

IPAD

Instituto Português
de Apoio ao Desenvolvimento

PORTUGUESE COOPERATION

MEMORANDUM

2001-2004

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Acronyms

ACP – African, Caribbean and Pacific Group of States
ADB – African Development Bank
ANMP* – National Association of Portuguese Municipalities
APAD* – Portuguese Development Assistance Agency
AsDB – Asian Development Bank
AsDF – Asian Development Fund
AU – African Union
BDAP* – Public Administration Database
CIC* – Interministerial Cooperation Committee
CLAD* – Latin American Centre for Development Administration
CPLP* – Community of Portuguese-Speaking Countries
DAC – Development Assistance Committee
DCs – Developing Countries
DENARP* – National Strategic Document for Poverty Reduction (Guinea Bissau)
EC – European Commission
ECDPM - European Centre for Development Policy Management
ED – Education for Development
EDF – European Development Fund
EDFI – European Development Finance Institution
EIB – European Investment Bank
ELO* – Portuguese Economic Development and Cooperation Association
ENRP* – National Poverty Reduction Strategy (São Tomé and Príncipe)
EU – European Union
GAERC – General Affairs and External Relations Council
GBS – General Budget Support
GEF – Global Environment Facility
GNI – Gross National Income
HIPC – Heavily Indebted Poor Countries
HLF – High Level Forum
IADB – Inter-American Development Bank
IBRD – International Bank for Reconstruction and Development
ICP* – Portuguese Cooperation Institute
IDA – International Development Association
IEEI* – Institute for International Strategic Studies
IFAD – International Fund for Agricultural Development

IFC – International Finance Corporation
IMF – International Monetary Fund
IPAD* – Portuguese Institute for Development Assistance
IPDET – International Program for Development Evaluation Training
JPO – Junior Professional Officers
LDCs – Least Developed Countries
M€– Millions of Euros
MDGs – Millennium Development Goals
MIGA – Multilateral Investment Guarantee Agency
MNE* – Ministry of Foreign Affairs
MS – Member State
MUSD – Millions of US Dollars
NEPAD – New Partnership for Africa’s Development
NGDO – Non-Governmental Development Organisations
ODA – Official Development Assistance
OECD – Organisation for Economic Cooperation and Development
OGE* – General State Budget
P5* – Budget Programme “Portuguese Cooperation Abroad”
PAC* – Annual Cooperation Plan
PALOPs* – Portuguese-Speaking Countries in Africa
PARPA* – Action Plan for the Reduction of Absolute Poverty (Mozambique)
PIC* – Indicative Cooperation Programme
SADC – Southern African Development Community
SAF* – Financial Administration Service
SDR – Special Drawing Right
SIADAP* – Public Administration Performance Assessment System
TC – Technical Cooperation
TFET – Trust Fund for East Timor
UN – United Nations
UNCTAD – United Nations Conference on Trade and Development
UNDP – United Nations Development Programme
UNESCO – United Nations Educational, Scientific and Cultural Organisation
UNFPA – United Nations Population Fund
WB – World Bank
WTO – World Trade Organisation

* Initials in Portuguese

1. Introduction

The purpose of this Memorandum is to serve as an instrument in the preparation of the next DAC peer review, which will take place in April 2006. It aims to give an overview of the main developments that have taken place in Portugal's Official Development Assistance (ODA) policy and programmes, particularly in the light of the recommendations of the last peer review in 2001.

1.1. DAC Recommendations

Acting via its Secretariat and two of the Member States on the Committee, the DAC regularly examines each of its members' development cooperation policies. This examination leads to reports that serve as especially important reference documents, both for governments and for public opinion in general. The last DAC evaluation of Portugal's Cooperation Policy began late in 2000 and lasted into the first half of 2001. The final meeting to discuss the examination document was held on 11 April 2001 at the DAC in Paris. The document made the following recommendations:

Based on these findings, the DAC encourages Portugal to:

- Under ICP leadership and guidance, gear its programme towards a clearer poverty focused orientation.
- Consolidate similar types of activities under the responsibility of one ministry or entity in order to substantially minimise overlaps as well as to reduce administrative costs.
- Complete APAD's transformation and clarify further its roles and instruments as a multi-purpose executing agency.
- Allocate increased resources towards basic social services as opposed to tertiary support such as scholarships and curative health care.
- Give more comprehensive information in annual reports on state guarantee schemes and actions related to debt, especially on the debt equity swaps.
- Accord ICP more financial and human resources so it could: undertake a stronger role in policy formulation and co-ordination; develop operational tools and guidelines; mainstream cross-cutting issues; and implement a comprehensive monitoring and evaluation system throughout the entire aid system.
- Step up its involvement in the multilateral forums, especially in discussions at the Bretton Woods Institutions on the PALOPs and East Timor.

- Reinforce staffing in the field with greater delegation, especially to mainstream cross-cutting issues, carry out enhanced national and international co-ordination, and participate in sector-wide approaches.
- Continue its increasing support towards Portuguese and recipient country NGOs and civil society in public education and project implementation.

1.2. Recent Trends in Portuguese Cooperation

During the period we are looking at here (2001-2005) the main issues were the reform of the Portuguese Cooperation System, and Portugal's various international commitments in this field, particularly those arising out of the Millennium Declaration

Turning first to the reform, the most important measure was the merger of two central administration bodies – ICP and APAD – which had been working in the same area. This merger took place at the beginning of 2003 and resulted in the creation of a single body – the Portuguese Institute for Development Assistance (Instituto Português de Apoio ao Desenvolvimento – IPAD). The Portuguese government took this decision to concentrate development cooperation in a single structure that would play the dual role of the central body in the country's development cooperation policy and the main agent in that policy's financing, in order to improve the quality, economy and efficiency of its cooperation services. This measure sought to move in the direction of the recommendation which the DAC made during the last peer review – i.e. that of clarifying the ex-ICP and the ex-APAD's roles in the Portuguese Cooperation system, and responding to the need to strengthen ICP's function as a coordinating body.

Given IPAD's role as the central body in Portugal's development cooperation policy, priority was given to programming and coordination, and measures were taken to reformulate bilateral cooperation programming instruments and improve financial planning and coordination mechanisms. Specifically in relation to the latter, a concerted effort was made by the Institute's various departments, the cooperation delegations at the Portuguese embassies in partner countries, and other institutions in charge of the execution of the cooperation policy in order to improve coordination, make information circulate better and achieve greater effectiveness in the execution and monitoring of field interventions.

