

Director
DEVELOPMENT CO-OPERATION DIRECTORATE
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DAC Delegates and Observers

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Portugal Mid-term Review, 3rd April 2018, Lisbon

On 3rd April, I visited Portugal to conduct its mid-term review, accompanied by Kerri Elgar of DCD. I would like to thank Secretary of State of Foreign Affairs and Cooperation Teresa Ribeiro, Camões IP President Ambassador Luis Faro Ramos and Development Cooperation Director Sandra Magalhães for an excellent programme of meetings and discussions. We met senior staff at the Development Cooperation Service and other government departments, as well as representatives from Portuguese civil society organisations, who shared views on how Portugal is addressing the recommendations of the 2016 DAC peer review. Overall, I found that Portugal is making progress against the Committee's recommendations, although challenges remain.

While the main objective of the mid-term review was to focus on the implementation of the DAC's recommendations, we also took into account changes in the national and international context for Portugal's development co-operation since 2016. These include:

- a new approach to international development, including a stronger focus on private sector development and positioning Portugal as an implementation agent for EU development assistance;
- a raft of new triangular co-operation agreements with a broader range of partners;
- increased collaboration with international financial institutions, particularly the African and inter-American development banks; and
- plans to increase resources and staffing at Camões IP and to further devolve decision-making to the field.

Global leadership on triangular co-operation

Portugal is a global champion of triangular co-operation, exemplified by its support for the annual structured policy dialogue on triangular co-operation. In April 2018, Portugal, together with the OECD, hosted the fourth international meeting on triangular co-operation, bringing together over 100 participants from national governments, international organisations, municipalities, the private sector, civil society, academia, trade unions and private philanthropy. Portugal's leadership in this area is underpinned by a growing number of memoranda of understanding to increase triangular activities globally. Since 2016, Portugal has signed seven agreements on triangular co-operation with Brazil, Chile, Uruguay, El Salvador, Egypt, Colombia and Morocco and is planning for new agreements with other partners. At the same time, Portugal continues to prioritize its longstanding bilateral co-operation with members of the Community of Portuguese-speaking Countries (CPLP).

Aid levels out of step with Portugal's economic recovery

The global economic and financial crisis severely affected Portugal's public administration services and resulted in severe cuts to its development co-operation budget. From a peak ODA/GNI ratio of 0.31% in 2011, Portugal's aid fell to a historic low of 0.16% in 2015. This decline reversed slightly in 2016 when ODA/GNI reached 0.17% and again in 2017, when it rose to 0.18% (preliminary data). These increases were largely due to Portugal's higher contributions to the European Union's development budget as well as contributions to international finance institutions. However, this modest turnaround is out of step with Portugal's economic growth rate of around 2% since 2015. While recognising Portugal's ongoing economic challenges, increasing aid levels in line with the

national economic growth rate would help Portugal to progress towards its goal of allocating 0.7% of GNI to ODA by 2030.

A new approach on financing for development

Portugal remains committed to its overall goal of poverty eradication, but it is now looking to develop new policies, instruments and ways of working in line with the 2030 Agenda for Sustainable Development. This includes scaling up its role as a delegated co-operation partner for the European Union, deepening collaboration with international financial institutions and developing new instruments on private sector development. In doing so, Portugal is looking to increase the geographic and thematic scope of its programming beyond its historic focus on capacity building, governance (including law and human rights) and the fight against poverty with Lusophone priority countries.

In 2016 and 2017, Portugal negotiated delegated cooperation agreements with the European Union for projects of over € 190 million, equivalent to around a third of its aid budget over that period. Concurrently, Portugal is revitalising its development finance institution (SOFID) with a new strategic plan for the period 2017-21 to support local private sector development in developing countries and with new funds to leverage its financial capacity to support projects. Portugal has also agreed a Lusophone Compact with the African Development Bank to implement joint programmes to catalyse investment in Africa and is working with the Inter-American Development Bank to strengthen cooperation in its region of operations.

As it moves forward with this new approach, we heard that Portugal aims to seek impact beyond the size of its core aid programme. It may therefore be timely for Portugal to review its overarching policy narrative so that it captures these new objectives, partnerships and instruments in a way that facilitates public communication. It will also be important for Portugal to consider how its new priorities may affect the concentration of its aid programme on countries most in need. Portugal has a strong record on this issue: in 2016, more than half (52.4%) of Portugal's aid was allocated to least developed countries, well above the DAC average of 22%. Furthermore, I encouraged Portugal to make good use of the DAC guidance and learning on private sector approaches, and to share its own experience with other members.

Throughout our discussion, I reminded Portugal of the 2016 peer review recommendation on the need to define a manageable set of priorities in line with funding, expertise and capacity. To date, Portugal has not taken up the DAC's recommendation that it should develop a mid-term operational plan, preferring to develop country-level implementation strategies and shared results frameworks with a number of its priority partners. However, I pointed out that an operational plan covering all of Portugal's development co-operation activities could also serve a useful purpose in clarifying resourcing and implementation needs across Portugal's development co-operation system, particularly as activities expand.

Significant co-ordination and capacity challenges remain

The previous review found that Portugal's business model for development co-operation was under strain, with Camões IP responsible for quality control across a complex system made up of 57 different development actors. While Camões IP has a mandate to act as the core entity for Portugal's development co-operation, it is responsible for only 7.9% of Portugal's ODA budget (2016 data) and is facing ongoing capacity constraints, particularly as it rolls out its implementation activities for European Union aid.

While recognising that Portugal's complex system enables it to draw in rich and diverse expertise across all actors, the next review might usefully focus on how these ongoing co-ordination and capacity challenges can be addressed. New legislation - planned to enter into force in June – may help respond to these challenges.

