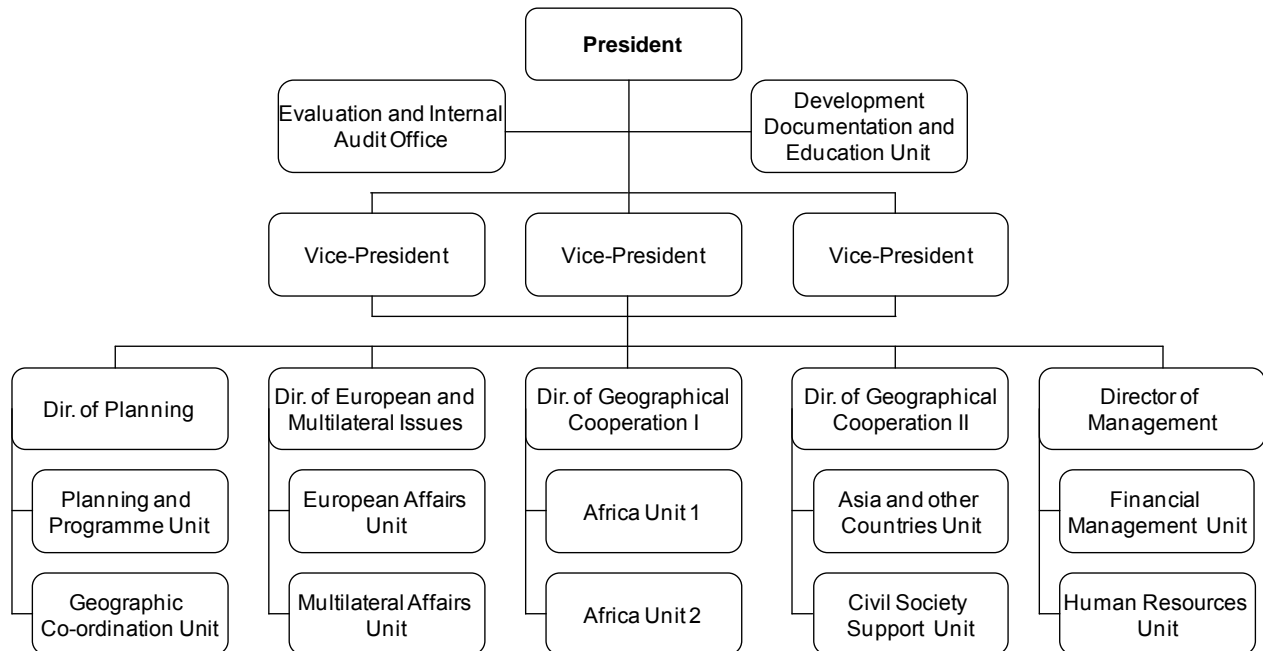
Source: IPAD

Co-ordination within and between line ministries is also important. In the security sector there is evidence that the three main ministries responsible for technical co-operation to the police, military and judiciary have improved their co-ordination following the introduction of an inter-ministerial strategy and committee on security and development (Chapter 6). The ministries working in these areas also have attachés in most of Portugal’s partner countries.

The importance of organisational structure and internal communication

To help it to deliver on its co-ordination and aid leadership mandate, IPAD was restructured in 2007 (Figure 7). The main change was a reduction in the number of departments. There was a slight reduction in staff numbers, which in 2010 stood at 152. However, the changes have not yet broken down the barriers between specific IPAD teams. Improving internal communication by making one senior person explicitly responsible, as well as providing incentives to all staff to support and be aware of the work of other teams, could help IPAD break down internal barriers. Wider involvement and consultation in the development of country strategy papers (PICs) and in formal project approval could help to systematise internal communication. In addition, IPAD could be better connected with the rest of the Ministry of Foreign Affairs, despite strong engagement from the Secretary of State, weekly director-general level meetings and some working level meetings on specific issues. Formalising mid-level channels of communication on both policy and management issues could give IPAD a stronger voice within the ministry and therefore strengthen its ability to co-ordinate across government.

Figure 7. IPAD’s new structure



Source: IPAD

The need to find efficiencies

The fragmented nature of the Portuguese development co-operation system means that Portugal does not benefit from economies of scale. It therefore needs to find other ways to ensure efficiency. In 2008, Portugal reported administration costs of around USD 16 million, or about 3% of its total gross ODA. These include IPAD's reported administration costs of just under USD 9 million, reflecting how much of its work involves co-ordination rather than delivery (MNE/IPAD, 2010a). Like other donors, Portugal is under pressure to find financial savings across the public sector, and its programmable budget needs to be protected. Portugal would benefit from conducting some analysis of administration costs across the system – including the administration components within its projects – to identify potential efficiency savings. Over the longer term, Portugal should review its overall business model and may find efficiencies by phasing out some smaller projects while investing in larger programmes, delegating and pooling funds and using local suppliers to deliver some of its technical assistance.

Improving the programming process

Country strategy papers as a framework for co-ordination

Portugal has introduced a new style of country strategy paper (the PIC) which provides a useful framework for co-operation in each partner country. The process for agreeing the current generation of PICs was led by IPAD in Lisbon, which consulted other ministries and worked with the embassies to ensure consultation with the partner government (Chapter 5). Since they were consulted during the development of the documents, line ministries know that all projects must fit within the agreed priorities. Further, in formally approving each project, IPAD has the opportunity to ensure that projects are aligned to agreed priorities and reflect good practice. However, this means that all relevant sections of IPAD should be involved in the consultation, which has not always been the case up to now. Once a project is decided on, formal agreements are drawn up with the partner government's aid co-ordination body. As Portugal revises and replaces the current generation of PICs it can strengthen some of these issues, including the internal and external consultation process. This generation of PICs has not fully made the transition from being a document which summarises and places a framework over what Portugal is doing, to being a strategic planning and accountability tool. Defining priorities and objectives more tightly, in co-operation with partners, would help to focus Portugal's co-operation. These priorities, rather than existing activities, should then be the starting point for Portugal's country programmes.

Portugal needs to re-emphasise the division of labour in the system, with IPAD as co-ordinator and controller and line ministries as implementers of agreed projects. In some cases, line ministries have tried to change agreed project scope and terms, thus bypassing the system of co-ordination. A more serious problem has arisen when large loans have been agreed between Portuguese and partner country ministries with IPAD consulted only at a late stage, in effect leaving it to rubber stamp already-agreed projects or comment on the final text of an agreement.

Introducing programme management tools

IPAD is in the process of introducing tools to professionalise its programme management and oversight role. It has consolidated the various procedures for funding approval used by different ministries into a single system using standard criteria so that all ministries provide similar basic information. This should reduce transaction costs for both parties. IPAD brought in new internal quality control procedures in 2008 and, in line with wider Portuguese public service reforms on performance evaluation, an organisational assessment and accountability framework. It has also introduced staff training on programme cycle management. Currently, IPAD has limited in-house audit capacity, but in 2009 it introduced internal audit and risk management guidelines and it has produced an audit plan which is intended to focus on key risk areas. In addition, the Portuguese state audit institution is now content that IPAD has largely been able to address its earlier concerns relating to the robustness of its financial management systems.

Reforming a complex and inflexible budgeting system

Changes in the overall budgeting approach

Portugal is in the process of changing its whole approach to state budgeting, aiming for a simpler and more results-orientated system (Box 6). IPAD is responsible for co-ordinating the new development co-operation budget, the *Programa Orçamental 21 (PO 21)*. The new system should allow for multi-year budgeting. IPAD hopes this will relax the current constraints it faces in carrying over unspent funds into the following financial year, which is currently rarely authorised by the Ministry of Finance. Switching to multi-year budgeting will also help Portugal to manage its multi-year projects and programmes. Under the new system, line ministries will have to obtain IPAD's authorisation before drawing funds which will be held centrally by the Ministry of Finance. This should facilitate IPAD's oversight of aid disbursements. The new budget approach has the potential to increase the coherence and predictability of Portuguese development co-operation. However, during this initial transition period some stakeholders have expressed concerns about the transparency of the system compared to the established "PO05" budget framework, which was the first attempt to tag development co-operation spending within ministries budgets. This concern may have related to a lack information during the initial transition period. Whatever the cause, IPAD needs to address the problem and ensure all information is publicly available and presented in a way that is readily understandable.

Improving IPAD's ability to secure and disburse funds

Currently, there is no separate budget line for IPAD. It has to negotiate a share from within the budget of the Ministry of Foreign Affairs. This leads to uncertainty; each year, IPAD depends on its Secretary of State to make the case for its budget to be maintained or increased, alongside other foreign policy priorities. At a time of increased government austerity, it may become harder to push for development to be prioritised over other foreign policy requirements.

IPAD has made significant progress in increasing its previously low budget disbursement rates. These had been a serious problem for IPAD since it is rarely authorised to carry unspent funds from one financial year into the next. The rates rose from around 50% in 2006 to 98% in 2008. This shift was achieved after IPAD introduced (i) regular meetings in headquarters to monitor budget execution throughout the year and move funds across where necessary; and (ii) a six month deadline for partners to activate projects planned for any given year. A monitoring system may also be useful for those line ministries which also have variations in their project execution rates.

Box 6. Portuguese budgetary reform

The Portuguese government is moving towards a more performance-oriented budgeting process in response to the *OECD Review of Budgeting in Portugal* (OECD, 2008b). Following this review Portugal aims to:

- Adopt a comprehensive medium-term expenditure framework, which sets out detailed multi-year estimates for all ministries and programmes for the baseline year plus three years ahead.
- Organise the budget “vertically” around programmes and ministries.
- Give ministries more responsibility (and hold them accountable) for programme management and budget execution. Previously all responsibility rested with the budget office in the Ministry of Finance.
- Use umbrella frameworks to cover budgetary lines which cut across different ministries.

Fragmented budget management and minimal delegation to the field

Currently, only about 15% of Portugal’s aid budget is channelled through IPAD, which prevents IPAD from acting as a single point of financial oversight. Financial and other transfers take place between Lisbon line ministries and partner countries’ ministries, and thus embassies are not involved in deciding or arranging disbursements. IPAD has to collect data from all ministries throughout the year in order to consolidate figures on disbursement for its own use, for Portuguese embassies and indeed for its partners. Having a more effective and systematic way to collate forward and current financial information would help Portugal to increase predictability and transparency. In addition, Portugal’s official representations in its partner countries are the embassies. As such, they need reliable financial information to enable them to exercise appropriate oversight and accountability. It is vital that Portugal addresses this problem both at the central and country level. The new *PO21* budgeting may help in the short to medium term. Over the longer term, as Portugal makes greater use of aid modalities which involve financial transfers it should then be able to consolidate more of the ODA budget within IPAD. This would help IPAD to fulfil its co-ordination mandate and ensure it has up-to-date financial information and overall budget oversight.

Portuguese embassies have very little delegated financial authority. This relates to preferences of the National Court of Auditors and to the limited number of development co-operation or IPAD staff in embassies. In the current system, embassies have to refer back to headquarters for even very small sums, which is inefficient and can lead to delays. Portuguese embassies are not delegated any programme budget other than a small embassy fund, usually around USD 60 000 a year. This is used for small high visibility projects. Approval from Lisbon is still required for each project and all purchases. It is possible for embassies to apply for larger sums for specific activities, usually in emergency situations. However, IPAD does not have a fast-track approval system, so

disbursements may not be rapid enough to be useful in emergency situations. This was evident in Cape Verde where, despite agreeing that the embassy could commit EUR 40 000 on behalf of Portugal in response to major floods in 2009, Lisbon had still not disbursed the promised funds when the review team visited six months later.

Human resource management is a major constraint

Like many of its peers, Portugal is facing staffing pressures, especially in managing its human resources. Since the last peer review, IPAD's staffing has decreased from 169 in 2006 to 152. IPAD staff account for less than 5% of the ministry's 3 000 total staff. However, Portugal's fragmented development co-operation system means that other line ministries also have staff working on development co-operation which do not show up in these figures. Other more acute human resource problems are the system's centralised nature and the inflexibility of the recruitment framework.

Human resources in the field are particularly limited

Portugal has one of the lowest levels of staff decentralisation of all DAC members, with 12% of its staff in the field in 2007 (OECD, 2009d). Portugal's limited capacity in the field is a fundamental constraint to its ability to make progress on aid effectiveness and substantive monitoring. In each of its six partner countries Portugal has a Co-operation Attaché who is recruited and paid by the Ministry of Foreign Affairs and reports to both IPAD and the Ambassador. A recent addition to field staff is the Technical Officer, employed by IPAD. The Technical Officer provides general support and takes on some of the administrative tasks in order to allow the Co-operation Attaché to focus on engaging with stakeholders and overall management. Since the last peer review, 10 Technical Officers have been employed. In some cases, embassies have also been able to make use of temporary trainees through the *INOV Mundus* scheme. Over three years, this scheme is providing a total of 250 young Portuguese graduates with opportunities to work in development. Despite these new additions, capacity in the field is still very limited. However, as well as these core development co-operation staff, some line ministries also post staff to embassies as their attachés and in some cases a major part of their portfolio is managing development co-operation projects. For example, the Ministry for Internal Affairs has five staff members in the field and the Ministry of Justice has a further three. They work closely with the Co-operation Attachés. All report to the Ambassador as well as to their home ministries. Portugal does not recruit local staff for project and programme management positions.

Inflexibility in recruitment and a lack of staff mobility are fundamental obstacles

The current legal framework and recruitment practices are major constraints and need reform. First, IPAD is currently only able to recruit its permanent staff from a civil service pool, and can only advertise for generalists. It can only make use of consultants for specific short-term pieces of work. IPAD does provide staff training, though most of this is also at a general level, covering language and computer proficiency. However, it has recently introduced a course in project cycle management and has supported staff wanting to seek external qualifications in development related topics. IPAD is able to recruit externally for its field staff, which allows it to recruit people with specific

expertise. However, they can only be given short term contracts, renewed up to a maximum of six years and the contracts cannot be transferred to positions in headquarters. This means that field expertise and experience is neither transferred to headquarters, nor retained in the field. It also means that only about 10% of staff in headquarters (according to IPAD estimates) has field experience. There is also very limited mobility between IPAD and other parts of the Ministry of Foreign Affairs, preventing experience between the diplomatic and development career paths from being exchanged. Portugal should consider cultivating a development stream or specialism within the diplomatic career track and allowing interchange between career paths.

Building a culture of evaluation and introducing results-based management

Although Portugal has some way to go to manage its development co-operation system by and for results, there have been important developments. For example, the new budget is expected to be more results orientated and therefore could provide a good base on which to build. The latest generation of country strategy papers includes indicators, but these are mainly at output level. Broader outcomes would be more relevant for a high-level strategy. Updating the PICs will allow Portugal to re-visit its approach to monitoring development results and to make use of jointly-agreed indicators, such as those in poverty reduction strategies. Portugal uses logical frameworks for its projects but the quarterly reporting these require is strongly focused on financial accountability rather than measuring progress towards objectives. In addition, the lack of staff in the field limits Portugal's ability to monitor outputs and outcomes. The current approach to monitoring is based on an exchange of missions, with field staff spending much time arranging for staff to come from Lisbon to conduct monitoring missions. Delegating more of this role to the field and working with others would be more efficient. Where Portugal has engaged in joined up monitoring exercises, such as through its involvement in the budget support group in Cape Verde, it has found the process and findings valuable (Annex D).

Clear progress in building a culture of evaluation

IPAD is trying to build a “culture of evaluation” across the Portuguese development co-operation system. It has made efforts to encourage its own staff and those in line ministries working on co-operation to see evaluation as a positive and normal part of programme management. IPAD has a formal co-ordination role for evaluation in development co-operation. However, as line ministries conduct their own project evaluations, IPAD's main role is to support and promote evaluation standards and good practice across the system. IPAD has translated the *DAC Evaluation Principles* (OECD, 1993) and *DAC Evaluation Quality Standards* (OECD, 2010e) into Portuguese and disseminated them to key players in Portugal and its partner countries. It has also arranged a development evaluation course in Lisbon for Portuguese and partner country officials. Line ministries are increasingly requesting input and support for their own evaluations. IPAD is now engaged in joint evaluation exercises with line ministries and partners, consulting partners on terms of reference and involving them in the evaluation process. In contrast, it has conducted very few evaluations jointly with other donors.

Internally, IPAD has invested in building the capacity and independence of its evaluation function: the Evaluation Unit now reports directly to the President of IPAD, sets its own three-year evaluation work plan and, since 2009, has a separate budget line.

All evaluations are published. The evaluation team has commissioned useful thematic evaluations and there is interest from the field for more. It has produced evaluation guidelines (MNE/IPAD, 2009d) and also drafted an evaluation policy in 2007, though this policy had still not been approved when the review team visited. In terms of follow up, the IPAD Evaluation Unit produces a document which lists recommendations and asks management to add responses. The extent to which recommendations are implemented is monitored as part of IPAD's overall performance plan: in 2009 it aimed to implement at least 70% of recommendations. This is a useful target, though IPAD should ensure that the most important recommendations are prioritised. It should be noted, however, that the evaluation team (comprising 2.5 people) is very stretched, especially given that the team is also responsible for internal audit.