On the programming level priority was given to the reformulation of the instruments for programming cooperation with partner countries. This reformulation sought first and foremost to revise the methods used in the preparation of these instruments, adapt the intervention strategies to the partner countries' development objectives and priorities (as set out in their national documents on fighting poverty), and choose aid modalities that best suit each country's specific situation. In accordance with the recommendations that were made at this level, the primary priority of every instrument is to reduce poverty, and aid is essentially targeted at the education and health sectors and cross-cutting issues, such as human resource development and capacity building.

In the light of Portugal's international commitments – particularly that of dedicating at least 0.33% of Gross National Income (GNI) to ODA in 2006 – Portuguese Cooperation's financial planning and budgeting mechanisms were strengthened and improved. In this respect special importance was attached to the creation within the State Budget of the **Budget Programme for Portuguese Cooperation Abroad (P5)**. The goal of this Programme is to bring the cooperation activities undertaken by the various departments of the Portuguese Public Administration together under one budget. This programme has made Portuguese Cooperation and ODA more predictable, coherent and transparent, and is an important instrument for accomplishing the guidelines, priorities and objectives that are laid down at the development cooperation policy level.

One of the main competencies that were assigned to IPAD within the framework of the reform is that of reinforcing and rendering more coherent Portugal's participation in the main international forums that deal with development – especially under the umbrella of the United Nations, the World Bank, the OECD/DAC and, with a special significance that is due to its strategic importance, the European Union. Within the framework of this responsibility and with a view to ensuring that Portuguese Cooperation is coherent with the main lines of the International Development Assistance System, IPAD has taken part in and accompanied the main debates on development cooperation, particularly as regards the achievement of the Millennium Development Goals that were set at the Millennium Summit and reaffirmed in Monterrey.

Portuguese Development Cooperation has developed within the framework of international guidelines and commitments in which the fight against poverty is the number one priority. It is fully committed to the goals that have been set, particularly the improvement of the indicators for health and education and the allocation of financial resources, and therefore to the commitments that have been undertaken at Community level.

Generically speaking, we can see that Portuguese ODA has experienced a number of ups and downs in its evolution in 2001-2005. These reflect the difficulties caused by the tight control that is being exercised over the public budget deficit and by the budget consolidation process on the one hand, and the institutional reform process and its inherent consequences in terms of the levels of execution that were achieved during the initial phase of its implementation on the other. The fact is that after a tendency to rise that culminated in 2002 with ODA attaining 0.27% of GNI, in 2003 this ratio fell back to 0.22%. However, in 2004 an extraordinary operation to restructure Angola's debt caused Portugal's ODA to increase again and actually reach 0.63% of GNI.

2. Strategic Framework and Political Guidelines

2.1. International Context

Globalisation has brought new opportunities for integrating the developing countries' economies into the world economy. It has, however, created difficulties for those same countries to respond to new challenges on the path to growth and sustainable development. These difficulties are particularly being felt in Africa – the continent that is home to the majority of the Least Developed Countries (LDCs). In a world that is ever more globalised and interdependent, reducing the profound inequalities between the developed and developing countries is the major development priority. Great emphasis is being placed on eradicating poverty, inasmuch as there is a generalised awareness that inertia and the failure to achieve this priority will lead to serious consequences for the whole planet – particularly as regards security. Quite apart from being imperative both ethically and in terms of the solidarity between peoples, the development of the least advantaged countries has become a priority for our own security, because it is a way of making the world fairer and more equitable. Reducing

the gap between the developed countries and the poorest ones has thus become the most important challenge within the framework of development cooperation.

The Millennium Summit, which took place at a crucial moment, when the world was experiencing a number of major transformations, initiated a decisive process in the cooperation field. It gave an enormous impulse to development issues and identified the central challenges that humanity is facing on the threshold of the new millennium. At the Summit the international community approved the so-called Millennium Development Goals (MDGs), which focus on the fight against poverty with a view to its eradication.

Millennium Development Goals

- 1 – Eradicate extreme poverty and hunger;
- 2 - Achieve universal primary education;
- 3 – Promote gender equality and empower women;
- 4 – Reduce child mortality;
- 5 – Improve maternal health;
- 6 - Combat HIV/AIDS, malaria and other diseases;
- 7 – Ensure environmental sustainability;
- 8 – Develop a global partnership for development.

The Millennium Summit was followed by a number of international events at which the MDGs were both the central aspect of the work and a reference point for action in the official development assistance area, namely:

- The Conference on “Financing for Development”, which led to the so-called “Monterrey Consensus” and symbolised the reaffirmation of the commitment by both the donor community and the recipient countries to look for innovative sources of financing and create a new spirit of partnership and a new concept of development cooperation, in which the emphasis is placed on the interrelationship between trade, financing and development. It restated the stance that the primary responsibility for development lies with each country. It also signified the renewal of the donor community’s political will in relation to

the MDGs – especially the eradication of poverty – and the levels of official development assistance that are to be attained. In this respect the EU Member States individually undertook to increase the amount of their ODA, which is to reach at least 0.33% of GNI per country and an average of 0.39% for the EU as a whole in 2006;

- The Johannesburg Summit in September 2002, which reaffirmed the need for an improvement in the balance between social, economic and environmental issues, with a view to a lasting development that will benefit future generations;
- The III United Nations Conference on the Least Developed Countries, where the question of mobilising financial resources for the LDCs (ODA and the unttying of public aid, debt relief and the HIPC Initiative, and private direct investment) was the key topic under discussion. This Conference was an important milestone at which the donor community committed itself to channelling 15-20% of ODA to this group of countries;
- The Reflection on Aid Effectiveness (appropriation by recipient countries, donor alignment of their development policies and strategies and their management systems, and donor harmonisation and complementarity) and the commitments that arose out of the I Forum in Rome (February 2003) and were updated by the Declaration that followed the II Forum in Paris. Harmonisation and Alignment are seen as processes that are essential to making aid more effective and thus to the pursuit of the various targets that have been established within the overall context of the Millennium Development Goals;
- The emergence of new regional approaches. The donor community has been paying special attention to Africa – the continent which is currently experiencing the greatest difficulties when it comes to getting a sustainable development process under way. Of particular note, due to the projection and importance of the initiatives involved, has been the follow-up to the Cairo Summit and the New Partnership for Africa's Development (NEPAD), which have led to a variety of commitments from the donor community, especially within the EU.