Portugal is taking new steps to improve the effectiveness of its aid

I congratulated Portugal on its significant progress on untying its aid. In 2016, Portugal's share of untied bilateral ODA (excluding administrative costs and in-donor refugee costs) was 59.1%, up from 30% in 2013. This progress is largely due to the government's decision to not to extend the validity of a number of Ministry of Finance credit lines legally tied to the purchase of Portuguese goods and services in favour of alternative financing models.

Portugal is also making progress on the DAC's recommendations to improve its development co-operation delivery and partnerships, with more emphasis on inclusive consultation with national governments and implementation partners. To reinforce these efforts, Portugal is considering further decentralising authority to the field, as well as how to make better use of partner government processes. At the same time, it is strengthening guidance for field missions.

Progress on Portugal's partnerships with civil society is more mixed. On the one hand, funding to and through civil society is increasing – up from 6% of bilateral ODA in 2015 to 8% in 2016 – with an expanding number of multi-year partnerships. Portugal is also playing a valuable role in assisting its civil society to gain access to European Union financing in a range of areas, including in promotion of development education and the 2030 Agenda for Sustainable Development. On the other hand, however, Portugal is mostly funding civil society partners on a project-by-project basis. I suggested that establishing programme-based framework agreements with selected civil society partners, as recommended in the 2016 review, could assist Portugal to reduce transaction costs and engage in deeper and more flexible relationships with these partners. Finally, while Portugal's intention to increase structured dialogue with civil society partners through a new platform represents a positive step forward, more strategic-level engagement with civil society as development partners in their own right remains critical.

Portugal lacks capacity for statistical reporting across its development co-operation system

Portugal complies with DAC reporting requirements, but would benefit from additional resources to increase statistical reporting capacity and ensure consistent reporting across its development co-operation system, particularly as Portugal engages in a range of new activities. For example, while a high share of its aid to population and reproductive health focusses on gender, Portugal's gender efforts are not always well reflected in DAC reporting. In 2016, only 25.5% of Portuguese bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 42%. Meanwhile, Portugal reported that only 7.1% of its bilateral allocable aid supported the environment and 2.2% supported climate change in 2016, compared with the respective DAC country averages of 32% and 24.5%.

Further efforts needed to consolidate progress in results measurement and evaluation

In the 2016 review, the DAC welcomed Portugal's approach to evaluation, with a ring-fenced evaluation budget and a direct line of accountability to the head of development co-operation. However, this budget has since been merged into the overall administrative budget of Camões IP, reducing funding and constraining the evaluation unit's capacity to plan for and manage evaluations. This represents a backwards step for Portugal and risks compromising previous progress in strengthening its evaluation system. On a more positive note, we heard that Portugal is establishing a framework for country level results through the roll out of its new Strategic Cooperation Programs with priority developing countries, each with common results indicators referencing the Sustainable Development Goals and accompanied by an agreed monitoring framework. In particular, I was pleased to learn that these agreements are designed to cover all actors in Portugal's development system and I welcomed this progress.

Further efforts are now required in defining how Portugal can better use results and evaluation information to feed into decision-making and learning in a more systematic way across its development system, both at country

and headquarters-level. Camões IP has improved its practices in this area since the last review, but it is aware that it has a long way to go to build a culture of learning among all Portuguese actors involved. The recent announcement of Camões IP's new dedicated budget-line for research and knowledge management is good news, but will need to be owned across government to have broader impact.

Ongoing challenges for Portugal's humanitarian assistance

The 2016 review raised a number of challenges for humanitarian assistance, including the need to better identify Portugal's comparative advantage in this area, to increase the predictability of funding to humanitarian partners, and to set out guidelines for the use of military, civil and defence assets in its humanitarian response in line with international agreements. In response to the DAC's recommendations, we heard that Portugal has been working to better integrate humanitarian and development work as well as to ensure future responses are more predictable. In addition, Portugal is also improving institutional links to facilitate cross-government co-operation. However, Portugal is yet to define its comparative advantage in this area and its operational strategy does not reference international agreements and principles. Going forward, it will also be important to ensure that all reported migration-related military operations in the Mediterranean continue to meet ODA objectives.

Planned new legislation may help address some key challenges

Subsequent to the mission, we were informed that Portugal's Council of Ministers had approved a new package of reforms, due to be published on June 21st. The package is designed to streamline Portugal's development co-operation system at headquarters and to increase delegation of authority from headquarters to field, with the aim of simplifying decision-making processes and increasing resources for implementation of development co-operation, including through increased staff capacity for Camões IP. We will be following these developments closely ahead of Portugal's next DAC peer review.

Conclusion

This mid-term review of Portugal's development co-operation confirmed my impression that, despite significant financing and capacity challenges in the current context, Portugal is making progress on a number of the recommendations from the last peer review and that the plans for new legislation may facilitate further progress. Increasing its ODA levels, reinforcing capacity for Camões IP's oversight function and demonstrating a clear commitment to the 2030 Agenda for Sustainable Development will continue to offer powerful avenues for Portugal to improve the quality and effectiveness of its development co-operation, particularly as it looks to innovative new ways to expand its partnerships and implement its development co-operation.

Finally, I wish to thank Maria Oliveira Fernandes, Manuela Afonso and numerous other colleagues from across the administration, as well as the respective chairs of each session, for facilitating a most productive and enjoyable day of discussions in Lisbon.

Sincerely,



Jorge Moreira da Silva

CC: Charlotte Petri Gornitzka, DAC Chair; Rahul Malhotra, Head, DCD/RREDI