Future considerations

- Portugal should identify additional tools for improving IPAD's co-ordination role. For example it should be stipulated in writing that IPAD should be involved right from the early stages of project formulation, not just at the project approval stage. IPAD should also agree a framework or strategic partnerships with municipalities to co-ordinate their engagement in development co-operation.
- Portugal should review its overall business model with a view to reducing the fragmentation of the system and therefore increase its efficiency and effectiveness.
- Portugal should now use the new style of state budgeting as an opportunity to increase budget transparency, aid predictability and IPAD's oversight of commitments and disbursements. Over the longer term it should move towards an operational model that allows it to consolidate more of the ODA budget within IPAD, given its overall responsibility for development co-operation.
- Portugal should ensure that the next generation of PICs are more results orientated and use this experience to integrate management by and for results into all its work. Portugal needs to ensure its approach to project monitoring strikes the right balance between financial management checks, and understanding project effectiveness and progress towards expected outcomes.
- Portugal needs to increase its capacity in the field. It should decentralise staff and ensure it can get the right type of skills in its embassies. Doing so will enable it to improve its ability to monitor and exercise oversight over all Portuguese activities in partner countries, engage in aid co-ordination mechanisms and delegate more financial authority to the field.
- Portugal should reform the legal framework for staff recruitment to enable greater mobility and the recruitment and retention of specialists when required. It should support and reward staff for specialising in development.

Chapter 5

Aid Effectiveness

Portugal is committed to increasing the effectiveness of its aid, but progress on implementing the principles of the *Paris Declaration on Aid Effectiveness* has been mixed (Table 4). For example, the adoption of new guidelines for developing country strategies (PICs) has improved the alignment of Portugal’s development co-operation with partner country priorities. However, Portugal does not yet make widespread use of partner country systems. IPAD has made some efforts to increase collaboration with other donors, but harmonisation at the field level is an ongoing challenge.

A clear commitment to aid effectiveness in principle

Portugal has committed to both the *Paris Declaration on Aid Effectiveness* and the *Accra Agenda for Action* (OECD, 2005, 2008c). The 2005 *Strategic Vision for Portuguese Development Co-operation* refers to ownership, alignment and harmonisation, though it does not specify how and when these principles are to be applied. In 2006 and 2009, Portugal developed action plans for implementing the aid effectiveness agenda (MNE/IPAD, 2006c, 2009e). The action plans provide a general direction for improving aid effectiveness and pay particular attention to promoting aid effectiveness in fragile states. The 2009 action plan also has a specific set of actions for raising public awareness of aid effectiveness and strengthening the capacity of Portuguese development officials to implement the aid effectiveness agenda (MNE/IPAD, 2009e). IPAD staff and line ministry officials working in international co-operation units already have basic knowledge of this agenda and the new action plan may provide the basis to deepen awareness in broader government circles. Future action plans would benefit from clearer timelines and a list of the actors responsible for achieving the commitments.

The new guidelines for country strategies (PICs) have encouraged Portugal to incorporate aid effectiveness principles into its country programmes (MNE/IPAD, 2006b, 2010a). For example, the guidelines state that country programming should align with partner countries’ national development strategies and budget cycle. They also state that Portugal should seek “shadow alignment” in fragile states (*i.e.* consult with national stakeholders to align at the sectoral or regional level; OECD, 2007b). The guidelines also talk about multi-annual budgeting and the predictability of aid flows; increasing the use of programmatic approaches – such as general budget support and sector-wide approaches; building on complementarities with other donors; and the need for a results-based approach. These underline Portugal’s commitment to increasing aid effectiveness.

Mixed progress in implementing the aid effectiveness agenda in practice

Table 4. Portugal's progress towards implementing its aid effectiveness commitments

Principles	Portugal's commitments	Progress in priority partner countries
<i>Ownership</i>	Help to strengthen capacity of partner countries through institutional capacity building	PROGRESS: institutional capacity building is a priority in all partner countries
<i>Alignment</i>	Base country strategies on partners' national development strategies	PROGRESS: country strategies are developed in consultation with partner countries and aligned with their development strategies
	Report aid for government sector on partners' national budget	SOME PROGRESS: Aid reported on Mozambican State Budget for the first time in 2009. Little progress in other countries. In 2007, 11% of aid to the government was captured on Cape Verde's budget (OECD, 2008d)
	Avoid parallel implementation structures	PROGRESS: Portugal does not have parallel implementation units
	Provide aid indicative commitments over a multi-year framework	SOME PROGRESS: country strategies have multi-year indicative budgets but disbursements may diverge from indicative figures
	Untie aid	SOME PROGRESS: Portugal has improved the reporting of the tying status of its aid. The recent signing of tied lines of credit may increase the proportion of Portuguese aid which is tied.
<i>Harmonisation</i>	Increase use of programme-based approaches (PBAs)	LITTLE PROGRESS: limited use of PBAs in Cape Verde, Mozambique and Timor-Leste
<i>Managing for Results</i>	Link country strategies to results	LITTLE PROGRESS: Country strategies' indicators lack results orientation
<i>Mutual Accountability</i>	Provide timely and detailed information about aid flows to partner countries' authorities	SOME PROGRESS: Information on aid disbursements provided on a regular basis to Mozambique and Timor-Leste, but only at the end of the calendar year to other partner countries

Note: Selected list of commitments agreed in the *Paris Declaration on Aid Effectiveness* and the *Accra Agenda for Action* and present in Portugal's *Action Plans on Aid Effectiveness*.

Sources: OECD (2008d), 2008 Survey on Monitoring the Paris Declaration, OECD, Paris, www.oecd.org/dataoecd/58/41/41202121.pdf; OECD (2010f), Implementing the 2001 DAC Recommendation on Untying Aid: 2010 Review, OECD, Paris; MNE/IPAD (2008b), Progress Report 2008 – Aid Effectiveness, MNE/IPAD, Lisbon; MNE/IPAD (2010a), Portuguese Co-operation Memorandum 2010, MNE/IPAD, Lisbon.

Organisational barriers to increasing aid effectiveness

Against the backdrop of its commitment to aid effectiveness in principle, Portugal faces some challenges translating it into practice (Table 4). It has made some clear progress which should be commended. However, further progress has been hampered by the current institutional set up for its development co-operation. Two obstacles are constraining Portugal's progress against each of the aid effectiveness principles:

- (i) The **limited delegation of authority and decentralisation of staff to the field** (Chapter 4). Applying aid effectiveness principles in practice requires field orientation. Field offices need enough staff, resources and authority to engage in policy dialogue with partner countries and in partner-led co-ordination mechanisms.
- (ii) The **fragmented nature of the programme** (Chapters 3 and 4). The more fragmented or atomised the programme, the harder it is to align and to harmonise. Alignment to partner country's development strategies can also be undermined when partners' aid co-ordination ministries are sidelined by direct relationships between line ministries. This also poses a challenge for mutual accountability, since it is difficult to obtain and provide information to partners about what different ministries and agencies are doing. Portugal therefore needs to consolidate its many small projects into fewer larger projects and programmes. This would also reduce

transaction and overhead costs. Portugal should ensure all of its free-standing projects are situated within or clearly aligned with partner-led programmes. It should also build on its experience with programme-based approaches, including through budget support.

Ownership and alignment: good results but more progress needed

Capacity development for ownership

To support ownership by partner countries of development programmes, Portugal aims to develop local capacity and promote institutional strengthening through technical co-operation (Chapter 6) (MNE/IPAD, 2008b, 2010a). Because of its experience in this area and similar government structures, Portugal is often well placed to provide technical co-operation. It supports some important areas, including public financial management through the *Integrated Programme for Co-operation and Technical Assistance in Public Finances* (MNE/IPAD, 2008b). Portugal has also supported some partners to draw up their own sectoral strategies, such as the national security strategy in Cape Verde (Chapter 6). However, its technical co-operation is not always co-ordinated with partner countries' own capacity development strategies (MNE/IPAD, 2008b). The 2008 *Survey on Monitoring the Paris Declaration*¹⁰ indicates that technical co-operation was not co-ordinated in Mozambique and less than 10% was co-ordinated in Cape Verde (OECD, 2008d). Portugal should do more in order to achieve the Paris Declaration target of co-ordinating at least 50% of technical co-operation with partners' capacity development objectives and strategies. When partners do not have a capacity development strategy, Portugal should, in co-operation with other donors, help them to formulate one. Portugal should also make sure that its projects build sustainable capacity and are well integrated into partners' government systems.

Aligning with but not using country systems

Portugal has made some progress in aligning its aid with partner countries' policies and priorities. The current country strategies (PICs) were developed in consultation with partner countries and aligned with the priorities and timeframes of national development strategies or poverty reduction strategy papers (MNE/IPAD, 2008b, 2010a). In addition, Portugal does not set up parallel project implementation units (PIUs) alongside partner countries' own systems and procedures. This respects one of the Paris Declaration's commitments to reduce the number of PIUs (OECD, 2008d). On the other hand, Portugal does not usually channel its aid through partner countries' own systems. The 2008 *Survey on Monitoring the Paris Declaration* shows that Portugal did not use country systems in Cape Verde in 2007 (OECD, 2008d). For Mozambique, the survey indicates that only 11% of Portuguese aid to the government used national public financial management (PFM) systems and 16% used national procurement systems. This partly relates to Portugal's preference for technical co-operation, which accounts for over half of its bilateral programme and is usually provided in kind, alongside very limited use of general and sectoral budget support (1% of 2008 ODA). Portugal should explore how to increase the volume of its aid that is channelled through country systems.

10. Of Portugal's priority partner countries, only Cape Verde and Mozambique participated in the survey.

Improving predictability and transparency to support ownership and alignment

Ensuring multi-year predictability of aid volumes for partner countries is still a challenge for Portugal. However, in-year predictability has increased since the last peer review. Since 2007, Portugal's country strategies have included multi-year indicative figures estimated by adding up the budgets of all projects and interventions that Portugal plans to conduct over the following three or four years. This estimation method is less robust than a country envelope. Medium term country envelopes tend to be more adaptable to dynamic situations, such as the discontinuation or launch of projects during the country strategy's lifespan. Moreover, Portugal still does not have a multi-year budgeting process (Chapter 4); therefore, the indicative figures are not guaranteed in the state budget. Nevertheless, Portugal has improved its overall execution rates since 2006, though this average hides variations between countries (Table 5). Portugal should learn from its experience with Angola and Mozambique – where in-year disbursements have reflected commitments well in the last two years – to ensure that aid to other priority countries becomes equally predictable. The *2008 Survey on Monitoring the Paris Declaration* (OECD, 2008d) adopts a stricter measure of annual predictability by comparing disbursements with previous commitments as recorded in partners' national budgets. According to these criteria, an average of 47% of Portugal's committed aid was actually disbursed Cape Verde and Mozambique in 2008. Although low, this figure is an improvement on the 15% recorded for these two countries in 2005. Portugal should further improve its aid predictability, including by securing multi-year and annual indicative figures in its state budget (Chapters 3 and 4).

Despite being called for in the Paris Declaration, Portugal does not consistently report its aid on partners' national budgets. From 2005 to 2007, the proportion of Portuguese aid disbursements recorded in Cape Verde's budget decreased from 31% to 11% (OECD, 2008d). In Mozambique and Sao Tome and Principe, Portugal registered aid flow information in the national budgets for the first time in 2009. It started providing indicative figures to Timor-Leste in 2007. Portugal only provides regular information on aid flows for the national databases of two of its six partner countries (Mozambique and Timor-Leste). To make further progress against the Paris Declaration target of 85% of aid reported on partners' budgets, Portugal should build on its recent experience of recording its aid in the Mozambican budget.

Table 5. Execution of programmed budget per priority partner country, 2006-2009

Priority partner countries	Aid disbursements as percentage of country strategy's indicative figures			
	2006	2007	2008	2009
<i>Angola</i>	41%	82%	92%	98%
<i>Cape Verde</i>	61%	86%	213%	77%
<i>Guinea-Bissau</i>	48%	100%	106%	68%
<i>Mozambique</i>	50%	88%	93%	96%
<i>Sao Tome and Principe</i>	66%	80%	81%	102%
<i>Timor-Leste</i>	76%	94%	89%	80%
Weighted average	57%	88%	112%	87%

Source: IPAD.

Mixed progress in harmonising with other donors

Portugal is increasing its efforts to co-ordinate with the donor community to implement its bilateral co-operation. In general, Portugal's collaboration with other donors mainly involves exchanging information about field operations and implementing some joint projects (MNE/IPAD, 2008b, 2009f). For example, Portugal is supporting a migration project in Cape Verde in partnership with the EC and Spain. In Timor-Leste it is engaged in joint projects with Germany and Spain and is part of a multi-donor project led by UNDP. In Guinea Bissau it is linked with the European Union security sector reform programme. More recently, Portugal subscribed to the *EU Code of Conduct on Complementarity and the Division of Labour in Development Policy* (EC, 2007) in 2007 and has joined initiatives to implement it in Guinea-Bissau and Mozambique. Portugal also participates in donor co-ordination groups in its priority partner countries and is part of budget support groups in Cape Verde, Mozambique and Timor-Leste. In Cape Verde it also engages in the Transition Support Group created to support the country's graduation from the LDC list (OECD, 2008e; MNE/IPAD, 2008b).

Building on progress already made, Portugal should invest in harmonising with other donors. Portugal's field offices are under resourced (Chapter 4) and have limited capacity to lead harmonisation at the field level. Moreover, Portugal seldom participates in joint missions or other joint exercises but has recently joined some delegated co-operation partnerships (OECD, 2008d; MNE/IPAD, 2008b, 2010a). Further harmonisation of Portuguese aid would reduce transaction costs for Portugal and its partner countries and therefore increase the effectiveness of Portugal's small development programme. Portugal could further use common donor arrangements such as joint assessments, division of labour exercises and participation in budget support groups. It should also take advantage of the framework provided by the *EU Code of Conduct* to increase collaboration with other donors. In order to make further progress on harmonisation, Portugal will need to equip its field offices with more staff and delegate more authority to them.

Managing for results and mutual accountability are ongoing challenges

Portugal needs to increase its focus on managing for development results. Although the introduction of performance indicators in each of the new country strategies is very helpful, these are currently output-oriented rather than aligned to the outcome indicators identified in its partners' strategies. Portugal provides little support to partner countries to improve their reporting and monitoring frameworks. Portugal has, however, had some involvement in statistical capacity building that aims to reinforce national statistical systems and harmonise statistical methodologies in Portuguese-speaking countries (MNE/IPAD, 2008b). Portugal also participates in joint monitoring exercises in the framework of budget support groups in Cape Verde, Mozambique and Timor-Leste. However, introducing results-based management is still an ongoing challenge (Chapter 4).

Mutual accountability should also be strengthened. Portugal provides information on aid disbursements to every priority partner country at the end of the calendar year. Portugal also claims to provide comprehensive information on aid disbursements at the request of partner countries (MNE/IPAD, 2008b, 2010a). For instance, it sends updated aid disbursement information to Mozambique and Timor-Leste on a quarterly basis so they can feed it into their national aid databases (ODAMOZ and Timor-Leste External

Assistance Database, respectively). Through budget support mechanisms, Portugal is also involved in mutual performance reviews. This accounts for only a minority of its expenditure, but provides a positive experience on which Portugal can build. Portugal also involves its partners in reviews of their country strategies.

The need to continue to untie Portuguese aid

Portugal has committed to increase the proportion of its aid which is untied (OECD, 2001, 2008f). The 2009 *Portuguese Action Plan on Aid Effectiveness* outlines Portugal's plan to untie its aid to the maximum extent by: (i) reviewing the status (tied/untied) of each co-operation project/programme; (ii) promoting greater use of local and regional procurement whenever possible; (iii) choosing untied forms of aid, such as general budget support and sectoral budget support, whenever possible; (iv) making greater use of the DAC Bulletin Board by posting *ex ante* notifications of untied aid commitments as well as *ex post* notifications of contract awards; and (v) providing technical co-operation to strengthen partner countries' procurement systems (OECD, 2010f; MNE/IPAD, 2009e).

Portugal's reported figures indicate progress but also fluctuation in how much of its aid is untied. In 2008, Portugal reported that 91% of its bilateral ODA was untied, compared to 71% in 2007. For LDCs specifically it reported 95% of its ODA as untied in 2008 and 91% in 2007. Despite these strong figures Portugal needs to address two issues in order to live up to its international commitments to untie further:

- **Rethinking tied loans.** Portugal has recently signed several lines of credit which are tied (Chapter 3). Portugal believes that since its partners identify the projects that can be funded through the lines of credit, it is less donor-driven than many other types of tied aid. Procurement is conducted by partner countries, with the condition that they choose a Portuguese supplier. Once Portugal and partner countries sign specific loan agreements within the lines of credit facilities Portugal's ODA tying status is likely to worsen significantly. Indeed the lower figure for 2007 largely relates to a loan to Cape Verde, under an existing line of credit agreement. Most of these lines of credit are provided to middle income countries, but some were also signed with least developed countries such as Angola, Mozambique and Sao Tome & Principe. Providing tied loans to LDCs, in particular, is counter to the 2001 DAC Recommendation on Untying. The use of tied aid, in general, is against the spirit of the Accra Agenda for Action, through which Portugal has committed to untie "further" and to "the maximum extent". Portugal, together with its partners, should therefore revise the terms of the existing lines of credit and ensure that future lines of credit are not tied.
- **Reporting of technical co-operation.** Even though Portugal's technical co-operation is generally reported as untied, most of it is provided in kind (*i.e.* projects delivered by Portuguese civil servants with sector-specific expertise, imputed student costs and scholarships). These activities are not open to tender and are *de facto* tied and should be reported as such. This would significantly affect Portugal's tying figures since technical co-operation is an important component of its bilateral aid; indeed in 2008, around 70% of the aid Portugal reported as untied was technical co-operation. Technical co-operation is not included in the original 2001 Recommendation, but the Accra Agenda for Action calls for further untying.