These International Conferences and Meetings have marked the international agenda in the development field and have focused on topics such as sustainable development and the fight against poverty. The fact is that at present the MDGs are the primary concern and the central thread of all the international community's approaches to development assistance.

Looking specifically at the European Union, we also find some very positive steps towards strengthening development cooperation. One important milestone was the adoption by the Council and the Commission of the November 2000 Declaration, which established the fight against poverty as the central objective of the EU's development cooperation policy. A framework of reference for drawing up Country Strategy Papers was approved in 2000, and since then has been incorporated in the National Indicative Programmes that have been signed with each partner country. The Member States – Portugal among them – also undertook to use this model in their bilateral strategy papers.

The EU has made other commitments that are important to the issue of sustainable development. They range from untying aid and providing technical assistance in the field of trade, to the new forms of partnership for managing and financing global public goods, the initiatives on the preservation of a sustainable environment, the coordination of policies and the harmonisation of procedures.

2.2. Development Cooperation Policy

Portugal's development cooperation policy is defined and undertaken by the country's government, with the direct participation of the Assembly of the Republic (Parliament) and the indispensable involvement of the sectors that are most committed to implementing it, a variety of departments in the Public Administration, municipal authorities, non-governmental organisations, business associations, universities, foundations and other civil society institutions.

This policy is set against the background of the International Development Agenda and has been pursued in accordance with the commitments that Portugal has successively

undertaken at the level of the various international forums. In doing so Portugal has sought to be coherent and effective in its application of a strategic framework for cooperation in which the clear priorities are the fight against poverty and against inequalities and social exclusion in the developing countries. In addition, Portuguese policy reflects an enhanced linkage between bilateral and multilateral cooperation, which is intended to permit a greater degree of integration of Portugal's cooperation and official development assistance into the overall global strategies.

2.2.1. Development Cooperation as an Aspect of Foreign Policy

The Portuguese government looks upon development cooperation as one of the priorities of the state's external actions, in which the generic strategic objective is to promote a more active participation by our country in the decision-making centres that affect both life around the world in general and the global institutions in particular. In doing so Portugal hopes to contribute to an international order that is based on an effective multilateralism as a means of responding to the great international challenges – particularly the alarming levels of poverty and disease, the degradation of the environment and the systematic violation of human rights. To this end Portuguese development cooperation reflects fundamental principles such as international solidarity and respect for human rights.

Portugal sees the fight against poverty as an essential factor in achieving peace, the stability of the international system and collective security. Acting from this perspective it has been increasing its participation in the main development institutions, the European Union and the United Nations and Bretton Woods Systems. It has accompanied and participated in all the different processes concerning development – especially those involving financing for development, sustainable development, opening up markets and reducing the poorest countries' external debt. It has been particularly active in forums on Africa, Latin America and Asia. Specifically where the African, Caribbean and Pacific countries (ACP) are concerned, Portugal has come to envisage its multilateral cooperation within the framework of the EU and its various mechanisms. The Portuguese presidency of the EU in 2000 gave a boost to the partnerships between Europe and Africa and was a strong driving force behind the holding of the Cairo Summit and the conclusion of the EU/ACP negotiations, which led to the signature of

the Cotonou Agreement. Portugal closely followed the process of accompanying the Summit and, working hand-in-hand with the European Commission, France and Belgium, on the European side led the discussion about “Conflict Prevention and Management”, including the subject of landmines.

Inasmuch as it recognises that the progress that development cooperation is intended to achieve must be lasting and equitable, Portugal’s cooperation policy is governed by principles of sustainability and equity in the distribution of its benefits. At the same time it takes account of the recipient countries’ development options, the principle of partnership, and the need to promote improvements in the international coordination of development assistance by undertaking it in coherence with other national policies that affect the development of the partner countries – particularly trade policy.

In summary, the guiding principles of Portuguese development cooperation are:

- Respect for the universality of human rights;
- International responsibility and solidarity;
- Partnership with the partner countries and coordination with other donors;
- Development sustainability and the fair distribution of its benefits;
- Coherence with other policies that affect the partner countries.

The government thus sees the development cooperation policy as an essential instrument for strategic action that is especially targeted at the following general objectives:

- To promote development assistance in accordance with the principles assumed by the international community – particularly the MDGs;
- To increase external economic relations with regions with lower development rates;
- To enhance Portuguese Cooperation’s objectives and instruments by means of an appropriate participation in the multilateral system.

Within these generic objectives, the specific goals of Portugal’s development cooperation are to reinforce democracy and respect for the rule of law, to reduce poverty by promoting the economic and social conditions of the people of the partner

countries, to stimulate economic growth by strengthening private initiative, and to promote dialogue and regional integration

On the bilateral level there is a political priority in favour of the Portuguese-speaking countries, given the historical, linguistic and cultural ties between us. This takes the form of public-private partnerships, the development of a suitable financing framework, and support for civil society organisations that work in this field. We must emphasize the importance of, and Portugal's specific interest in, an active participation within the scope of the Community of Portuguese-Speaking Countries (CPLP). In this respect, on the one hand the objective is to strengthen our political and diplomatic relations with this group of countries, while on the other helping them to follow international guidelines so as to actively enter the global economy and overcome the poverty that characterises them.

The multilateral sphere of Portugal's development cooperation policy is seen as both an essential complement to its bilateral counterpart and a way of reinforcing the country's insertion into the international development assistance system. To achieve this, Portugal has associated itself with the commitments that the international donor community has been making at the level of the various multilateral forums – especially in terms of the allocation of resources, and improvements in the effectiveness of official development assistance.

2.2.2. Contribution to the Millennium Development Goals

In drawing up and pursuing its development cooperation policy Portugal has consistently sought to comply with the Millennium Development Goals.

Within the overall framework of the preparations for the United Nations General Assembly Meeting in September 2005, which assessed the progresses that have been made in implementing the new development agenda, the donor community had to provide a report on its contribution towards the MDGs. This was particularly the case in relation to Goal 8 – Developing a Global Partnership for Development, which is focused on development assistance, market access and debt sustainability. Portugal submitted a **Report on the Progresses that Portugal has Made in Relation to the**

MDGs. This document was translated into English and has been disseminated by Portuguese Cooperation's agents and a number of international forums, and a link on this subject has also been added to IPAD's website. The Report adopted the format that was agreed by the European Union, and included an analysis of Portugal's contribution to Goals 1 to 7.

Where the allocation of financial resources to official development assistance is concerned, Portugal is associated with the European Community commitment to attain a level of ODA equal to at least 0.33% of GNI by 2006, 0.51% by 2010 and 0.70% by 2015.

3. The Portuguese Cooperation System

3.1. The Reform of Portuguese Cooperation

As we have already said, development cooperation is a priority aspect of Portugal's foreign policy and is heavily concerned with the values of solidarity. Official development assistance must be an instrument that actually fosters the partner countries' development, which must in turn be founded on improvements to their populations' living conditions and the real implementation of the human person's right to development

As our cooperation policy is based on a decentralised development format, these objectives have not always been attained coherently and in the most effective manner. Making that policy more credible therefore entailed creating conditions that would furnish it with a greater degree of coherence between the objectives that are set for it and the programmes that are undertaken, and give it a more solid and efficient organisational base and an adequate financing system. All of this would then enable the Ministry of Foreign Affairs (MNE) to define the policy and establish its guidelines, and would equip it with instruments that would allow it to effectively play its role as the central body in the cooperation policy.

This was the intention behind the measures which the Portuguese government has taken and the adjustments it has made, in accordance with the strategic guidelines that were laid down for Portuguese Cooperation in the paper "*A Cooperação Portuguesa no*

limiar do século XXI” (Portuguese Cooperation on the threshold of the 21st century), which was passed by Council of Ministers Resolution no. 43/99, dated 29 April 1999.

Specifically during the period between 2001 and 2005, the most important aspects of this process have been the changes in the cooperation structure, which were designed to clarify the functions and competencies of the system’s core institutions. This entailed the creation (by Executive Law no. 5/2003, dated 13 January 2003) of a new body – the Instituto Português de Apoio ao Desenvolvimento (Portuguese Institute for Development Assistance – IPAD), which became responsible for managing and coordinating Portugal’s cooperation policy and official development assistance. Its main goals are to work within the overall framework of Portugal’s foreign relations to improve Portuguese interventions and ensure that they play a more prominent role in the cooperation policy and the fulfilment of the country’s international commitments.

The intention behind all this was for our practices to become more coherent with the new strategic guidelines for ODA and to be founded upon an organisational structure which possesses coordination, control and evaluation mechanisms.

IPAD has now become responsible for the planning, programming, financing, supervision and evaluation of our cooperation and official development assistance programmes. Its mandate is to promote both the economic, social and cultural development of the partner countries and their peoples’ living conditions.

The decision to have a single body in the Portuguese Cooperation system was also taken within the overall general framework of Portugal’s public expenditure containment policy and in furtherance of the objectives of improving the quality, cost-effectiveness and efficiency of the services provided by the country’s Public Administration. This entailed resizing existing organisational structures and merging bodies with purposes that fell within the same field of activity – something that was indeed the case with ICP and APAD. The fact is that although ICP was designed more to formulate policies and APAD to finance them, practice showed that there was a duplication in their work.

It was also the desire for greater effectiveness that led to the decision to take support for the private sector away from the body that centralises ODA, thereby clearly defining the

frontier between official development assistance on the one hand and support for direct investment on the other. The two are different areas of intervention and as such should be treated differently.

When it came to implementing the institutional reform, the operational aspects – both those derived from the creation of IPAD, and those that resulted from the legislative changes which had taken place in the meantime as part of the Reform of the Portuguese Public Administration as a whole – were one of the keys to achieving the generic objectives of making the Portuguese Cooperation system more coherent and effective.

Given that the new institution was the product of the merger of two existing ones, it was important to be successful with the internal reorganisation process, both in terms of the correct allocation of human resources and their adaptation to their new functions and organisational units, and as regards their getting used to new tools and procedures. This adaptation process took the whole of 2003 and the beginning of 2004 and thus conditioned levels of execution in 2003 – particularly in the case of the projects which transitioned from the old, dissolved institutions. Procedurally speaking there was a standardisation and simplification of internal practices thanks to the rationalisation of information circuits, the definition of procedural norms, working instructions and deadlines, and the use of the information technologies.

We also developed and implemented an Electronic Document Management System and consolidated the computer links between IPAD's different departments – an especially important move, given their geographic dispersal. New links were set up between IPAD and other organisations – particularly the IPAD / Ministry of Foreign Affairs (MNE) link (Cifra) – so as to make it possible to send electronic telegrams.

IPAD's image was renewed, notably by creating a specialised reception area called "The Cooperation Shop" and a new website for the Institute. At the same time we tried to reduce the dispersal of IPAD's various departments by centralising most of them in two neighbouring buildings, thereby making gains in efficiency.

Other measures were also taken in the more general context of new guidelines which the government laid down with a view to reforming the Portuguese Public Administration

as a whole. Particularly significant, given their scope, were the entry into effect of the Framework Law governing Public Institutes and the consequent adaptation of IPAD and its departments in organisational and operational terms, the creation of a Public Administration Performance Assessment model (SIADAP), which led to a standardisation of procedures and the definition of the objectives to be achieved at the level of the various organisational units, and the creation of a Public Administration Database (BDAP).

Within the framework of the reform the government sought to make the Portuguese Cooperation System more efficient in terms of its management of the public financial resources that are made available to the cooperation policy, by including the new Budget Programme “Portuguese Cooperation Abroad” (P5) in the 2004 State Budget. The aim of this programme is to bring together all the cooperation-related activities of the different units of the Portuguese Public Administration.

The combination of Portugal’s commitment to dedicate at least 0.33% of its Gross National Income to ODA in 2006 and an economic and financial cycle that is quite unfavourable to any additional financial mobilisation from the State Budget required the taking of measures that would lead to an optimisation of the means and resources which are channelled to cooperation by the various parts of the country’s Public Administration. This is what the implementation of the P5 initiative sought to achieve.

Once the basic conditions had been created in this way, it was up to IPAD to take suitable measures to put the new strategic guidelines into practice and ensure that our aid becomes both more effective and a better match for the partner countries’ pressing and concrete needs. This meant that one important part of the reform had to be to commence a new programming cycle. This new cycle was founded on a number of essential principles – for example, taking account of the recipient countries’ own development options, focused aid, partnership, and the coordination and complementarity of interventions – while seeking to avoid the dispersal and multiplication of actions and pursuing a philosophy of maximising resources and capacities. To this end we worked with each of our main partners to establish new frameworks of reference for our bilateral cooperation for a period of three years

(Indicative Cooperation Programmes), which are operationalised in the form of Annual Cooperation Plans (PACs).