Future considerations

- To advance progress on aid effectiveness Portugal should ensure that the next generation of country strategies explicitly commit Portugal to: (i) use partner country systems; (ii) adopt programme-based approaches; (iii) improve management for development results; and (iv) increase co-ordination and harmonisation with other donors.
- To increase impact, Portugal needs to reduce the fragmentation of its development programme. It should phase out more small projects and invest in larger ones or situate its projects within larger partner-led programmes. Portugal is also encouraged to channel more of its bilateral ODA through programme-based approaches.
- Portugal should take stock of its experiences and systematise engagement with aid co-ordination mechanisms at field level. In order to do so, it will need to better resource its field offices.
- Portugal should increase the predictability and transparency of its aid. It should secure multi-year and annual indicative figures in its state budget. It should also improve aid reporting and, in particular, provide regular information on aid commitments and disbursements to all partner countries, so that aid commitments can be reflected in partner countries' budgets.
- Portugal should continue to untie its ODA and protect the progress it has already made in untying by reviewing the tying terms of its existing lines of credit and ensuring any future lines of credit offer untied loans only. It should also ensure the tying status of both its grants and loans is properly reported.

Chapter 6

Special Issues

Capacity development

Capacity is at the heart of sustainable international development. Capacity is understood as “the ability of people, organisations and societies to manage their affairs” and capacity development as a process in which “people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time” (OECD, 2006b). Capacity development is an endogenous process which donors can only support. Effective capacity development reduces the role of external support in the long term and, therefore, should be a basic objective of all development co-operation. The DAC considers capacity development to be a priority and it features particularly strongly in the *Accra Agenda for Action* (OECD, 2008c). For these reasons it is a special topic in DAC peer reviews.

Capacity development in Portugal’s policy framework

Portugal does not have a separate capacity development policy, though the issue features in its main policy document, the *Strategic Vision for Portuguese Development Co-operation* (MNE/IPAD, 2005). The *Strategic Vision* emphasises various priorities and identifies “capacity building” as one tool to achieve Portugal’s priorities. Since Portugal is due to update the *Strategic Vision*, this will be an opportunity to highlight better the fundamental importance of capacity development as a key objective of all development co-operation. It should also define the multi-layered nature of capacity development, and view the role of development less as building partners’ skills and more as supporting partners’ own capacity development efforts.

Other more recent strategic documents, at sector and country level, also refer to capacity development. Portugal has drafted six thematic policy documents which, at the time of writing, were still awaiting approval (MNE/IPAD, submitted). These drafts are a clear attempt to integrate capacity development as a cross-cutting issue. In particular, the draft education strategy stresses the importance of supporting long-term capacity development in the sector (MNE/IPAD, submitted). In all of its country strategies (PICs), Portugal identifies “institutional capacity building” as an objective. In some of the PICs institutional capacity building accounts for one of the three strategic aims or “axes of co-operation”. In others, it is seen as a method to support the strategic aims. As with the overarching strategy, when Portugal updates its country level documents it would be helpful to set out how it expects its engagement will support partners’ own capacity development efforts in a co-ordinated way.

IPAD has recently developed guidelines for capacity development which are broadly aligned with international good practice (MNE/IPAD, 2010b). They set out some fundamental definitions and principles for Portugal’s future approach to capacity development (Box 7). The guidelines outline the multi-layered approach (individual, organisational and in the enabling environment), the importance of capacity development in fragile states and the variety of instruments available to Portugal to support its partners to develop their own capacities.

Box 7. The 12 “basic principles” of Portugal’s new approach to capacity development

- Allow partners to identify needs based on their national priorities and Portugal’s comparative advantage.
- Promote ownership and management by the partner country.
- Take a flexible approach which takes the country and its specificities into account.
- Take existing capacity levels into account and build on them.
- Situate capacity development initiatives within a broader context of reforms and avoid isolated interventions.
- Use national systems and structures.
- Harmonise with other donors where possible.
- Consider different options to support capacity development and be innovative.
- Be prepared for long-term involvement; though include short-term responses where appropriate.
- Ensure capacity development initiatives are results orientated.
- Learn from experience and share lessons.
- Establish mechanisms and strategies to ensure sustainability.

Source: MNE/IPAD (2010b), *Desenvolvimento de Capacidades – Linhas de Orientação para a Cooperação Portuguesa* (Capacity Development – Guidelines for Portuguese Co-operation), MNE/IPAD, Lisbon, www.ipad.mne.gov.pt/images/stories/APD/Des_Capacidades.pdf

Closing the gap between new policy and established practices

With the new guidelines in place, the test now is to ensure they are translated into practice. It is up to IPAD to catalyse the transition in both thinking and practice, not only amongst its own staff at headquarters and in the field, but also amongst the wide range of other government entities involved in Portuguese development co-operation. Since the guidelines are very new they have not yet had a tangible impact on how Portugal is operating. As a first step, IPAD has produced an information note designed for wider dissemination. IPAD also intends to involve line ministries by asking them to identify existing cases of good practice from within their portfolios, as well as by calling a special meeting of the inter-ministerial committee on co-operation (CIC) to discuss capacity development. Clearer prioritisation of capacity development in the new version of the *Strategic Vision* and next generation of PICs would provide IPAD with an additional tool to secure take up of the guidelines.

From technical co-operation to capacity development

Portugal has a long history of using technical co-operation and this continues to be a foundation stone of its development co-operation. Portugal sees technical co-operation as an area where it has a comparative advantage within Portuguese speaking countries, many

of which have similar government structures and legal systems. Technical co-operation is comprised of technical assistance, training and scholarships and accounts for roughly half of Portugal's bilateral aid (Chapter 3). This equates to around a quarter of total ODA which, at roughly double the DAC average, highlights the centrality of technical co-operation in Portugal's overall approach. It is important to note, however, that these figures largely represent aid in kind rather than financial transfers to partners. Portugal believes part of its comparative advantage lies in providing technical co-operation in kind.

There are cases of Portugal's technical co-operation achieving clear successes in supporting capacity development and some of its projects are greatly appreciated by partners (Annex D). Portugal should draw and systematically apply the lessons from these experiences. In some cases, Portugal has started to make the transition from using technical co-operation to fill gaps and train individuals, to a multi-layered approach which contributes to wider institutional development and considers the context in which it operates. In Cape Verde, for example, in 2004 Portugal was staffing a vocational training centre which it built and ran parallel to government systems. The Cape Verdean government has since incorporated this centre within the government framework to ensure it lasts. More recently, Portugal has provided support for Cape Verde to develop a national employment plan and has helped revise the legal framework for vocational training. Portugal is also moving away from sending large numbers of Portuguese teachers to work in partner country schools to instead supporting local teacher training and curriculum development. This shift, from providing teachers to supporting education systems, is an extremely important development which is now being rolled out to all partner countries.

Portugal can draw on the experiences of its own good practice and its challenges, as well as those of the wider donor community, to enhance the success of its technical co-operation in supporting partners to build their capacity. On the external side, Portugal is already making good use of the DAC document, *The Challenge of Capacity Development: Working Towards Good Practice* (OECD, 2006b). It could also draw on lessons from fragile contexts and stay involved in current peer learning activities in the lead up to the Fourth High Level Forum on Aid Effectiveness in 2011. Lessons from major players such as the UNDP could be useful; the European Commission recently produced a "backbone strategy" to make its technical co-operation more effective; Portugal could draw on and actively support this (EC, 2008; UNDP, 2009). Internally, IPAD has evaluated and reformed Portugal's scholarships programme so that it supports local capacity better (Box 8). Portugal should continue to shift the balance of its scholarships support to guard against brain drain and to support the development of its partner countries' educational systems. Given the usefulness and impact of the scholarships evaluation, it could be useful to conduct similar evaluations of technical assistance and training to make recommendations for future reform of these sectors (MNE/IPAD 2006d). Indeed, IPAD is working closely with the Ministry of Finance to evaluate the results of technical assistance in public financial management. The fact that the new capacity development guidelines also focus on technical co-operation provides IPAD with a tool to push for reform. Portugal should also seek to address the following practical issues to ensure successful implementation:

- **Co-ordinating and aligning.** Only a small minority of Portuguese technical co-operation is co-ordinated (Chapter 5). Yet, as an EU member, Portugal is committed to a 100% co-ordination target (OECD, 2005). There are some good examples of co-ordinated technical co-operation, such as Portugal's involvement in a

co-ordinated programme of support to the judiciary in Timor-Leste, but this is not typical. Portugal should engage more in joint programmes. In general, Portugal also makes very limited use of joint missions and joint analytical work. It should work with partners to help them to assess and identify priority capacity needs so that it can co-ordinate its support appropriately, for greater impact and sustainability.

- **Creating incentives for change.** Portuguese line ministries are the main providers of Portugal's technical co-operation. They second their own staff to conduct training and supply technical assistance. This approach brings in relevant technical expertise. However, it is also a co-ordination and leadership challenge for IPAD. IPAD should consider how it can introduce incentives for line ministries to work towards sustainable and transformative capacity development and, therefore, phase out their presence. IPAD could help to focus attention by requiring line ministries to explain how and when they intend to withdraw having built the sustainable capacity so they are no longer needed.
- **Making use of local and regional resources.** Portuguese technical co-operation is dominated by expatriate expertise. It is largely delivered by Portuguese line ministry staff – local competitors cannot bid to deliver it. This means it does not draw on or use local resources, which goes against the principles of the *Accra Agenda for Action* (OECD, 2008c). Recently, Portugal has started to include more training of trainers in its projects. If systematised, this shift should support local capacity development. The CPLP (Box 1, Chapter 1) could provide a forum for much wider use of triangular co-operation amongst Portuguese speaking countries. Portugal might also find that local civil society organisations can play an important role in capacity development (OECD, 2008c).
- **Measuring the impact of technical co-operation on capacity.** Portugal is aware that it needs to make progress on monitoring the outcomes of its technical co-operation. At present many projects are monitored on the basis of specific outputs, such as the number of courses delivered. It has tried surveying training beneficiaries to gauge what impact the training has had on their perception of their ability to do their jobs. But for a small donor it is especially difficult to conduct such in-depth analyses of capacity impacts. Engaging in more joint programmes would allow Portugal to benefit from the joint analyses and evaluations that often go with working in a co-ordinated way.

Mainstreaming capacity development

While developing capacity is an objective of Portuguese technical co-operation, it is not yet fully integrated into the other types of Portuguese co-operation (MNE/IPAD, 2005). Portugal could consider including the development of local capacity as an objective for all projects. To do so, IPAD could add to its current project appraisal form – which already includes a box on project sustainability – a requirement to consider how the project will support local capacity development and to identify monitoring measures. This would ensure more projects support local capacity. The potential for capacity development should also be a key criterion in all project approval and quality control processes.

Box 8. Changes to Portugal’s scholarship programme

Portugal has made important revisions to its scholarships policy. Scholarships account for about a quarter of Portugal’s technical co-operation. In Cape Verde, costs associated with students studying in Portugal accounted for nearly half of the Portuguese programme there in 2008. Since this expenditure is such a central component of Portuguese co-operation, ensuring it actually supports capacity development is crucial.

Previously, scholarships and support could be obtained for a range of levels and types of education. There was no system to encourage those who benefited from the support to return and put their skills to use in their countries. Neither was there a system to ensure that the education students received was relevant to their countries’ development plans (OECD, 2006a; MNE/IPAD, 2006d). The support thus risked contributing to brain drain as much as to capacity development.

Portugal has now adjusted its policy to increase the focus on scholarships at partner country universities and to only encourage students to come to Portugal for postgraduate study. These crucial reforms have not yet had a major impact on expenditure patterns, though there has been a slight increase (8%) in the number of scholarships for study within partner countries and a decrease (13%) in scholarships issued for students from partner countries to study in Portugal. There are no data to show whether or not more students who study under official scholarships in Portugal are taking their skills and qualifications back to their home countries.

Source: MNE/IPAD (2006d), *IPAD’s Scholarships Policy Evaluation*, MNE/IPAD, Lisbon, www.ipad.mne.gov.pt/images/stories/Avaliacao/bolsas_Summary.pdf

Future considerations

- Portugal should make support for partner-led capacity development an explicit priority for all its development co-operation in the new *Strategic Vision*. It should continue to mainstream capacity development as an objective in its new sector and country level policy documents.
- To help turn policy into practice, IPAD should:
 - (i) actively disseminate and promote the new capacity development guidance amongst all actors, including line ministries and municipalities;
 - (ii) reduce the dominance of expatriate expertise in favour of local personnel or South-South exchanges;
 - (iii) identify incentives for line ministries to develop local capacity with a view to handing over their posts over time; and
 - (iv) consider requiring all ODA eligible projects to identify how they will contribute to capacity development.
- Portugal should take part in joint system-wide assessments of capacity needs, and use the results to shape its focus. Working within joint programmes would also enable Portugal to share the evaluation and monitoring tasks, and improve co-ordination and alignment.

Security and development

Portugal opted for security and development as the second special topic in this peer review.¹¹ It did so for two principal reasons. Firstly, the issue is a priority for Portuguese development co-operation. Experience has shown that there are strong links between security and development: there can be little development without security. Well-developed security systems, with appropriate governance, management and oversight, can be important for other aspects of development. So Portugal is increasingly prioritising the security and development nexus in all its priority countries, not only those classed as fragile states. Secondly, this is an area where Portugal has some experience to share, and it feels it has made worthwhile progress since the last peer review, particularly in developing a whole-of-government approach.

Moving from a history of ad hoc engagement to a strategic priority

Portugal has been engaged in the security sector in many of its partner countries for decades. In practice, most of this has been led by line ministries – notably the ministries of defence and internal administration. Because of this history of engagement in security issues, Portugal believes it has a comparative advantage in this area in Portuguese-speaking countries. It intends to deepen its security co-operation with its existing partners and forge stronger links with its broader development co-operation in those countries.

Support to the security sector is now an important component of the Portuguese aid budget. In 2007-08, 22% of Portuguese bilateral ODA was categorised under conflict, peace and security. In 2008, around half the expenditure in this area was for security system management and reform support, the vast majority of which was technical co-operation delivered by line ministries. Portugal is also active in legal and judicial development, accounting for an additional 2% of bilateral grants in 2008. The interest in security is also evident in Portugal's support to multilateral organisations. For example, Portugal has contributed to the European Stability Instrument, Africa Peace Facility and the UN Peacebuilding Fund.

Although already active in security related issues, Portugal has only made “security and development” a central priority of its development co-operation in the last three years. In 2009, Portugal produced a whole-of-government *National Strategy on Security and Development* (GoP, 2009a). Portugal's success in agreeing this whole-of-government strategy, endorsed by the Council of Ministers, is commendable. The strategy makes explicit the links between security and development and views security in its broadest sense. It was developed following Portugal's 2007 EU Presidency when it advocated strongly for this issue, culminating in the *EU Council Conclusion on Security and Development* (European Council, 2007e). Within Portugal, this international engagement helped to establish stronger communication at high and working levels across departments involved in security and development. It also led to high-level acknowledgement of the need for better inter-ministerial co-ordination.

The new strategy is intended to promote co-ordination, coherence and accountability. The Council of Ministers acknowledged that past Portuguese engagement in fragile situations has often been uncoordinated and has delivered mixed results (GoP, 2009a). The strategy is intended to reflect the political will of the Portuguese Government to

11. Under current DAC rules, reviewed countries can propose an alternative second special topic.

promote the connection between security and development and to reduce the risk of wasting resources because of a lack of co-ordination and coherence. To this end, it sets out a shared view of security and development as “two sides of the same coin” (*ibid*). The strategy also outlines objectives and actions to achieve them (Box 9). No formal assessment has yet been made of the implementation of these actions; as it is very recent many of the actions are yet to be implemented. Nevertheless, Portugal has made progress in some areas:

- In consultation with various ministries, IPAD has co-ordinated drafting of the first inter-ministerial “action plan” for Portuguese engagement in a fragile partner country (Guinea Bissau). At the time of writing, this plan had not yet been approved or put into action and was to be reviewed following a change in the political context in Guinea Bissau. Meanwhile, the terms of reference for an action plan for Timor-Leste have recently been agreed.
- The working level inter-ministerial group on security and development is operating and already seems to have increased collaboration and co-ordination among different ministries.

The strategy does not identify actions to improve dialogue with civil society and international partners and progress in these two areas has been mixed. However, Portugal has been actively engaged in international dialogue. In the European Union context, in addition to securing agreement on the Council Conclusion on Security and Development, Portugal has been involved in developing EU-wide action plans, taking lead responsibility in the case of Guinea Bissau. Portugal is also engaged with the OECD DAC’s International Network on Conflict and Fragility (INCAF) and took the lead in piloting the OECD DAC *Principles for Good International Engagement in Fragile States and Situations* in Guinea Bissau (OECD, 2007b). In contrast, Portugal has made less progress in enhancing policy dialogue with civil society networks.

In addition, in 2009 Portugal published a national action plan for implementing UN Security Council Resolution 1325. The resolution urges increased representation of women at all levels in national, regional and international institutions for conflict prevention and resolution (UN SC, 2000). This is a very welcome effort to ensure Portugal lives by the resolution in practice. The plan could also be used to help Portugal improve its consideration of gender equality in fragile states in general. It has already prompted the introduction of a short course on gender issues in fragile states for development and diplomatic staff going to posts in fragile states.

Box 9. Objectives and actions identified in the National Strategy on Security and Development	
Objectives	Actions
To promote greater coherence and co-ordination of Portuguese interventions in global security and development.	<ul style="list-style-type: none"> - Create a mechanism to co-ordinate policy in Portugal (meeting once a month, under the leadership of the Ministry of Foreign Affairs to consult on policy). - Create a mechanism for political co-ordination in countries where Portugal is acting (under leadership of the ambassador). - Create a working group on security and development to contribute to the policy level group (co-ordinated by the Ministry of Foreign Affairs or IPAD).
To identify mechanisms and instruments to enable and create more integrated planning and action in fragile states.	<ul style="list-style-type: none"> - Promote security and development during the negotiation of PICs. - Co-ordinate the design and definition of programmes in military, judicial and police-related technical co-operation. - Create <i>ad hoc</i> teams for each fragile partner country to conduct reviews, discuss timing, monitor evolving situations and improve diagnostic and evaluative tools. - Produce action plans for Portuguese co-operation in fragile partner countries. - Use multi-annual budgeting.
To promote the systematisation of good practices and information sharing between actors and between headquarters and the field.	<ul style="list-style-type: none"> - Develop a virtual space for collaborative work and information sharing. - Conduct training courses and joint assessment missions. - Develop a systematic mechanism to improve field missions and training. - Create a database of national experts.
To strengthen policy dialogue with civil society networks.	No tools identified.
To enhance interaction with international partners.	No tools identified.

Source: GoP (2009a), *Resolução do Conselho de Ministros No. 723/2009*, GoP, Lisbon, <http://dre.pt/pdf1sdip/2009/08/16500/0560305608.pdf>

Portugal's involvement in security and development in practice

Applying the global strategy at country level

Since it is only one year old, the impact of the new strategy on country level programming is only now starting to be felt. Nevertheless, Portugal is already in a good position to use the new strategy to build on its existing country level strategies (PICs). Although they pre-date the national security and development strategy, all six of Portugal's PICs mention security. While the topic is only reflected in the overarching goals of one of the six (Angola), it appears in the specific goals of all of the PICs. As Portugal updates the PICS it should be able to use the national security and development strategy to ensure a more coherent approach, reflecting the links between security and

development. For its four fragile partner countries (Angola, Guinea Bissau, Sao Tome and Principe and Timor Leste) Portugal also intends to produce cross-government action plans which will then be integrated into the next generation of PICs (Box 9). Portugal should ensure that such plans are action orientated and practical, that they ensure the buy-in of all those ministries and agencies engaged in the security sector, that they align to partner priorities and that they consider the activities of other development partners present.

An approach based on technical co-operation

The vast majority of Portugal's support to the security sector involves technical co-operation, specifically technical assistance and training. Many of the issues discussed in the first section of this chapter, on increasing the effectiveness of technical co-operation for sustainable capacity development, are acutely relevant here. Technical assistance personnel are just one ingredient in state building and capacity development; their deployment should fit into locally-owned plans and strategies (OECD, forthcoming). There is some evidence that Portuguese technical co-operation in the security sector is combining traditional training and gap filling with more strategic capacity development. For example, in Cape Verde Portugal has provided police, military and judicial training, but it has also supported the Cape Verdean government to develop its own national security strategy. Portugal and other donors can now align their programmes to this nationally-owned strategy.

The need for internal co-ordination and wider alignment and harmonisation

Co-ordination is a particularly crucial issue for technical co-operation in the security sector. In terms of internal co-ordination, a number of different Portuguese ministries are very active in technical co-operation for this sector. In the past these ministries were working separately from each other. They each had their own direct links with partner ministries and this made it difficult for IPAD or partners' central ministries to co-ordinate their work. The recent prioritisation of security and development and the acknowledgement that co-ordination had to be improved has already increased communication, particularly in headquarters. The fact that the ministries of defence and internal affairs both have attachés in key embassies enables the closer field level working relationships called for by the strategy. A more coherent approach will put Portugal in a much better position to co-ordinate and harmonise with others, as well as increase the impact and value for money of its support.

Portugal has tended to build strong bilateral relationships with individuals in partner countries security sectors, although it has tried to co-ordinate with the EU it also needs to improve co-ordinate with other actors. It is now working through the UN in one programme in Timor-Leste and with the EU in Guinea Bissau. This more co-ordinated approach should be systematised because it is more effective and efficient for partners, for donors collectively and for Portugal individually. At the most basic level, information sharing and engagement in co-ordination mechanisms is needed. Portugal should also be situating its technical and other co-operation projects within wider programmes (Chapter 5).

Close links between aid and non-aid activities

In practice, as in principle, Portugal is beginning to take a more holistic approach to security and development. It sees close linkages between projects which are eligible as official development assistance – such as security system management and reform – and those which are not eligible – such as training for military personnel. Non-ODA co-operation projects are not subject to the same rules about IPAD co-financing or approval, *i.e.* IPAD does not have an official co-ordination mandate for non-aid co-operation. Co-ordination is nevertheless crucial at both field and headquarters levels and the strategy should be used to establish a more coherent and co-ordinated approach. There are indications that coherence is already improving, both in strategic level discussions at headquarters and in day to day management at embassies. While seeking better coherence and co-ordination with non-development activities, Portugal also needs to be cautious in protecting the integrity of its officially reported development assistance.

Learning from good practice in security sector reform

Portugal is closely involved in security sector reform. It takes a holistic approach – looking at military, police and judicial issues within the sector – and it is currently seeking co-ordination between these sub-sectors. In order to encourage good practice across the different actors involved it has translated and disseminated the OECD *Handbook on Security System Reform* (OECD, 2007c). The handbook is being used as a guide by military, police and judicial attachés and technical co-operation staff in the field.

In 2007, DAC members endorsed an implementation framework for security system reform which sets out key principles and objectives (OECD, 2007d). The implementation framework includes 16 good practice principles which may be useful reference points for Portugal to monitor its own performance in the area. Of particular note is the commitment to conduct appropriate political analysis to complement technical input and the importance of the donor community working together in a more strategic and harmonised way Portugal could pay greater attention to these two specific areas, in partnership with others. The framework also identifies the following objectives for security sector reform: (i) improving basic security and justice service delivery; (ii) establishing an effective governance, oversight and accountability system; and (iii) developing local leadership and ownership of the reform process and to review the capacity and technical needs of the security system. Portugal is closely engaged in providing training and technical assistance across the security sector to develop security skills. Importantly, it views security in the broadest sense and tries to link military, police and judicial co-operation projects. However, it is much less involved in supporting oversight of and accountability in the sector. Yet, this oversight role is central to the security and development nexus because of the importance of public trust in government for conflict prevention and stability (OECD, 2008g; 2009f). Portugal should, therefore, consider how it can better integrate this crucial dimension in its support to the security sector.

Applying the principles for engagement in fragile states

Portugal has made efforts to work in accordance with the *Principles for Good International Engagement in Fragile States and Situations* (OECD, 2007b). Indeed, it was involved in piloting the principles in Guinea Bissau. Given that four of its six partners are fragile states, these principles should be central to Portugal's approach in

these contexts. Portugal should be credited for focusing on state building as a central objective (principle 3), for recognising the links between political, security and development objectives (principle 5) and certainly for staying engaged over the long term (principle 9). The new strategy also calls for Portugal to respond “faster and more flexibly” (GoP, 2009a).

However, Portugal would benefit from reviewing how it works to ensure it can apply all the principles in practice. In particular, there is limited understanding of the “do no harm” principle (principle 2) and of “conflict sensitivity”. These concepts are about designing and running interventions in such a way that they do not have unintended consequences for local conflicts and political dynamics. Issues that should be closely analysed include who will be real winners and losers of an intervention and linguistic and geographical disparities. Portugal’s long-standing relationships with individual officials should be treated cautiously in fragile situations. As a donor with limited resources, conducting detailed conflict, political or “drivers of change” analyses may not always be feasible. But by taking part in more joint analyses Portugal would be able to contribute analysis and also make use of the results to inform its programmes and avoid unintended impacts. It could also consider piloting a “conflict audit” of one of its country programmes – *i.e.* an expert assessment of the interplay between its current projects and local political and conflict dynamics. It could also draw lessons from the recent OECD monitoring study, *Principles for Good International Engagement in Fragile States and Situations*, which included Timor-Leste as a case study (OECD, 2010g). Portugal could also build upon its notable efforts to target vulnerable groups in some of its more recent country strategies for fragile states.

Following the *Dili Declaration: A New Vision for Peacebuilding and Statebuilding* (OECD, 2010h), Portugal should also develop a clear approach to identifying and prioritising activities that will contribute to peacebuilding. This should be done in close co-operation with other donors, as all are now seeking to implement the specific action points in the declaration.

Future considerations

- Portugal’s recent prioritisation of security and development and its efforts to improve whole-of-government co-ordination in this area are extremely welcome. As it implements its strategy, it should draw on lessons to help push for further progress and share experiences with other donors seeking a more coherent approach.
- Portugal can build on its progress in increasing the coherence and co-ordination of its work in the security sector by improving its co-ordination with other actors at country level.
- Portugal’s long-standing support to the security sector would be strengthened by giving a higher priority to civilian oversight and transparency.
- Portugal needs to increase staff and high-level awareness of the “do no harm” principle and of the importance of conflict sensitivity in all programming. It should also engage in joint conflict analyses and use the findings to inform the design and management of its country programmes. It should consider piloting a “conflict audit” in one of its partner countries to assess the impact of its work on local conflict dynamics.

Annex A

Progress Against the 2006 Recommendations

Key issues	Recommendations from 2006	Progress since 2006
Overall framework and new orientations	Building on the parameters of the new strategy for development co-operation, Portugal should develop and implement a multi-year, results-based action plan and adjust its policies and practices to reflect the poverty focus throughout its development programme. It should adopt a systematic and consistent approach to poverty reduction based on poverty needs assessments and integrating the gender equality dimension.	IPAD has produced a plan to implement the 2005 <i>Strategic Vision</i> , though it is not specifically focused on integrating poverty reduction. It has also conducted a review of Portugal's contribution to achieving the MDGs. Poverty reduction is included as one objective in all of its country strategies. It has not yet made significant progress on integrating gender equality into its projects and programmes.
	Portugal is encouraged to develop sectoral guidelines based on needs assessments. These guidelines should be flexible enough to adapt to each country situation.	Portugal has drafted six sectoral or thematic strategies; however, at the time of writing these were still awaiting approval.
	Portugal should prepare a multilateral strategy based on specific allocation criteria. The strategy should identify priority issues of concern to Portugal and be linked to the bilateral aid programme.	Portugal approved a multilateral strategy in 2009. It makes specific reference to improving links with Portugal's priorities in the bilateral aid programme. The strategy is not intended to change Portugal's overall allocations to multilateral organisations.
	Linking Portuguese experience in immediate post-conflict transition periods with other experiences in fragile states could provide helpful lessons. A global policy on fragile states supported by policy and operational work specifically devoted to conflict prevention and peace building , could also add considerable value.	Portugal has adopted a national Strategy on Security and Development, which is a whole-of-government strategy and is applicable to fragile and other contexts. It does not cover the fragile states principles, peacebuilding, conflict prevention or conflict sensitivity issues. However, it is possible for Portugal to ensure these issues are covered in individual country strategies.
	IPAD should elaborate and implement a communication strategy to foster greater understanding of, and public support for, development co-operation.	IPAD still does not have a communications strategy. It has however launched some interesting initiatives on which it intends to build, for creating a more strategic approach to communicating with the public.
Aid volume and distribution	Portugal needs to scale up its ODA to implement its MDG commitments by 2010. This will require transfers of new money to its partner countries. An ODA growth implementation plan with a specific time-frame should be elaborated, focusing on resource mobilisation and allocation to activities that have a clear poverty orientation.	Portugal's overall ODA has not increased significantly since the last peer review and has been consistently below 0.3% of gross national income. Portugal did not develop an ODA growth implementation plan, but did set a calendar for ODA increases in 2009. However, Portugal is off track to meet its national and international targets.

Key issues	Recommendations from 2006	Progress since 2006
	Portugal should review sectoral aid allocations and choice of modalities with a view to strengthening the poverty focus and impact of its development co-operation programme. It should make a special effort to clearly integrate a gender dimension and avoid supply-driven approaches.	The 2005 <i>Strategic Vision</i> recognised achieving the MDGs as a guiding principle of Portugal's development co-operation. Poverty reduction now features as a priority in all country strategies (PICs) and is considered in draft sectoral strategies. However, Portugal has not reviewed its choice of modalities and technical co-operation remains the mainstay of its bilateral aid. Portugal has made efforts to make its aid more demand driven and increase the extent to which it is aligned with partners' own priorities.
	Portugal should carefully consider the risks inherent in bringing students from partner countries to study in Portugal in terms of brain drain versus development gains. It should broaden its approach to education, linking it more closely to the objective of poverty reduction, building institutional capacity at all levels.	Over half of Portugal's aid to the education sector is imputed student costs, indicating Portugal is still focused on higher education rather than on basic education and building the capacity of partners' educational systems. However, Portugal has revised its policy on scholarships to focus more on provision within partner countries for undergraduate degrees and in Portugal for post-graduate degrees.
Promoting policy coherence	Portugal is encouraged to endorse policy coherence for development at the highest political level and to clarify the role that the Council of Ministers for Co-operation might play to promote it across government ministries. This would provide a solid foundation for efforts aimed at ensuring that the concerns of partner countries are taken into account in the formulation of development co-operation and other national policies.	A draft law on policy coherence for development was submitted to the Council of Ministers for approval. The new law is expected to strengthen and clarify the role of inter-ministerial co-ordination mechanisms. Until now, the Council of Ministers and the Inter-Ministerial Committee for Co-operation do not have a clear mandate to examine policy coherence for development.
	Portugal is encouraged to further untie its aid and to ensure that disbursements via the new financial institution for private sector support will not be tied.	Portugal has made progress in untying its aid. It reported that 91% of its ODA was untied in 2008, up from 71% in 2007.
	Portugal could consider developing its capacity to advocate within the EU on behalf of its partner countries.	Portugal has advocated within EU forums on issues that affect its partner countries. Its role in the adoption of the EU-Africa Joint Strategy and its first Action Plan are cases in point. At country level, it has supported Cape Verde to build a "special partnership" with the EU.
Aid management and implementation	As is called for in the aid effectiveness agenda, Portugal should adopt multi-year programming to increase aid predictability for partner countries and Portuguese implementing agents.	Portugal has adopted multi-year programming but not yet multi-year budgeting. It does include an indicative figure for its investments by country during the course of a PIC. However both annual and medium-term predictability remain challenges.
	To increase aid effectiveness, IPAD should be given overall control of the bilateral aid budget . To reduce transaction costs, it should also have the authority to manage the annual carry forward of unspent funds .	IPAD still controls only a minority of the ODA budget. However, other ministries now need IPAD approval for individual projects. IPAD still does not have the authority to carry over unspent funds, but has improved its own budget execution rates.

Key issues	Recommendations from 2006	Progress since 2006
	Portugal should delegate greater authority to the embassies and strengthen them with additional human resources . They should experiment with sector-wide and programme approaches as well as forms of delegated partnership, working jointly with other donors whenever possible.	Portuguese embassies still have very limited delegated authority and staff. Portugal is now experimenting with general and sector budget support. It is working with other donors in some cases, but not yet systematically.
	IPAD should shift from an administrative to a more strategic and development-oriented culture. This means acquiring additional technical development expertise and expanding training activities to cover substantive development-related themes.	IPAD is still constrained in recruiting technical specialists. It has recently started to expand training activities to include programme management.
	Portugal should continue to strengthen its evaluation culture across the board, building on progress already achieved within IPAD's Evaluation Division as well as targeting line ministries.	Portugal has made progress in creating a culture of evaluation, particularly within IPAD. Extending this to all line ministries is continuing. IPAD has also taken steps to increase the independence and credibility of its internal evaluation function.
	The Portuguese authorities should facilitate constructive dialogue with civil society organisations extending beyond the funding relationship to allow for a sharing of experience in areas of mutual interest.	Portugal has started to engage more with its own civil society organisations, particularly through the development co-operation forum and development days.
	Language instruction is a necessary but not a sufficient condition for strengthening human and institutional capacities. The Portuguese authorities are encouraged to adopt a more strategic approach to the use of technical co-operation for capacity and institution building, based on an assessment of needs in the sectors in which they are active and working jointly with other donors to the extent feasible.	Portugal still delivers its technical co-operation in a fragmented way through a wide array of small projects. Three main improvements were: (i) the scholarships programme reform to support local capacity development and reduce the risk of brain drain; and (ii) signs of movement “upstream” to provide technical co-operation for systemic reform (iii) the increased coherence of technical co-operation in the security sector. However, its technical co-operation needs to be based on broad needs assessment or co-ordinated with others actors.
Humanitarian aid	Given the vulnerability of its partner countries to natural and conflict-related emergencies, Portugal should develop a policy for its humanitarian aid to guide its response. Such policy should be consistent with the “Principles and Good Practice of Humanitarian Donorship” and address the need for investment in disaster preparedness and mitigation.	Portugal still does not have a policy to guide its humanitarian aid.
	Within a growing ODA budget, Portugal should also consider further increasing its allocations to humanitarian aid , prevention preparedness, emergency response and recovery and reconstruction in line with GHD and a needs-based approach. It should also ensure that staff with appropriate technical expertise and experience are assigned to the organisational unit responsible for humanitarian aid.	Allocations to humanitarian assistance have not increased since the last peer review; however there was a special allocation of EUR 3.48 million in 2005 for the Tsunami response. IPAD has not increased technical expertise on humanitarian issues. The unit responsible for humanitarian assistance has been closed and operational responsibility now rests with the head of the Civil Society Unit.