3.2. Organisation and Structures

Acting in the person of the **Minister of Foreign Affairs**, the government is responsible for defining and conducting the country's development cooperation policy. That policy is executed through a decentralised model in which nearly every public department, be it autonomous or not, bodies that exercise sovereign power, state companies and private bodies all take part.

The cooperation policy is defined and developed in close collaboration with the **Assembly of the Republic**, either in Plenary Session, or under the aegis of the Committee on Foreign Affairs and Portuguese Communities. The political debates on this subject take place in the Committee, on which all the political parties with seats in the Assembly are represented. These debates are held regularly and enjoy the presence of the member of the government with oversight of Portuguese Cooperation, who furnishes information and clarifications on the way in which the policy is going. Inasmuch as the cooperation policy is a component part of the government's Political Programme, the Plenary of the Assembly of the Republic must pass it as part of its general approval of the whole Programme. The Budget Programme "Portuguese Cooperation Abroad" is also annually submitted to the Assembly of the Republic as part of the latter's appreciation and passage of the State Budget.

The **Portuguese Institute for Development Assistance (IPAD)** is the institution with responsibility for supervising, directing and coordinating the cooperation and official development assistance policy. IPAD is part of the Ministry of Foreign Affairs (MNE) and its job includes providing the Minister with the elements needed to draw up the development cooperation policy, and making sure that the Ministry's political guidelines are complied with and that cooperation-related programmes and projects fit within them.

Specifically, IPAD is in charge of: i) programming and financially planning Portugal's cooperation and official development assistance; ii) financing programmes and projects

that are undertaken on its own initiative; iii) issuing binding prior opinions on the programmes put forward by other bodies and then promoting their implementation; iv) evaluating the results of all those programmes; v) ensuring coordination with other Portuguese institutions – particularly non-governmental ones – and supporting their participation in programmes; vi) promoting and supporting inter-municipal cooperation; vii) ensuring the Portuguese participation in the cooperation-related activities of the Community of Portuguese-Speaking Countries (CPLP); and viii) providing the Interministerial Cooperation Committee (CIC) with technical support. IPAD is also responsible for representing the Portuguese state and ensuring that it takes part in the activities of the various international organisations with links to cooperation and ODA.

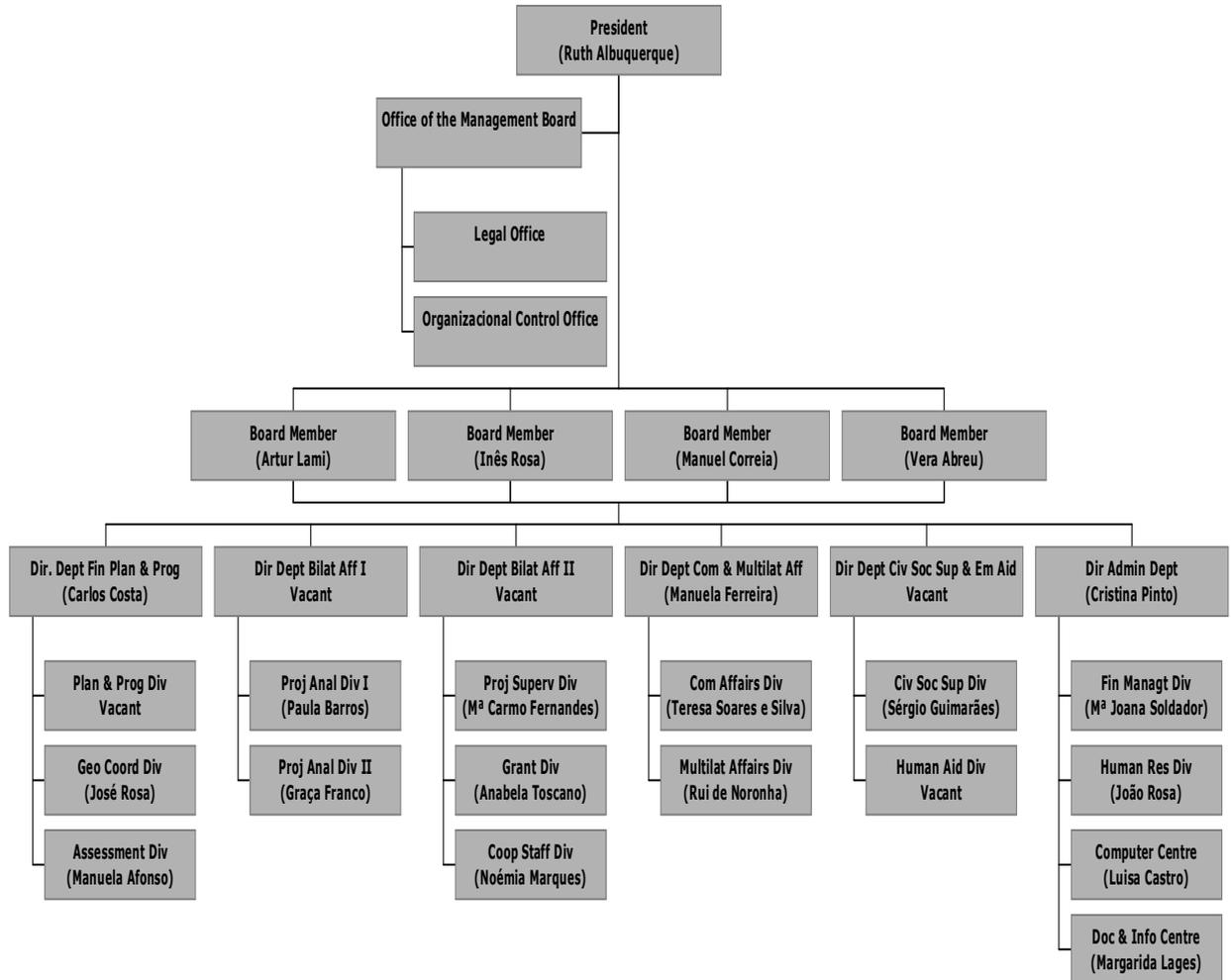
The organisation, functions and competencies of IPAD's departments are determined by an Executive Order issued by the Minister of Foreign Affairs.

IPAD includes 6 Departmental Managements, 16 Divisions and the Office of the Management Board. The current structure of IPAD, its management bodies and its departments can be seen in the organisational chart shown in Figure 1.