Annex B

OECD/DAC Standard Suite of Tables

Table B.1. Total financial flows

USD million at current prices and exchange rates

Portugal	Net disbursements						
	1994-98	1999-2003	2004	2005	2006	2007	2008
Total official flows	412	328	339	374	376	234	620
Official development assistance	258	291	1 031	377	396	471	620
Bilateral	174	188	873	218	211	270	373
Multilateral	83	104	158	159	185	200	247
Other official flows	154	36	- 692	- 3	- 20	- 237	-
Bilateral	154	36	- 692	- 3	- 20	- 237	-
Multilateral	-	-	-	-	-	-	-
Net Private Grants	2	2	3	6	4	2	1
Private flows at market terms	578	1 705	335	728	286	1 980	906
Bilateral: of which	578	1 705	335	728	286	1 980	906
Direct investment	538	1 475	187	556	44	1 550	341
Export credits	53	230	148	172	243	430	660
Multilateral	-	-	-	-	-	-	-
Total flows	992	2 035	676	1 109	666	2 215	1 528
<i>for reference:</i>							
ODA (at constant 2008 USD million)	442	518	1 327	473	479	506	620
ODA (as a % of GNI)	0.26	0.25	0.63	0.21	0.21	0.22	0.27
Total flows (as a % of GNI) (a)	0.98	1.75	0.41	0.62	0.36	1.03	0.67
ODA to and channelled through NGOs							
- In USD million	3	2	5	9	11	8	12
- In percentage of total net ODA	1	1	0	2	3	2	2
- DAC countries' average % of total net ODA	4	8	8	9	7	7	7

a. To countries eligible for ODA.

ODA net disbursements
At constant 2008 prices and exchange rates and as a share of GNI

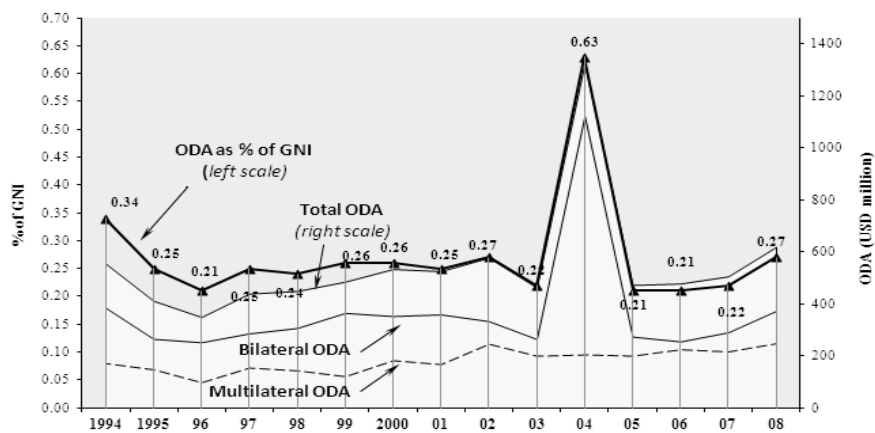
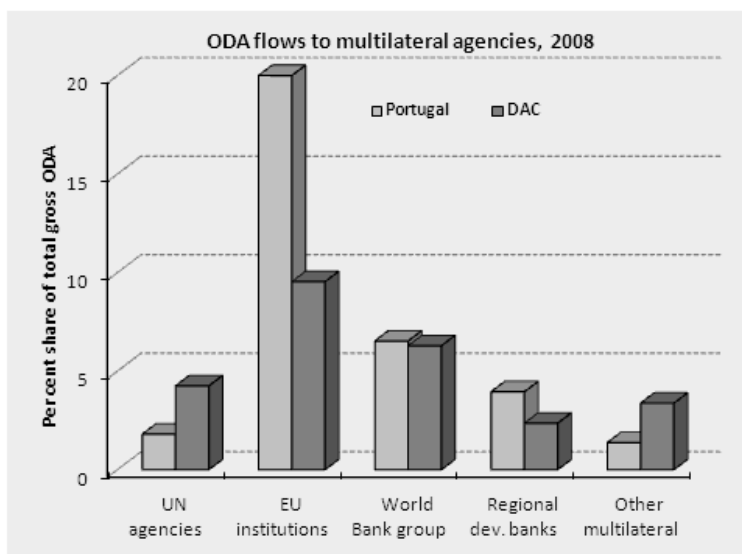


Table B.2. ODA by main categories

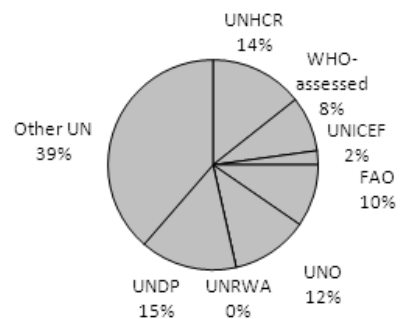
Portugal	Constant 2008 USD million					Disbursements					Total DAC 2008%
						Per cent share of gross disbursements					
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008	
Gross Bilateral ODA	1 129	281	263	298	380	85	59	54	58	61	74
<i>Grants</i>	<i>230</i>	<i>252</i>	<i>239</i>	<i>271</i>	<i>238</i>	<i>17</i>	<i>52</i>	<i>49</i>	<i>53</i>	<i>38</i>	<i>65</i>
Project and programme aid	19	39	56	23	23	1	8	11	4	3.60	24
Technical co-operation	147	144	142	165	155	11	30	29	32	25	13
Developmental food aid	-	-	-	-	-	-	-	-	-	-	1
Humanitarian aid	23	16	8	1	1	2	3	2	0	0	6
Action relating to debt	8	4	1	1	1	1	1	0	0	0	8
Administrative costs	13	20	15	15	16	1	4	3	3	3	4
Other grants	20	30	17	67	42	2	6	4	13	7	8
<i>Non-grant bilateral ODA</i>	<i>899</i>	<i>29</i>	<i>24</i>	<i>26</i>	<i>143</i>	<i>67</i>	<i>6</i>	<i>5</i>	<i>5</i>	<i>23</i>	<i>9</i>
New development lending	1	29	24	26	143	0	6	5	5	23	8
Debt rescheduling	898	-	-	-	-	67	-	-	-	-	0
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	1
Gross Multilateral ODA	204	199	224	216	247	15	41	46	42	39	26
UN agencies	13	13	12	13	11	1	3	3	3	2	4
EU institutions	145	160	150	152	161	11	33	31	30	26	10
World Bank group	16	15	17	18	41	1	3	4	3	7	6
Regional development banks (a)	22	4	37	19	25	2	1	8	4	4	2
Other multilateral	7	7	7	13	9	1	1	1	3	1	3
Total gross ODA	1 333	481	486	513	627	100	100	100	100	100	100
Repayments and debt cancellation	-6	-8	-7	-7	-7						
Total net ODA	1 327	473	479	506	620						
<i>For reference:</i>											
Associated financing (b)	-	-	-	-	-						
Net debt relief	906	4	1	1	1						
Imputed student cost	41	40	40	39	38						
Refugees in donor countries	1	0	0	0	0						

a. Excluding EBRD.

b. ODA grants and loans in associated financing packages.



Contributions to UN Agencies (2007-08 Average)



Contributions to Regional Development Banks (2007-08 Average)

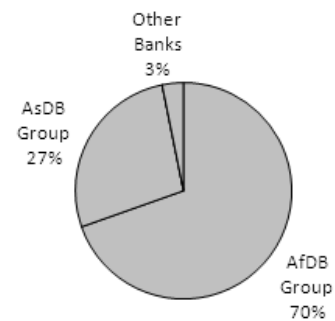
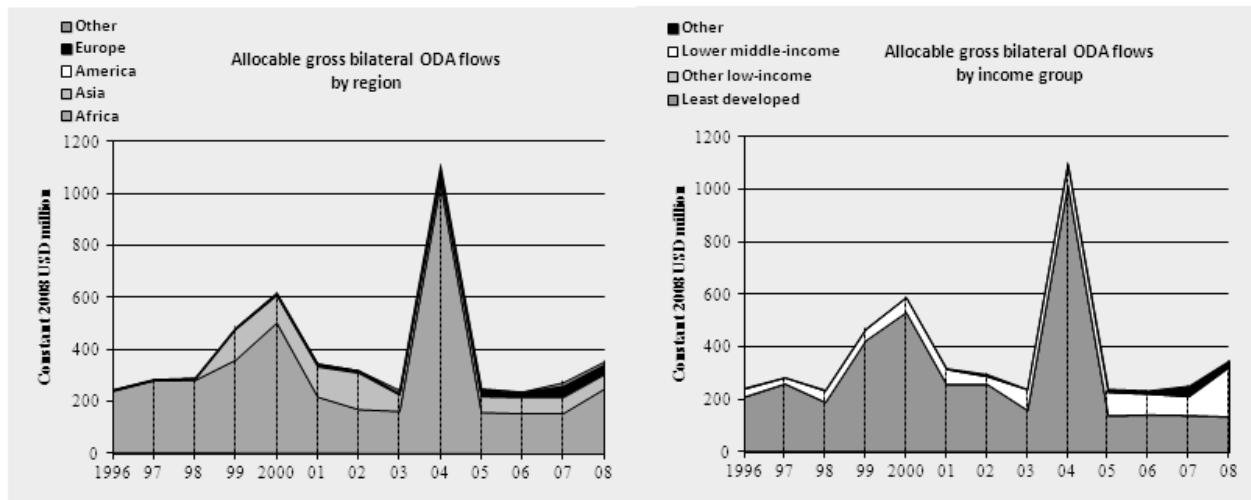


Table B.3. Bilateral ODA allocable by region¹ and income group

Portugal	Gross disbursements										
	Constant 2008 USD million					Per cent share					Total DAC 2008%
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008	
Africa	1 041	163	158	159	252	94	64	66	57	71	37
Sub-Saharan Africa	1 040	161	157	141	156	93	64	65	51	44	32
North Africa	1	1	1	1	96	0	1	0	0	27	4
Asia	38	60	61	61	55	3	24	25	22	15	30
South and Central Asia	3	8	10	10	15	0	3	4	4	4	16
Far East	33	51	50	50	40	3	20	21	18	11	12
America	3	3	3	5	4	0	1	1	2	1	10
North and Central America	1	1	0	0	1	0	0	0	0	0	4
South America	2	2	2	5	2	0	1	1	2	1	4
Middle East	20	5	1	13	11	2	2	1	5	3	17
Oceania	-	-	-	-	-	-	-	-	-	-	2
Europe	11	22	17	38	34	1	9	7	14	10	4
Total bilateral allocable by region	1 112	254	241	277	357	100	100	100	100	100	100
Least developed	1 022	140	143	141	135	93	58	61	56	39	34
Other low-income	0	0	0	0	0	0	0	0	0	0	10
Lower middle-income	78	88	79	71	190	7	37	34	28	54	46
Upper middle-income	2	12	12	41	25	0	5	5	16	7	10
More advanced developing countries	-	-	-	-	-	-	-	-	-	-	-
Total bilateral allocable by income	1 102	240	234	253	350	100	100	100	100	100	100
<i>For reference:</i>											
<i>Total bilateral</i>	1 129	281	263	298	380	100	100	100	100	100	100
<i> of which: Unallocated by region</i>	17	28	22	21	23	1	10	8	7	6	19
<i> of which: Unallocated by income</i>	27	41	28	45	31	2	15	11	15	8	27



1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4. Main recipients of bilateral ODA

Portugal	1997-2001 average			Memo: DAC countries' median	2002-06 average			Memo: DAC countries' median	2007-08 average			Memo: DAC countries' median		
	Current	Constant	Per cent		Current	Constant	Per cent		Current	Constant	Per cent			
	USD million	2008 USD mln	share		USD million	2008 USD mln	share		USD million	2008 USD mln	share			
Mozambique	99	183	44	Angola	158	205	47	Cape Verde	59	61	18			
Timor-Leste	36	67	16	Timor-Leste	43	64	13	Morocco	48	48	15			
Cape Verde	20	38	9	Cape Verde	39	51	11	Timor-Leste	43	45	13			
Angola	20	36	9	Mozambique	22	31	7	Mozambique	24	24	7			
Guinea-Bissau	14	26	6	Sao Tome & Principe	12	17	4	Angola	19	20	6			
Top 5 recipients	188	349	83	26	Top 5 recipients	274	368	81	39	Top 5 recipients	193	198	59	39
Sao Tome & Principe	12	22	5	Guinea-Bissau	11	15	3	Bosnia-Herzegovina	17	18	5			
Macedonia, FYR	1	2	1	Iraq	5	7	2	Guinea-Bissau	17	17	5			
Bosnia-Herzegovina	1	1	0	Bosnia-Herzegovina	5	7	2	Serbia	16	17	5			
Brazil	1	1	0	Afghanistan	3	4	1	Sao Tome & Principe	13	14	4			
Palestinian Adm. Areas	0	1	0	Serbia	3	4	1	Afghanistan	12	12	4			
Top 10 recipients	204	377	90	41	Top 10 recipients	302	405	89	52	Top 10 recipients	268	276	82	52
India	0	0	0	Congo, Dem. Rep.	2	3	1	Lebanon	11	11	3			
Lebanon	0	0	0	Sierra Leone	2	3	0	Brazil	3	3	1			
Central African Rep.	0	0	0	Brazil	1	1	0	Chad	2	2	1			
China	0	0	0	Indonesia	1	1	0	Congo, Dem. Rep.	1	1	0			
Honduras	0	0	0	South Africa	1	1	0	States Ex-Yugoslavia	1	1	0			
Top 15 recipients	205	379	90	51	Top 15 recipients	308	414	91	58	Top 15 recipients	286	295	87	60
Zimbabwe	0	0	0	States Ex-Yugoslavia	1	1	0	Palestinian Adm. Areas	1	1	0			
Morocco	0	0	0	Ethiopia	1	1	0	Rwanda	1	1	0			
South Africa	0	0	0	Rwanda	1	1	0	Sudan	1	1	0			
Algeria	0	0	0	Sudan		1	0	India		1	0			
Senegal	0	0	0	Palestinian Adm. Areas		1	0	China			0			
Top 20 recipients	205	380	90	59	Top 20 recipients	311	418	92	64	Top 20 recipients	289	298	88	65
Total (120 recipients)	206	381	91		Total (122 recipients)	315	423	93		Total (111 recipients)	292	301	89	
Unallocated	21	39	9	16	Unallocated	23	32	7	20	Unallocated	36	38	11	19
Total bilateral gross	227	420	100	100	Total bilateral gross	338	455	100	100	Total bilateral gross	328	339	100	100

Table B.5. Bilateral ODA by major purposes

At 2008 constant prices and exchange rates

Portugal	<i>Gross disbursements - Two-year averages</i>						
	1997-2001 average		2002-06 average		2007-08 average		2007-08 Total DAC per cent
	2008 USD million	Per cent	2008 USD million	Per cent	2008 USD million	Per cent	
Social infrastructure & services	124	30	186	41	202	60	40
Education	43	10	77	17	75	22	9
of which: basic education	3	1	6	1	5	1	2
Health	14	3	13	3	10	3	4
of which: basic health	1	0	2	0	2	0	3
Population & reproductive health	0	0	0	0	0	0	6
Water supply & sanitation	1	0	1	0	1	0	5
Government & civil society	37	9	65	14	93	28	12
of which: Conflict, peace & security	-	-	17	4	73	22	3
Other social infrastructure & services	28	7	30	7	23	7	4
Economic infrastructure & services	35	9	20	4	42	12	15
Transport & storage	6	1	14	3	38	11	6
Communications	11	3	3	1	3	1	0
Energy	1	0	1	0	0	0	5
Banking & financial services	1	0	1	0	1	0	3
Business & other services	16	4	1	0	0	0	1
Production sectors	11	3	7	2	3	1	6
Agriculture, forestry & fishing	6	1	4	1	3	1	5
Industry, mining & construction	3	1	2	0	0	0	1
Trade & tourism	2	0	1	0	0	0	1
Multisector	39	9	16	4	14	4	7
Commodity and programme aid	9	2	4	1	52	15	5
Action relating to debt	178	43	188	41	1	0	10
Humanitarian aid	4	1	10	2	1	0	8
Administrative costs of donors	8	2	15	3	15	5	5
Aid to NGOs (core support)	4	1	6	1	5	2	2
Refugees in donor countries	-	-	0	0	0	0	2
Total bilateral allocable	413	100	453	100	336	100	100
<i>For reference:</i>							
Total bilateral	417	73	455	68	339	59	76
of which: Unallocated	4	1	1	0	3	0	1
Total multilateral	153	27	214	32	231	41	24
Total ODA	570	100	669	100	570	100	100

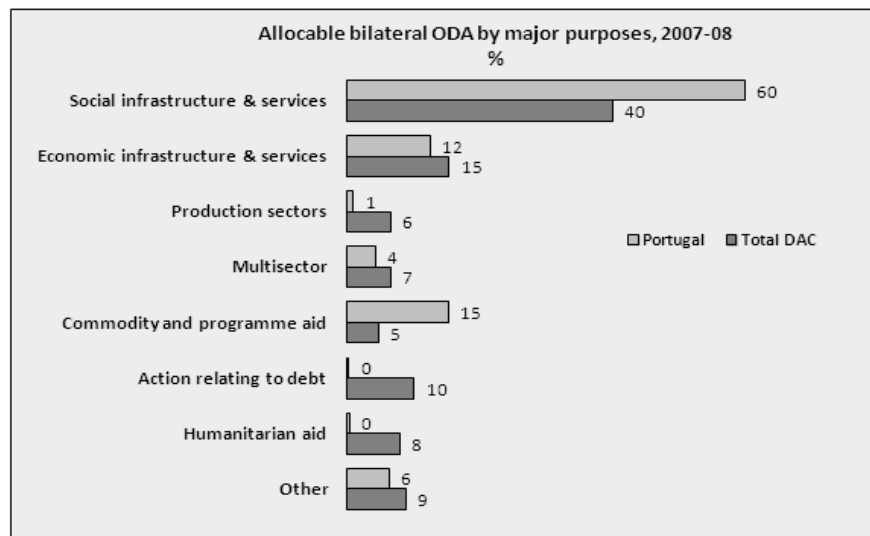


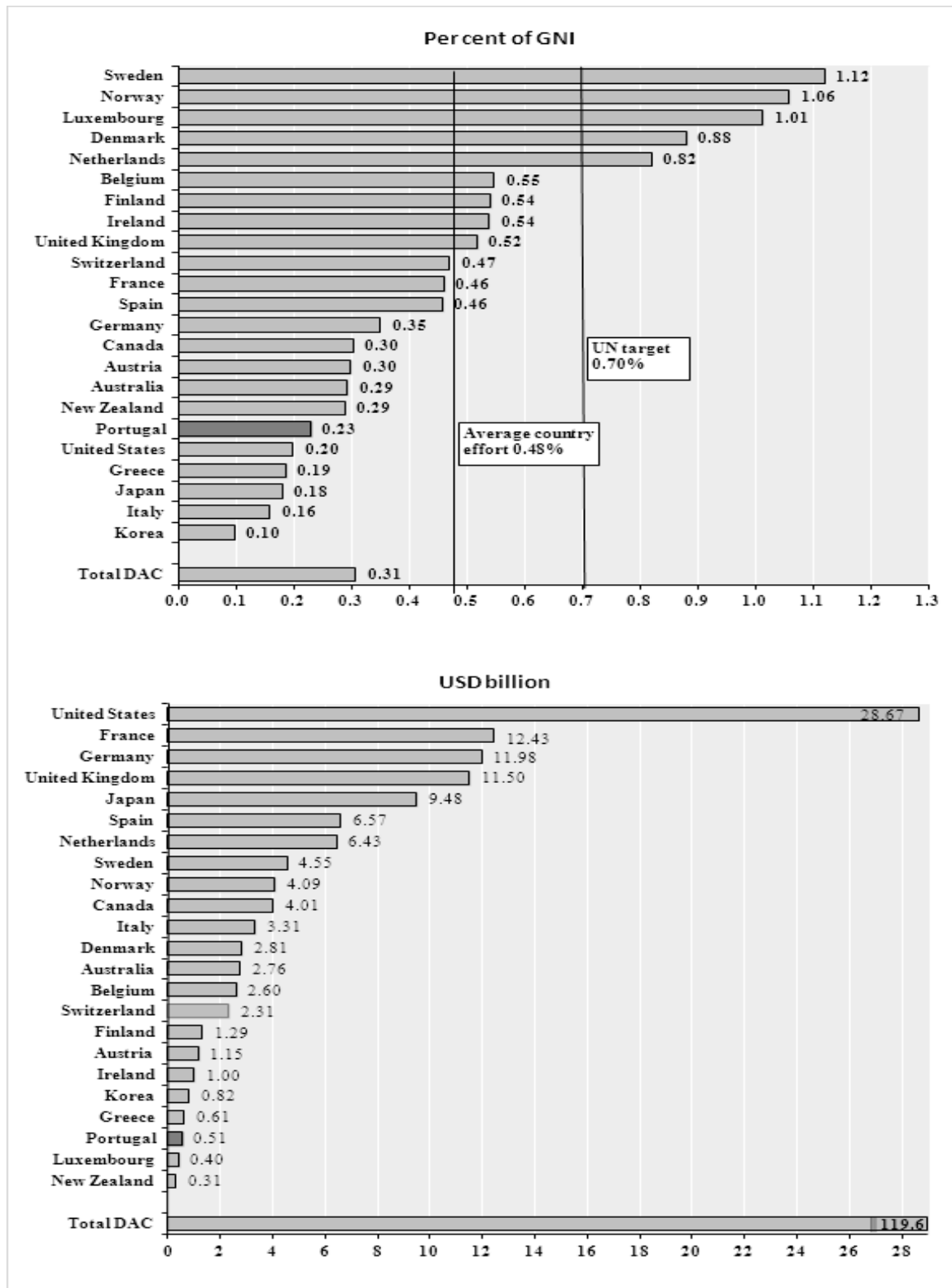
Table B.6. Comparative aid performance

	Official development assistance		2002-03 to 07-08 Average annual % change in real terms	Grant element of ODA (commitments) 2008 % (a)	Share of multilateral aid				ODA to LDCs Bilateral and through multilateral agencies 2008	
	2008				2008					
	USD million	% of GNI			% of ODA (b)	% of GNI (c)		% of ODA (b)	% of GNI (c)	
						(b)	(c)			
Australia	2 954	0.32	8.2	100.0	10.2	0.03	25.9	0.08		
Austria	1 714	0.43	18.1	100.0	28.0	10.9	16.3	0.07		
Belgium	2 386	0.48	-0.1	99.7	42.3	19.3	39.0	0.19		
Canada	4 795	0.33	6.3	100.0	29.8	0.10	38.8	0.13		
Denmark	2 803	0.82	0.6	100.0	34.8	25.1	39.1	0.32		
Finland	1 166	0.44	7.7	100.0	40.5	22.4	34.3	0.15		
France	10 908	0.39	1.7	90.0	40.8	17.6	28.0	0.11		
Germany	13 981	0.38	8.7	92.1	35.2	15.1	25.9	0.10		
Greece	703	0.21	3.6	100.0	55.6	21.6	20.5	0.04		
Ireland	1 328	0.59	13.4	100.0	29.9	18.3	50.8	0.30		
Italy	4 861	0.22	3.7	99.0	62.2	26.9	32.7	0.07		
Japan	9 579	0.19	-1.8	85.3	28.8	0.05	26.1	0.05		
Korea	802	0.09	12.4	85.7	32.8	0.03	29.3	0.03		
Luxembourg	415	0.97	6.8	100.0	32.9	0.32	39.1	0.38		
Netherlands	6 993	0.80	4.0	100.0	25.6	0.21	29.0	0.23		
New Zealand	348	0.30	8.1	100.0	20.2	0.06	29.1	0.09		
Norway	3 963	0.88	3.3	100.0	23.4	0.21	37.8	0.33		
Portugal	620	0.27	1.6	99.2	39.8	0.11	36.2	0.10		
Spain	6 867	0.45	14.7	94.3	30.1	0.13	21.9	0.10		
Sweden	4 732	0.98	7.5	100.0	33.6	0.33	32.5	0.32		
Switzerland	2 038	0.44	4.4	100.0	23.9	0.11	24.5	0.11		
United Kingdom	11 500	0.43	6.8	100.0	36.3	0.16	36.5	0.16		
United States	26 842	0.19	7.3	100.0	11.1	0.02	30.8	0.06		
Total DAC	122 296	0.30	5.5	96.0	28.9	0.09	30.4	0.09		
Memo: Average country effort		0.48								

Notes:

- a. Excluding debt reorganisation.
- b. Including EU institutions.
- c. Excluding EU institutions.
- .. Data not available.

Figure B.1. Net ODA from DAC countries in 2009 (preliminary data)



Annex C

Portugal and the Good Humanitarian Donorship Initiative

This assessment has been conducted in accordance with the DAC’s 2009 humanitarian assessment framework. It is structured around the four thematic clusters of the Principles and Good Practices of Humanitarian Donorship (GHD): (i) policy framework for humanitarian action; (ii) funding flows; (iii) promoting standards and enhancing implementation; and (iv) learning and accountability. The following two issues are also assessed: (v) organisation and management of humanitarian action; and (vi) cross-cutting themes. The assessment concludes by identifying issues for further consideration by Portugal. The report draws on a series of meetings held in Lisbon in May 2010 with IPAD and civil society partners. Further comments were also sought from key humanitarian multilateral agencies.

Portugal is a signatory to the GHD principles and good practices. At international level, Portugal has also played a major part in initiating and formulating the *European Consensus on Humanitarian Aid* (European Union, 2008), which is based on the GHD principles. Overall, however, Portugal has not yet made progress against the recommendations of the 2006 peer review (Annex A), which called for a policy for its humanitarian aid, greater investments in disaster preparedness and mitigation, an increase in allocations for humanitarian aid, and the assignment of staff with appropriate technical expertise and experience to the humanitarian aid unit (OECD, 2006a). However, Portugal has recently implemented some effective disaster response operations; lessons from those experiences could serve as useful building blocks for Portugal’s future humanitarian assistance interventions, particularly in relation to inter-ministerial co-ordination and disaster preparedness.

The need for a clear, co-ordinated humanitarian action policy to increase impact

IPAD faces an ongoing challenge in co-ordinating Portuguese humanitarian action. The organisation has a legal mandate to “ensure and co-ordinate Portuguese interventions in the field of humanitarian aid and emergencies” (GoP, 2007e). IPAD’s leadership role has, however, yet to be fully taken up. There are two key reasons for this: (i) the lack of an umbrella policy for Portugal’s humanitarian assistance; and (ii) the lack of a co-ordinated strategic approach among the various ministries involved in providing humanitarian aid, which include the National Firemen’s and Civil Protection Authority, the Ministry of Internal Administration, the National Medical Emergencies Institute, the Ministry of Health and the National Civil Emergency Planning Council. Within IPAD there is good understanding and acceptance of humanitarian principles and the aid architecture, but without a strategy and guidelines there are no means to implement these principles, nor to ensure that potential synergies among the various ministries’ humanitarian responses are properly exploited.

Humanitarian issues do not feature in Portuguese development co-operation policies. Humanitarian concerns, particularly disaster risk reduction (DRR), are not yet included in Portugal's country strategies (PICs), despite Portugal's focus on security and development and the high levels of disaster risk in some of its partner countries. However, the Ministry of Interior's civil protection mechanism is currently strengthening existing national disaster response mechanisms in some partner countries. A policy to mainstream such interventions across all six partner countries, in accordance with the principles of the *Hyogo Framework for Action* for building the resilience of nations and communities to disasters (ISDR, 2005), could be a useful strategic approach to disaster preparedness for Portugal, especially in high disaster risk countries such as Mozambique and Timor-Leste.

Portugal could also benefit from a policy to guide its approach to humanitarian partnerships. In practice, Portugal has a tendency to use its humanitarian funding for small-scale responses to sudden emergencies. It often favours the civil protection mechanism for delivery, but also uses Portuguese NGOs and some multilaterals on a case-by-case basis, and directly funds the Central Emergency Response Fund (CERF). Overall, Portugal would benefit from coherent guidelines and a more strategic approach to its partnerships. In this light, it would be useful for Portugal to outline a co-ordinated policy for its humanitarian assistance to add clear strategic value given its limited resources. This should include guiding principles for partnerships with humanitarian actors. The policy should also include effective linkages to its development programming, as required by GHD Principle 9, which states that humanitarian assistance should support long-term recovery. This would enhance the predictability, effectiveness and overall impact of Portugal's humanitarian assistance in the field.

The need to move away from project funding

Portugal is by far the smallest humanitarian DAC donor. Its humanitarian assistance during the peer review period averaged 0.17% of ODA, significantly lower than the current DAC donor average of 9.2%. In 2008, it allocated EUR 828 000 to humanitarian assistance. The humanitarian commitments of the next smallest donor, Greece, were 14.3 times higher than Portugal's commitments that year. This low level of spending on humanitarian assistance is also reflected in the 2007 data, with Portugal spending only EUR 502 000 that year. Despite this generally low spending level, additional funding can and has been allocated for some major humanitarian emergencies. For example, at the request of the Secretary of State for Foreign Affairs and Co-operation, Portugal allocated EUR 3.48 million for the 2005 Tsunami response. IPAD also has the capacity to co-ordinate the collection of funds from the Portuguese public for disaster response. However, this avenue is not currently exploited, despite public sensitivities towards humanitarian concerns.

Portugal does not have a clear strategy for allocating its limited humanitarian assistance. This limits Portugal's ability to deliver *needs-based* assistance, as required by GHD Principle 6, as there is no way to determine whether funding levels are based on an objective determination of the severity of a particular crisis. In addition, it is not clear whether, or how, Portugal uses Consolidated Appeals (CAPs) and/or Flash Appeals to guide funding decisions, or whether it prioritises its assistance in areas where it can clearly add value.

Portuguese humanitarian financing is mostly project specific, and is an unpredictable source of financing for humanitarian agencies since funding decisions are made on a case-by-case basis. One exception is the Central Emergency Response Fund (CERF), which receives approximately EUR 200 000 from Portugal each year, a trend that seems set to continue. Softly earmarked funding is also occasionally provided to UNHCR, which received EUR 1 million in 2006 and to UNRWA (United Nations Relief and Works Agency for Palestine Refugees in the Near East). However, all other funding is project based. This is not consistent with GHD principles, which call for reducing earmarking and introducing longer-term funding arrangements. Disbursement of funds can sometimes be rapid, but can also take over 12 months, especially funds for NGOs. Together, these issues mean that Portugal has not yet achieved the predictability of funding called for by the GHD. Portugal does not provide funds to the international Red Cross movement, or provide core funding for multilateral agencies or NGOs, or fund Common Humanitarian Funds (pooled funds) or Emergency Rapid Response Funds (ERRFs).

Deployment of the civil protection mechanism depends on receiving a request from the affected country. These deployments may be made in conjunction with the host country's military and Portugal must therefore take care not to compromise humanitarian and GHD principles on impartiality, neutrality and independence; to continue to ensure that the primacy of civilian response is respected; and to ensure that the *Oslo Guidelines on the use of Military and Civil Defence Assets* are followed consistently.

Useful work in enhancing NGO and civil-military capacity and standards

There is currently no system in place to ensure that Portuguese humanitarian programming is in line with internationally-accepted standards. Portugal does not consistently use the Common Humanitarian Action Plans (CHAPs) as a basis for its funding, nor does it monitor the impact of its funding against international indicators. Portugal has, however:

- Funded a programme under the auspices of the Portuguese NGO Platform to promote standards through the training of NGO staff on humanitarian principles and increase public awareness of humanitarian issues. Despite this programme, only three Portuguese NGOs – Assistência Médica Internacional (AMI), Médicos do Mundo, and OIKOS – have so far been accredited with Framework Partnership Agreements with the European Commission Humanitarian Office (ECHO). Given Portugal's limited funding for humanitarian action, it could do more to facilitate the access of Portuguese NGOs to alternative funding sources, especially ECHO, both in Brussels and in the field.
- Started upgrading the civil-military co-ordination (CIVMIL) function in order to ensure, amongst other issues, compliance with the Oslo Guidelines and respect for International Humanitarian Law. Portuguese NGOs have been invited to provide part of the CIVMIL training course, and this practice is to be commended and continued.