In performing its functions as coordinator of the cooperation system IPAD can count on assistance from the **CIC Executive Secretariat** – a specialist body which meets regularly and helps to supervise the planning and decentralised execution of the cooperation policy. The Secretariat is made up of representatives from the country's various ministerial structures and is chaired by the President of IPAD, who thus has at his disposal an instrument that is useful to the performance of his coordinating role, both when it comes to programming and planning cooperation and as regards the systematic monitoring of its execution.

Figure 1

Organisational Chart for the Portuguese Institute for Development Assistance



In order to perform IPAD’s roles in the partner countries, Portugal’s diplomatic missions there include **Specialist Staff abroad**, who work in the cooperation field. Acting in the respective country or organisation, these specialists are charged with coordinating and monitoring the implementation of cooperation and official development assistance projects, coordinating Portuguese Cooperation’s work with the local authorities and with the cooperation organisations that are active in the field, and collaborating with the Portuguese bodies that are implementing cooperation and ODA projects – especially NGOs. They play an important role in overcoming any difficulties that may be encountered locally when it comes to implementing and executing a coordinated cooperation policy. This in turn makes it possible to improve information channels and working methods and make them more effective, and to

ensure a more dynamic operational coordination of the actions in the different sectors with links to Portuguese Cooperation. Portugal's embassies in the main partner countries are all staffed with cooperation specialists and a policy of strengthening these competencies by recruiting new personnel is currently under way.

While looking at the Ministry of Foreign Affairs, in addition to IPAD we should also note the work of the **Camões Institute**, which is focused on the dissemination of the Portuguese language and culture abroad. Its activities do not fall exclusively within the cooperation policy domain, but are significantly linked thereto in matters concerning the countries which benefit therefrom. The fact is that the Portuguese language is an element that is fundamental to the success of almost every form of Portuguese Cooperation, and so every contribution to the dissemination of that language – especially in the PALOPs and East Timor – can be seen as a vehicle that will enhance our development assistance.

3.3. Programming, Financing and Management

The implementation of the cooperation policy is founded on two types of basic document: the **Indicative Cooperation Programmes**, which are individually negotiated with each partner country; and the **Budget Programme “Portuguese Cooperation Abroad” (P5)**. These are the instruments that define the programming framework within which Portuguese Cooperation works.

Portugal has been basing its bilateral development cooperation on multi-year planning and commitments and has established 3-year **Indicative Cooperation Programmes (PICs)** with its partner countries. These Programmes identify the modalities of support that best suit each of these countries' specific situations, bearing in mind the development objectives and priorities which their respective national strategic guidelines set out in relation to reducing poverty, the major international guidelines on official development assistance and the capacities/resources and forms of added value offered by Portuguese Cooperation.

The process of working out bilateral programming takes place in the field, in accordance with each partner country's stated needs and options. It also takes account of

the positioning of the bilateral and multilateral agencies that are active in the country, so as to avoid overlaps and make everyone's work complementary. Sectors like education, health and, on a cross-cutting basis, human resource development and institutional capacity building are priority areas in all the PICs, bearing in mind that the priority objective is to help reduce poverty. Indicative Cooperation Programmes are currently in place with all the PALOPs and East Timor and are being implemented in the form of **Annual Cooperation Plans (PACs)**.

As we have already said, Portugal has associated itself with the international commitment to increase the ODA effort to 0.33% of GNI by 2006 – something that will require more financial resources to be made available for allocation to the cooperation policy. Inasmuch as Portuguese aid is essentially financed by the public purse, the fact that the economic environment is not very favourable to the mobilisation of additional financial resources has led Portugal to try to improve its financial planning and budgeting mechanisms by making better use of the Public Administration's technical and financial resources.

To this end 2004 witnessed the creation of the **Budget Programme “Portuguese Cooperation Abroad”**, the purpose of which is to bring together and budget for all the cooperation activities that result each year from the execution of the PICs, other cooperation programmes that are undertaken with other countries, and multilateral cooperation, and to identify the sources of funds that will ensure their execution. The idea is that this programming document will make Portugal's cooperation and ODA more coherent and transparent. Although it is currently drawn up annually, it is hoped that this document will come to possess a multi-year nature, so that it also makes Portuguese aid sufficiently predictable.

In 2004 the corrected¹ funds allocated to the **Programme** amounted to 279,809,534 € and covered two main areas: “Development Cooperation”; and “Other International Cooperation”. The corrected amount allocated to “Development Cooperation” was 262,180,661 € or 93.7% of the Programme's overall budget. Objectives were set for

¹ I.e. the Programme's consolidated allocation, plus balances carried over from previous years and various budget changes.

both Measures and were linked to indicators and targets that make it possible to evaluate the Programme.

In terms of expenditure on official development assistance, in its first year of execution the Budget Programme represented around 68.8% of Portugal's ODA, excluding debt-related operations. This means that it is necessary to work with the various Portuguese institutions in more depth to help them exhaustively identify their cooperation activities and the way in which those activities are budgeted for. IPAD came in first place with about 39.3% of the total Programme, followed by the Ministry of Finance with 36.1% (this essentially includes contributions to multilateral development institutions, excluding debt-related operations).

As P5 coordinator, when it came to draw up the P5 for 2005 IPAD sought to work with the various institutional partners so as to ensure that it would not only reflect the use of synergies by all the Public Administration bodies and agents that engage in official development assistance, but also Portuguese Cooperation's strategic guidelines and priorities. When it comes to monitoring implementation, this coordination role has also been essential to ensuring the actual implementation of the actions themselves. IPAD has thus worked hard to raise the awareness of the organisational structures in the various sectors and clarify any doubts they may have had, particularly via meetings of the CIC's Permanent Secretariat – an effort that made it possible to try to correct a few weaknesses that were detected during the first year of the Programme's existence. The Secretariat has really been a fundamental instrument in the overall framework of the planning and management of Portugal's ODA.

Where the internal ODA programming, planning and management mechanisms are concerned, IPAD has found the **Cooperation Database** to be a fundamental instrument in the centralisation, coordination and management of information about cooperation-related activities that are promoted by both state bodies and other public and private entities. It has also proved essential to some of the Institute's own work – particularly the calculation of the total flows of ODA and the drawing up of national and international studies on the matter. The Database has been improved in terms of both its functionalities and the information that is gathered.

In an attempt to make its internal system more rational and efficient IPAD has also improved its financial management mechanisms. This has resulted in the implementation of a range of measures, notably: the reformulation of accounting cost centres in order to increase the reliability of financial information; the introduction of the electronic allocation of accounting movements, so as to increase internal control, reduce mistakes and speed up the process of asking for inclusion in budgets and executing them; and the establishment of working standards and/or instructions that make it possible to set deadlines and make commitments with both internal and external clients. At the same time we carried out a whole training programme in relation to the following areas: the Portuguese Official Accounting Plan (POC); Analytical Accounting; Minimal; Smart Docs; and the legal rules governing the acquisition of goods and services and public works projects.

We should also point out that a number of steps have been taken towards the decentralisation of decision-taking in the aid management field. The purpose of this is to increase flexibility and response capability in a local context by giving Portuguese Cooperation's representatives at our embassies an annual ceiling for financing mini ODA actions.

4. Portugal's Development Aid Approach

Aid effectiveness is one of Portuguese Cooperation's main concerns and has led it to concentrate interventions from both the geographic and sectoral points of view. In the latter respect Portuguese ODA prioritises the education, health, government and civil society, and social services sectors, and also pursues a cross-cutting policy in providing training and support for the partner countries' administrative capacities. In pursuit of this key objective Portugal works out its intervention strategies in cooperation with the authorities of the partner countries, in the light of their specific needs and their National Poverty Reduction Strategy Papers (PRSPs) or similar documents as points of reference.

4.1. Key Principles

- **Coordination**

At the Monterrey Conference on Financing for Development and the subsequent First High Level Forum on Harmonisation the donors agreed to improve the articulation of their policies and to harmonise and rationalise their procedures. In doing so their aim was to make official development assistance more effective and thus improve fulfilment of the Millennium Development Goals, with the ultimate objective of eradicating poverty throughout the world and especially in the least developed countries.

It is now recognised that it is possible to render aid more effective by improving policy coordination and making bilateral and multilateral programmes complement one another. Coordination presupposes various things, such as exchanges of information, formal and informal meetings, donor specialisation, procedural harmonisation, increased inter-policy coherence, resource centralisation schemes, and the joint implementation of programmes.

In the European context the EU has encouraged information-sharing as a way of making everyone aware of the activities that are planned and the instruments that are being used. This sharing takes the form of regular meetings between representatives from the Member States, including Portugal, and the European Commission. We are also seeing a growing concern to keep all the parties informed about policies, evaluations, missions, studies and a variety of information about ongoing or planned activities. The idea behind all this is to avoid duplication and make it possible for interventions to complement one another.

At the DAC/OECD level too, Portugal has attended regular meetings organised by the Task Team on Harmonisation and Alignment. They also represent a forum for sharing information about the practices that are being used, the difficulties that are being encountered, and new approaches to development.

In addition to the coordination that takes place at the level of the international forums, Portugal participates in coordination processes in the partner countries via its field representatives. Our budget support for Mozambique (1.5 MUS\$D/year in 2004-2006) is one example of Portugal's integration into a coordinated process of aiding this country. This participation in the Macro-financial Support Group also permits more dialogue with the Mozambican authorities and a close monitoring of the implementation of the Action Plan for the Reduction of Absolute Poverty (PARPA). Portugal's participation in the TFET – Trust Fund for East Timor (to which Portugal is one of the main donors, with a commitment of 50 MUS\$D) – which is a multilateral fund worth a total of 176 MUS\$D, is administered by IDA and is intended to support the reconstruction and development of East Timor, is another example of an intervention that is being coordinated between donors, following the commitments that were made at the Tokyo Conference.

Within the overall framework of complementarity between actions we should also note a number of health-related interventions in East Timor, which Portugal tends to target at legal assistance, capacity building and training. The purpose of this approach is to work within a strategy of complementarity with other partners – especially the European Commission. The same is true of our interventions in São Tomé and Príncipe, where we are undertaking a malaria control project in partnership with the USA.

Portuguese Cooperation's bilateral programming is also founded on the assumption that coordination and harmonisation will only be effective if the partner country itself leads the coordination of development assistance. As we have already mentioned, in order to ensure the complementarity of everyone's efforts, in this respect our programming is based on our partners' Poverty Reduction Strategies or other similar documents and is always attentive to the priorities and needs set out therein.

At the internal coordination level we have pursued a policy of dialoguing with all the various participants in the cooperation field in order to raise their awareness of the advantages to be gained from ensuring an effective coordination between every sector. In this context the Secretariat of the Interministerial Cooperation Committee has played a key role as a forum for concerting and affirming IPAD's coordination of the development and implementation of the Portuguese Cooperation Policy. In this respect

a number of meetings have been held, particularly to analyse and discuss the proposed Indicative Cooperation Programmes, draw up the Cooperation Budget Programme and supervise its execution. Specific meetings have also taken place on each of the sectors that are a priority for Portuguese Cooperation, such as education and health. It was also at this forum that as soon as IPAD was created, a special presentation meeting was held to tell Portugal's various public organisational structures about the institutional reform that had been carried out.

At the level of IPAD itself an effort has been made to ensure that the coordinators of the different geographic areas keep up to date about the political, economic and social situation of the partner countries and the main donors' work there. In this respect it has proven very important to increase the articulation with Portuguese Cooperation's representatives at our embassies in the partner countries. In this regard it was decided that every four months they will send IPAD reports containing a country update, an analysis of our bilateral cooperation and an account of the interventions of the main bilateral and multilateral donors. One extremely useful tool was a coordination meeting with the heads of the Cooperation Departments at the embassies, which IPAD organised in Lisbon and which entailed a wide-ranging exchange of information, clarifications and suggestions. The idea was to improve coordination, the dissemination of information and the effectiveness of the monitoring of the programmes in the field, and the results have clearly shown that this is something we must repeat in the future.

- **Harmonisation and Alignment**

Harmonisation and Alignment have occupied a leading place on the international agenda since the Monterrey Conference, thanks especially to the I High Level Forum on Harmonisation (Rome, 24-25 February 2003). The donors agreed to increase the effectiveness of their assistance and to fully respect the partner countries' ownership of their programming, to articulate their policies better, and to harmonise and rationalise their procedures. In line with this understanding all the donors indicated that alignment with the partner countries' own procedures, policies and systems would be the best way of reducing the transaction costs involved in getting aid to its destination and of enhancing its efficacy.

Portugal has taken part in the DAC's work in this context. It has adopted the Rome Declaration on Harmonisation and Alignment, which reflects a set of commitments to making aid more effective, as well as the DAC paper on "Harmonising Donor Practices for Effective Aid Delivery" (Best Practices). It has also regularly participated in the work of the Task Team on Harmonisation and Alignment (DAC/OECD).