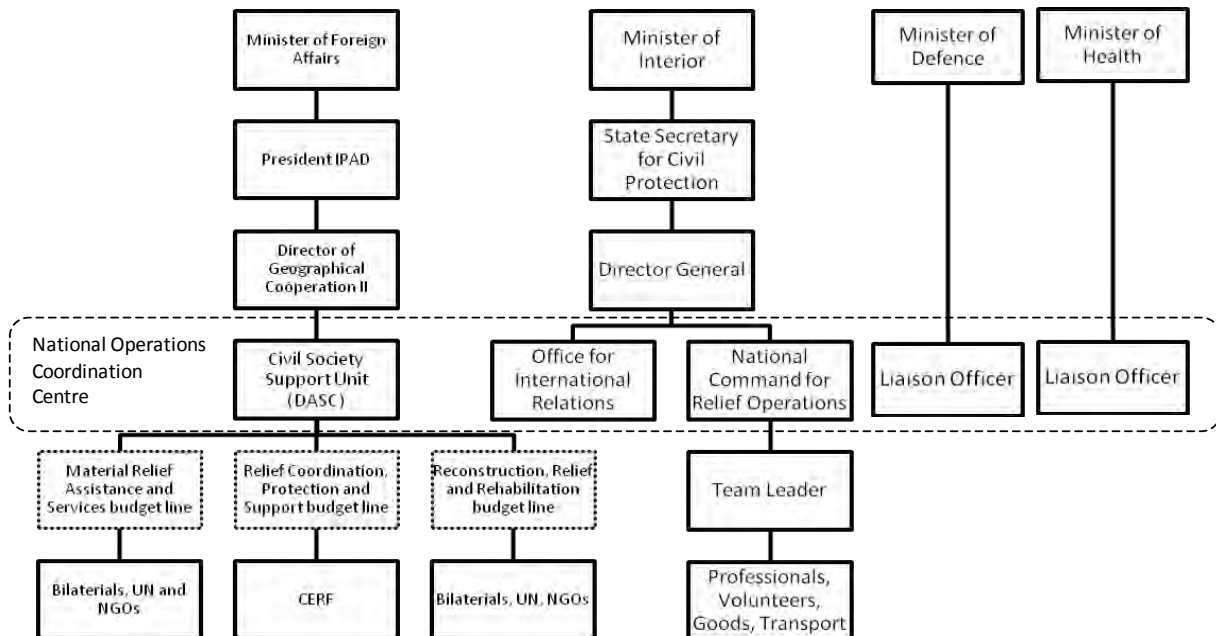
Given the primacy of the civil protection mechanism in the delivery of Portugal's humanitarian assistance it would be useful to seek international accreditation for the mechanism. However, civil protection does not yet have any personnel trained by the United Nations Disaster Assessment and Co-ordination teams (UNDAC). Neither is it

yet a member of the International Search and Rescue Advisory Group (INSARAG), although Civil Protection managers state that they do adhere to the INSARAG guidelines and participate in European-level desk-based exercises. It would also be useful to provide training on humanitarian architecture and principles to staff likely to be deployed as team leaders during emergency responses. Portugal should support UNDAC training for these key personnel and for key personnel within its partner countries, and seek INSARAG membership.

Co-ordination challenges, staff shortages and the lack of administrative guidelines

Various Portuguese ministries and agencies participate in humanitarian responses. Whilst this brings together a range of skills, it also poses a co-ordination challenge. Funding for humanitarian action can come from any ministry, and there are often co-funding arrangements. For example, the Ministry of Foreign Affairs supports deployments of the civil protection mechanism through the Ministry of the Interior, alongside doctors from the Ministry of Health, as well as funding Portuguese NGOs and other actors. Such complicated cross-government approaches mean that effective co-ordination is vital to ensure the maximum impact. An inter-ministerial action planning process has been proposed which will focus on ensuring that humanitarian assistance is co-ordinated and efficient. This should be taken forward and IPAD can then use it as a tool. The National Operations Co-ordination Centre (Figure C1) which proved effective during the tsunami response but has not been used since, could also be formalised as part of this process.

Figure C.1. The National Operations Co-ordination Centre model



As holder of the legal mandate, IPAD should lead the co-ordination of Portuguese humanitarian action in a forum that includes all Portuguese emergency actors, especially NGOs and active municipalities. A simulation exercise to solidify co-ordination and

understanding amongst these actors would be a useful place to start, allowing cross-organisational learning about the mandates and various *modus operandi* of the different actors. This forum could also facilitate information sharing about joint co-ordination in the field, for example with the On-Site Operations Co-ordination Centre (OSOCC), the Office for the Co-ordination for Humanitarian Affairs (OCHA) and with the field representatives of other donors, especially ECHO, with whom Portugal has natural links as a member of the European Union.

Media work during crises could be better co-ordinated among the various ministries, potentially by using the National Operations Co-ordination Centre forum (Figure C.1). Recently, the Civil Protection mission to Haiti was accompanied by print and TV media. Analysing the lessons learnt from this experience might help Portugal maximise appropriate media exposure so as to build more systematic public support for its assistance.

Currently IPAD is constrained by the fact that it has no staff dedicated full-time to humanitarian assistance. It can co-opt support in times of crisis (including sending other staff to the field, as during the 2008 Mozambique floods). Embassy staff in affected countries play an advisory role in humanitarian decision making, despite lacking formal delegated decision-making powers. While the staff member responsible for humanitarian assistance in Lisbon does have a good understanding of humanitarian architecture and principles, it would also be useful to widen this knowledge base within IPAD. This could be done by providing basic training on humanitarian principles to staff working with disaster-prone or conflict-risk countries, to staff who may be co-opted to support a major humanitarian response, as well as to field attachés in at-risk countries. This training would also be useful for potential civil protection team leaders. IPAD could then consider transferring responsibility for humanitarian decision making to its geographical desk officers.

The transparency and rapidity of funding decisions is significantly hindered by a lack of guidelines for humanitarian action. NGOs are not sure what format to use for proposals, what their funding limits will be, or who should act as their focal point within IPAD.

Opportunities for promoting learning and improving monitoring and evaluation

A lack of resources has meant that Portugal's humanitarian programmes are not systematically monitored or evaluated, and Portugal has not yet participated in joint evaluations of multilateral partners. Instead, Portugal relies on narrative reports and audited accounts from its NGO partners, and accepts global reports from multilateral organisations. However, lesson learning exercises are conducted when civil protection teams return from the field. Sharing these lessons with other partners/donors could help promote mutual learning, and would comply with the GHD principles to support learning and accountability initiatives. An overall programme evaluation of Civil Protection's emergency deployments would also be useful, especially if Portugal continues to use this mechanism as its primary humanitarian aid instrument.

Portugal does report its funding decisions to OCHA's Financial Tracking System (FTS), but the reported figures are incomplete and do not tie in with the DAC figures. The annual (consolidated) Portuguese humanitarian budget is not transparently available in any form, during the budget year, even within IPAD, which further hinders accountability and transparency.

Cross-cutting themes

The lack of an overarching policy and strategy means that there is currently no system to mainstream or monitor the inclusion of cross-cutting issues, including HIV, gender and environment, into Portugal's humanitarian programming. As noted above, integrating disaster preparedness into the country strategies through programmes that strengthen national civil protection mechanisms could be a useful opportunity for Portugal, especially in high-risk partner countries.

Future considerations

- As a priority Portugal should develop an overarching policy for humanitarian action that embodies the GHD principles. This policy should (i) provide strategic orientation for humanitarian action; (ii) promote predictable, needs-based and transparent funding; (iii) emphasise the importance of co-ordination; and (iv) provide coherent funding guidelines for partners, especially NGOs.
- In order to implement this policy and proceed with confidence towards an increased humanitarian budget, Portugal should consider:
 - Using the proposed Inter Ministerial Action Plan to formalise an effective and inclusive Portuguese humanitarian co-ordination body modelled on the National Operations Co-ordination Centre. This should include all relevant ministries, active municipalities and Portuguese NGOs, under the leadership of IPAD. It should conduct regular simulation exercises.
 - Including humanitarian concerns, particularly in relation to disaster risk reduction, systematically in country level indicative co-operation programmes.
 - Providing humanitarian training to potential Civil Protection team leaders, IPAD and embassy staff working in high disaster and/or conflict risk countries, and other relevant Portuguese personnel in other ministries.
 - Increasing the staff dedicated to humanitarian programming, either by increasing numbers of humanitarian personnel, or by passing humanitarian decision making to geographic desk officers.

Annex D

Field Visit to Cape Verde

The peer review team, comprising three examiners from Finland and Ireland, an observer from Slovenia and two members of the DAC Secretariat, visited Cape Verde in May 2010. The team met with staff from the Portuguese Embassy, officials and ministers from the Government of Cape Verde – including the Ministry of Foreign Affairs, Ministry of Finance and line ministries, as well as officials from local councils – other bilateral donors and multilaterals, as well as representatives from civil society organisations.

Country context

Important development progress in a vulnerable environment

Cape Verde is an archipelago in the central Atlantic Ocean, 570 kilometres off the coast of Western Africa. It has a population of around 500 000. It has been a multi-party democracy since 1991 and has made major development progress over the past two decades. In 2008, Cape Verde became the second African country to graduate from least developed to middle income country (MIC) status. In the last decade Cape Verde's GNI per capita has more than doubled, reaching USD 2 800 in 2009 (World Bank, 2010a). Absolute poverty has decreased from 49% in 1988-89 to 37% in 2001-02 and 27% in 2007. Similarly unemployment, though still at 18% in 2008, has fallen from 26% ten years earlier. Between 2004 and 2009 economic growth averaged 6.6% annually, driven by growth in service industries. However, inequality has increased and economic gains are not evenly spread. There are major differences between islands and between rural and urban areas. Only 10% of Cape Verde's land is arable and the country also suffers from serious water shortages (World Bank, 2010b). Although there are three main criteria used in assessing whether a country should be classified as middle income – GNI per capita, human assets and economic vulnerability – Cape Verde did not meet the third criteria on vulnerability and is still considered to be highly susceptible to economic and climatic shocks.

A globalised country

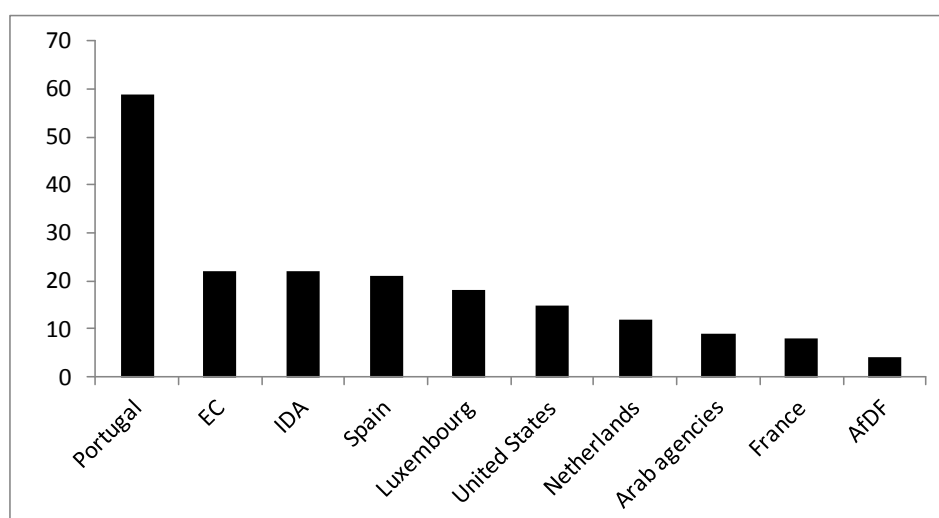
Because of its geography and history, Cape Verde has many international connections. It is estimated there are twice as many Cape Verdeans living abroad as in the country itself. In particular there are large Cape Verdean communities in Portugal and the USA. Remittances account for nearly 10% of Cape Verde's gross domestic product (GDP). The country both sends and receives migrants. Making the most of the opportunities provided by international migration for Cape Verde's own development is

high on the government's agenda. It is also aware, however, that it needs to grow its domestic industries and reduce its reliance on remittances. With this in mind, the government has identified tourism as a key area for economic growth. Tourism has been the key driver behind recent economic growth and accounted for around 20% of GDP in 2008. While Cape Verde's geography is a blessing for its tourist industry, it leaves it vulnerable to international organised criminals looking for smuggling routes. It also makes it heavily reliant on imports for food security. Cape Verde sees a close relationship with the European Union as key to consolidating its middle income status and has a *Special Partnership Agreement* with the EU which focuses on strategic and development issues of mutual interest to both the EU and Cape Verde (European Council, 2007f).

An evolving aid co-ordination context

At over 12% of GNI in 2008, aid is still an important component of Cape Verde's economy. Portugal was the biggest donor in 2007-08. The European Commission, the World Bank and Spain are also important partners for Cape Verde (Figure D.1). There are less than 10 major donors in the country, not least since some have chosen to phase out their assistance following Cape Verde's graduation to middle income status. However, the low number of donors also reflects the fact that Cape Verde is a small country.

Figure D.1. ODA to Cape Verde, 2007-08 average, in USD millions



Source: OECD DAC Statistics

Government and donor co-ordination of aid

The Government of Cape Verde takes the lead in plotting the country's development path. In 2008 it published the second *Poverty Reduction and Growth Strategy Paper II* (PRGSP-II). The strategy focuses on economic growth, reducing unemployment and cutting poverty (GoCV, 2008). It is complemented by sector level strategies in some, but not all, key sectors. The responsibility for aid management and co-ordination in Cape Verde is divided between the country's Ministry of Finance, which handles loans, and the Ministry of Foreign Affairs, which deals with grants and technical co-operation. The

Ministry of Finance is also the main interlocutor for the general budget support mechanism. With the move towards greater use of loans, the Ministry of Finance is gaining responsibility for an increasing share of the country's foreign assistance. However, the Ministry of Foreign Affairs is responsible for overall aid co-ordination and has made progress in this area, though it still finds that it is bypassed by some direct negotiations between line ministries (Chapter 5). In addition, the Government of Cape Verde aims to get all donors to report their aid contributions on an on-line budgeting system, thus allowing it a better overview of both aid commitments and actual disbursements and allowing it to respond in its own budget planning.

Both donors and the Government of Cape Verde emphasise that there has been progress in aid co-ordination over the past five years, but they still see a need for improvement. The Government of Cape Verde wants to see a co-ordination mechanism in which it is fully involved and in which it, rather than donors, takes the lead. There are three main aid co-ordination groups in Cape Verde: the overarching Development Partners Group, the Transition Support Group and the Budget Support Group:

- **The Development Partners Group (DPG)** includes all Cape Verde's bilateral and multilateral development partners – a total of 14 members. The DPG is jointly chaired by the United Nations and the European Commission. The group admits that, despite recent gains, aid co-ordination in Cape Verde is an ongoing challenge. It has not yet completed a division of labour exercise, though in the Cape Verde context it should be noted that there are a limited number of donors. Nevertheless, the group currently functions more for information sharing than substantive co-ordination.
- **The Transition Support Group (*Groupe d'Appui à la Transition*, GAT)** was set up in 2006 as a temporary co-ordination group during Cape Verde's transition to middle income country status. It includes all Cape Verde's main development co-operation partners. The brief of this group was to consolidate support to Cape Verde during and beyond the transition period.
- **The Budget Support Group (BSG)** includes those partners who contribute to general budget support: the EU and two other multilateral agencies, plus five bilateral donors (including Portugal). Portugal was the chair of the group in 2010. This group has worked jointly with the government sector and on general progress reviews. It meets with Cape Verdean Counterparts twice a year to discuss progress against agreed indicators, which are drawn from the PRGSP.

Cape Verde is also one of only eight countries where the UN is piloting the "One UN" initiative. The UN programme there is relatively small and the number of agencies involved is limited, so the initiative (though only in operation since 2008) has made a strong start. The One UN motto to "deliver as one" has now been appropriated by the Cape Verdean authorities, who, recognising their own co-ordination challenges, are trying to "demand as one".

The donor response to new challenges for Cape Verde

Following its graduation to middle income country status in 2008, Cape Verde faces a new set of challenges and opportunities. Despite fears that graduation would lead to sharp decline in donor support, this has not yet been the case. While some donors are phasing out their support, others are consolidating their involvement. In addition, Cape Verde and

donors have worked together to establish tools to help it through the transition period. In particular:

- A multi donor trust fund was established to provide funds for the 2008-09 transition period.
- Cape Verde's post-graduation transition period for the "Everything But Arms" initiative was increased from three to four years.

Over the medium term, Cape Verde's development partnerships are also changing. A gradual shift from grants to loans is already evident. For example, the value of ODA loan commitments made in 2008 was roughly five times that in 2006. The largest share of these commitments came from Portuguese lines of credit mainly intended for infrastructure. The other main source of this increased concessional financing was the World Bank. Also of particular note is the EU Special Partnership with Cape Verde, which was agreed in 2007. The Special Partnership aims to go beyond the Cotonou Agreement and "transform from the existing donor-beneficiary relationship into a framework to support mutual interests" (European Council, 2007f). It focuses on co-operation in the areas of migration; security; sustainable development; poverty alleviation; trade liberalisation; the flow of goods, people and capital; information; science and education; and culture. The EU has committed EUR 51 million in development co-operation between 2008 and 2013, with 86% channelled as general budget support.

Portugal's programme: broad and fragmented but grounded in experience

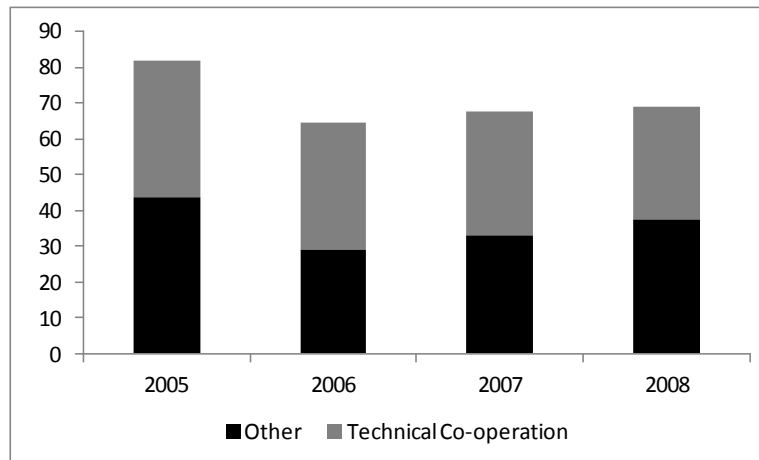
The history of Portuguese engagement in Cape Verde influences the shape of its current programme there. Portugal has a long-standing relationship with the Government of Cape Verde and with the Cape Verdean people, both through its colonial occupation, but also through current relations, two-way migration, the strong presence of the Portuguese private sector and other close links. Long-standing involvement in the education and security sectors, for example, continues today. Portugal also believes that both the Portuguese language and the similarity of Cape Verdean government systems and institutions to the Portuguese model gives Portugal a particular comparative advantage in the areas of education and state capacity development. In addition, it has now built up some years of experience in working in these areas.

Support that is constant in volume but starting to evolve in structure

Portugal's ODA to Cape Verde has remained relatively constant in the last few years (Figure D.2). A major proportion (nearly half) of that aid is technical co-operation which is largely provided as aid in kind rather than as a financial transfer. Indeed, Portugal is the main official supplier of technical co-operation to Cape Verde, either through direct technical assistance to a range of government ministries or through educational scholarships. The situation is different with loans, which are becoming an increasingly important component of Portugal's programme in Cape Verde. In 2007, Portugal also made a commitment to lend Cape Verde over USD 200 million – a line of credit arranged between the Portuguese and Cape Verdean Ministries of Finance. This can be drawn down as individual loans for specific projects over the next four or five years and is likely to change the composition of Portuguese disbursements to Cape Verde in the future.

Figure D.2. Portuguese support to Cape Verde, 2005-2008

In constant 2008 USD millions (disbursements)



Source: OECD DAC Statistics

In addition to technical co-operation, Portugal is contributing to general budget support, providing loans for infrastructure development and, on a much smaller scale, supporting community level development projects in a range of sectors. With the recent increased use of loans, Portuguese support to infrastructure is growing rapidly. Another strategically important component of Portugal's support to Cape Verde is the long-standing Exchange Rate Co-operation Agreement of 1998, which establishes a fixed parity between the Cape Verdean currency (Escudo) and the Portuguese currency (and now the Euro). As part of this agreement, Portugal provides a credit facility to help the Cape Verdean government ensure it has sufficient foreign reserves for the parity to function. In addition, Portugal intends to channel around 10% of its overall programme as general budget support, though in 2008 it was just below 5%. All of these different types of support have been appreciated by the Cape Verdean authorities, although the Cape Verdean Government is now clearly expressing a preference for general budget support.

A broad programme comprised of small projects

Increasing the sector focus of its programme in Cape Verde is an ongoing challenge for Portugal. The figures indicate a concentration in education, with around half the commitments made in 2008 going to the education sector. However, in fact over 90% of this was for the costs of Cape Verdeans to study in Portuguese universities, *i.e.* payment of tuition fees to Portuguese universities and grants to individual students living in Portugal. It is not representative of what Portugal supports within Cape Verde. The infrastructure-related loans have shifted the focus more recently. Nevertheless, Portugal is also active in a whole range of other areas. Acknowledging that its support to Cape Verde is too thinly spread, in its 2008-11 Indicative Co-operation Programme (PIC) Portugal tries to focus on a limited number of areas. In line with Portugal's 2005 *Strategic Vision* document, the PIC identifies three main "axes" or strategic aims of co-operation: (i) Good governance, participation and democracy, (ii) sustainable development and poverty reduction and (iii) establishing a Co-operation Cluster on information technology (Table D.1). The first two strategic aims are very broad so projects and programmes in a wide range of sectors could contribute to them. Consequently, their introduction does not

in itself lead to greater focus. The Government of Cape Verde acknowledges that Portugal's PIC is broadly aligned with their poverty reduction strategy, but thinks Portugal should do more to increase its sectoral concentration.

Table D.1. Intervention areas outlined in the 2008-11 Indicative Co-operation Programme

Strategic Aim 1 Good governance, participation and democracy	<ul style="list-style-type: none"> • Institutional capacity building • Public finances • Internal security • Technical-military co-operation
Strategic Aim 2 Sustainable development and poverty reduction	<ul style="list-style-type: none"> • Education • Professional training and social development • Infrastructure
Strategic Aim 3 Co-operation Cluster	<ul style="list-style-type: none"> • E-government • Technology in education • Technology amongst small businesses

Source: MNE/IPAD (2008d), *2008-11 Indicative Co-operation Programme*

A greater management challenge than the number of sectors is the fragmentation of activities within those sectors. This is not explicitly addressed in the PIC. In 2008, Portugal reported over 100 ODA eligible projects/programmes operational in Cape Verde, totalling around USD 50 million (on a commitment basis). The average project size was under USD 0.5 million, though this average is inflated by two larger projects; in fact around 75% of the projects were below USD 100 000 in value. If loans and scholarships are excluded, the total commitments were only USD 14 million and average grant project size was around USD 0.15 million. This USD 14 million is comprised of over 90 projects in a range of sectors. This approach was described as “atomised” by one senior Cape Verdean official. Officials also lamented the high transaction costs involved – it is time-intensive and presents a challenge for co-ordination for both Portuguese and Cape Verdean authorities. As Portugal negotiates the next PIC with the Cape Verdean Government, they should try to consolidate the Portuguese programme and look for ways to combine activities or phase out those that are peripheral to its core priorities in order to move towards a simpler and more efficient programme in Cape Verde.

A concern shared not only by Portuguese staff in Cape Verde, but also by the Government of Cape Verde, local NGOs and other partners working with Portugal, were the restrictions imposed by annual budgeting. Portugal's partners all wanted to see a shift to multi-year budgeting, allowing greater predictability and better alignment with the multi-year projects they conduct.

Links between aid and non-aid activities

Portugal has established conceptual and practical links between aid and non-aid activities in Cape Verde. While this means Portugal has to pay close attention to what it reports as ODA and ensure that ODA-related activities are directly focused on development and poverty reduction, it also allows embassy staff to search for synergies between aid and non-aid activities. In particular, using both its aid and other co-operation in the areas of security and migration, Portugal is working with the Government of Cape Verde on issues that are of mutual interest and aligned with the EU Special Partnership.

For example, there is coherence and complementarity between aid and non-aid projects in the area of migration (Box D.1). Similarly, in the security sector Portugal sees developmental benefits from its support, whether it is ODA eligible or not (Chapter 6). Indeed, the aid and non-aid co-operation is so closely linked that not all embassy staff were aware that most military co-operation does not count as official development assistance.

Box D.1. Portugal's migration related activities in Cape Verde

Portugal has established three projects on migration in Cape Verde. Two of these are conducted with official development assistance. All three are aligned to both Portuguese and Cape Verdean government priorities of promoting legal migration and preventing illegal migration. The projects also reflect the importance placed on migration issues by the EU-Cape Verde Special Partnership, which considers migration an important part of the security and stabilisation pillar.

The CAMPO project was established in 2008 as a bilateral project to provide information to potential migrants about legal working and studying opportunities in Portugal. In a second phase of the project it drew in multilateral support – Spain and the European Commission - in addition to Portugal's. The plan is to expand the scope of CAMPO to not only promote legal outward migration, but also to facilitate diaspora investment in Cape Verde. As yet, involving the diaspora is a less well developed part of the project.

The DIAS project aims to attract Cape Verdeans living abroad to return to Cape Verde and to invest in the country. Although this is similar to the new phase of the CAMPO project, it is not yet clear if DIAS will be merged into CAMPO.

Portugal has also worked closely with other European donors to set up a joint visa centre in Cape Verde. It enables migrants to go to a single source for a visa for participating European countries. This project is not official development assistance. However, Portugal has tried to establish some linkages between this and the CAMPO project by ensuring users of one service are advised about the other.

Organisation and management of Portugal's co-operation in Cape Verde

Limited financial authority

The Embassy has very little authority for financial decision making. Almost all decisions to disburse agreed funds are referred back to Lisbon, this relates in part to the preferences of Portugal's National Court of Auditors. Most financial transfers do not go via the Embassy, but directly between Portuguese and Cape Verdean line ministries. As Portugal's official representation in Cape Verde, the Embassy is formally accountable for Portugal's activities in the country, yet it has no control over those activities. This means that the Embassy relies on IPAD in Lisbon to collate all financial information every year. In effect, the Embassy suffers from a lack of information which constrains its ability to take financial and therefore overall responsibility for Portugal's activities in Cape Verde. The Embassy does, however, have a budget to support small development projects (EUR 40 000 per year). This fund is used to support small but highly visible activities, such as local community projects. In addition, the Embassy has a travel budget, but each time they wish to use it, for example to conduct monitoring visits to other islands within Cape Verde, authorisation is needed from Lisbon. The lack of financial delegation to the Embassy can lead to long delays in approving disbursements. The most notable illustration of this problem is the EUR 40 000 Portugal pledged in response to major floods in 2009. Though Lisbon gave authorisation to the Embassy to make the emergency pledge quickly, it took more than six months for Lisbon to disburse the funds.

Staffing constraints

Given the wide range of projects in which Portugal is involved and the importance of engaging with the Cape Verdean government and other donors on strategic and co-ordination issues, Portugal's limited human resources in-country are a serious constraint. The Portuguese Embassy has overall responsibility for Portugal's development and other official co-operation with Cape Verde. Reporting to the Ambassador is a Development Attaché who is selected and paid by the MFA but who also reports to IPAD. Development Attaché contracts are temporary, with any series of contracts not exceeding a total duration of six years and the contracts are not transferable to headquarters positions. The Development Attaché is supported by a Technical Co-operation Officer – employed and paid by IPAD and on a short term and non-transferable basis – and an accounting and administration officer. The team has recently also received assistance from a trainee with economic expertise through the *INOV Mundus* Scheme (Chapter 4). This small team is responsible for all Portuguese development co-operation, including monitoring and organising missions from Lisbon, arranging the accommodation and travel of technical co-operation personnel, and liaison with partner officials, NGOs and other donors.

Three other attachés posted to the Embassy by line ministries also work on development co-operation. They take primary responsibility for running technical co-operation projects and general liaison in the security sector. They work closely with each other and with the Development Attaché. The Development Attaché takes overall responsibility for all projects except for those run by the Ministry of Defence. The presence of attachés in the Embassy is appreciated by Cape Verdean counterparts, as it means they have a liaison point close at hand.

Annex E

Portuguese Lines of Credit Issued to Date

* Least Developed Countries

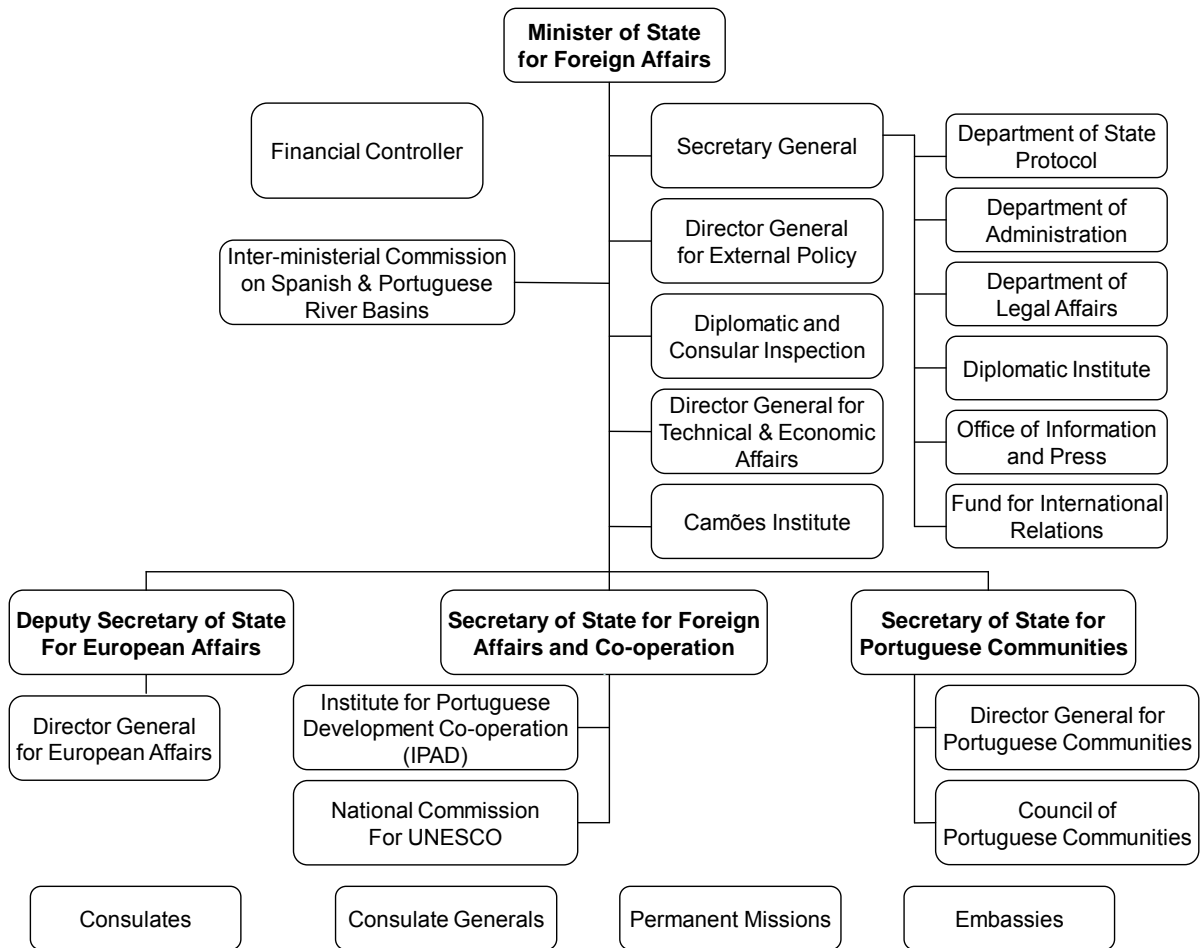
Date	Country	Description	Total Amount of the Line of Credit (USD**)	Interest rate (%)	Amount committed to specific loans/projects to date (USD***)	Amount disbursed to date (USD***)
01-03-1995	Sao Tome & Principe*	Line of credit for import support	733,142	Grant	648,935	648,935
01-12-1997	Sao Tome & Principe*	Line of credit for import support	1,027,879	2.000	121,153	121,153
01-05-2001	Morocco	Line of credit for import support to SME's	8,955,759	0.750	2,457,875	2,457,875
26-11-2004	Morocco	Line of credit for capital goods and services	248,478,072	3.340	110,471,195	110,471,195
24-11-2007	Cape Verde	Line of credit for capital goods and services	273,785,079	1.580	0	0
13-03-2007	Tunisia	Line of credit for capital goods and services	136,892,539	3.274	0	0
17-07-2008	Angola*	Line of credit for capital goods and services	144,237,704	1.890	0	0
01-07-2008	Mozambique*	Line of credit for capital goods and services	288,475,407	1.890	42,354,329	42,354,329
20-05-2008	China	Line of credit for capital goods and services	432,713,111	3.274	0	0
29-06-2009	Cape Verde	Line of credit for renewable energy projects	139,256,371	1.710	0	0
25-02-2009	Sao Tome & Principe*	Line of credit for capital goods and services	69,628,185	1.890	404,342	404,342

** Euro/dollar exchange rate of commitment year

***2009 euro/dollar exchange rate

Annex F

The Organisational Structure of the Portuguese Ministry of Foreign Affairs



Description of Key Terms

The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information

ASSOCIATED FINANCING: The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

AVERAGE COUNTRY EFFORT: The unweighted average ODA/GNI ratio of DAC members, *i.e.* the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of the Development Co-operation Report.

DAC LIST OF ODA RECIPIENTS: For statistical purposes, the DAC uses a list of ODA recipients which it revises every three years. From 1 January 2007, the list is presented in the following categories (the word "countries" includes territories):

LDCs: Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

Other LICs: Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

DEBT REORGANISATION (also RESTRUCTURING): Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, or rescheduling or refinancing.

DIRECT investment: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA Recipients. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of loan principal or recoveries of grants received during the same period).

EXPORT CREDITS: Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

GRANTS: Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT: Reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two limits for a loan at less than 10% interest.

LOANS: Transfers for which repayment is required. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

ODA/GNI RATIO: To compare members' ODA efforts, it is useful to show them as a share of gross national income (GNI). "Total DAC" ODA/GNI is the sum of members' ODA divided by the sum of the GNI, *i.e.* the weighted ODA/GNI ratio of DAC members (*cf.* Average country effort).

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance, either because they are not primarily aimed at development, or because they have a grant element of less than 25%.

TECHNICAL CO-OPERATION: Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

TIED AID: Official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries.

VOLUME (real terms): The flow data are expressed in United States dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.

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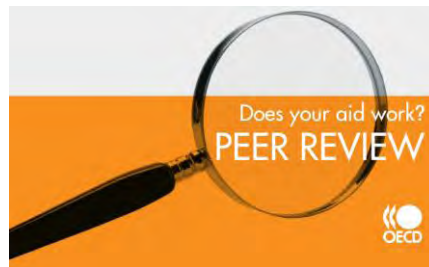
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