In order to implement the commitments that were undertaken in Rome, Portugal drew up an initial "Internal Plan" on Harmonisation, which provided for a number of tasks designed to raise awareness and disseminate the DAC's Best Practices. Some of the most important of these tasks were:

- Produce a summary paper on Harmonisation (including a Portuguese translation of the Rome Declaration and a summary of the Best Practices document);
- Hold a workshop on Harmonisation;
- Distribute (and then analyse) questionnaires on this subject among IPAD's organisational structures and embassies.

All this was done in 2004 and the results made it possible to begin preparing our "**Action Plan for Harmonisation and Alignment**". This Plan identifies three levels on which Harmonisation and Alignment work needs to be done: between donor and partner; between donor agencies; and within the donor's system.

The Plan was passed at the beginning of 2005 and has been disseminated by the various actors involved in Portuguese Cooperation, translated into English and presented at HLF II in Paris. IPAD has also created a specific area dedicated to Harmonisation and Alignment issues on its website, from which the Action Plan, the Rome Declaration and other related documents can be accessed.

At European Union level Portugal has taken part in the meetings of the Ad-hoc Group on Harmonisation, which drew up a report on the implementation of the Barcelona and Monterrey Commitments and the Declaration of Rome. This report was submitted to the General Affairs and External Relations Council (GAERC) on 22-23 November 2004, with the objective of securing the Council's adoption of an EU Action Plan for

Coordination and Harmonisation. This Action Plan was in turn presented to the II High Level Forum (HLF) on Harmonisation and Alignment for Aid Effectiveness (Paris, 28 February-02 March 2005).

The commitments that were made at HLF II were reflected in the Paris Declaration, which sets out a framework for the relationship between donors and partners, in which each party's responsibilities are clearly laid down. Twelve indicators that establish targets to be met by 2010 were identified and the progress in relation to them is to be internationally monitored and assessed. HLF II also approved the conduct of a pilot exercise in fragile states², which will serve to draw conclusions about the most effective approach to cooperation with such countries.

Portugal showed particular interest in this pilot exercise because some of the main recipients of its aid are classified as fragile states, and as such, experience specific difficulties that condition progress in the field. It consequently offered to be the "facilitator" for Guinea Bissau and thus, working together with other donors with a presence in country and acting in the light of the partner's specific circumstances, to help identify what "Guidelines" should be prioritised in order to achieve better results in terms of aid effectiveness.

In addition to the aspects we have already looked at, Portugal has been making efforts to ensure that Harmonisation and Alignment are both part of its development assistance. To this end our strategic programming is founded on our partners' poverty reduction strategies (e.g. East Timor's National Development Plan, and PARPA in Mozambique), or similar frameworks, in such a way as to facilitate appropriation and leadership by the partner governments. It is also designed jointly with the partners and on a multi-year basis, so as to make the flows of aid predictable and thus facilitate improved management by the partner government. We should note that the structure of the strategy papers is already basically that of the European Union's Common Framework for Country Strategy Papers, which is an essential precondition for the harmonisation of procedures and practices in this common intervention framework.

²² The DAC characterises "fragile states" as countries without a political commitment and/or with little capability to develop and implement policies in favour of poor people who are affected by violent conflicts and/or bad governance.

- **Policy Coherence**

Coherence is another tool with which to promote aid effectiveness. The fact is that increasing the coherence between international partners' development cooperation policies and those of their other policies (trade, investment, etc.) which affect the partner countries is essential if the developing countries are to reduce their dependence on aid.

At all the different international forums the need to take significant steps towards policy coherence has been restated as one of the paths to attainment of the Millennium Development Goals. If we are to achieve the goal of halving poverty levels by 2015 it is necessary not only to increase the volume and effectiveness of our aid, but also to pursue a development policy that is targeted more at issues involved in the fight against poverty, which in turn means securing a greater coherence between aid policies and other policies that affect the DCs.

However, this objective faces innumerable difficulties if it is to be achieved in practice. The truth is that because development policy does not enjoy a hierarchically preponderant position in relation to other policies at either internal or Community level, and inasmuch as the various policies sometimes actually pursue contradictory goals for which compromise solutions have to be found, the outcome does not always favour the developing countries. The role of the people in charge of cooperation has thus been to try to make their counterparts in other policy domains aware of the effects that the latter have on developing countries. As far as possible it is necessary to avoid the harmful effects that other policies can have, determine the impact of the measures that are taken in the different fields, and act to attempt to reduce negative impacts as far as we can.

Portugal recognises this reality and the need to move forwards in the search for a greater coherence that will increase aid effectiveness, combat poverty and reach the MDGs. It considers that it would be useful for there to be an informal network that would continue to work to help donors to exchange information and experiences.

While recognising that the issues concerning coherence between policies have not yet been sufficiently discussed on an internal level, IPAD has been trying to use its

coordination mechanisms, the work of the CIC Permanent Secretariat, and its participation in the Interministerial Committee for European Community Affairs to help foster debates with other national bodies and to make them aware of the need for coherence between sectoral policies and development policy.

- **Untying Aid**

These days it is generally understood that aid effectiveness can be increased if a larger proportion of it is untied, thereby facilitating the recipient countries' access to and participation in the global markets.

The Millennium Declaration – specifically Goal 8 – calls for “the development of a global partnership for development” that encompasses market access, debt sustainability, and progress towards an increase in untied bilateral ODA (indicator 35). This indicator was also recently adapted for use as one of the progress indicators set out in the Paris Declaration (indicator 8).

Inasmuch as it is committed to achieving the MDGs, Portugal regularly accompanied the DAC/OECD work that culminated in the approval of the “DAC Recommendation to Untie Aid to the Least Developed Countries” at the High Level meeting in 2001. The Recommendation took effect on 1 January 2002 and is a significant step in bilateral donors' efforts to improve aid effectiveness.

In order to further fulfilment of its commitment Portugal began a series of efforts to inform and raise the awareness of the various entities that intervene in Portuguese Cooperation. It promoted discussion of this topic in appropriate bodies – particularly the Interministerial Cooperation Committee (CIC) – in order to better coordinate the Recommendation's implementation by the various sectoral ministries. Besides this, it employed other information mechanisms that have ensured full clarification of the Recommendation's contents and scope of application. In particular we have informed people of the Recommendation's coverage, the minimum thresholds for untying aid, and the related rules governing the international notification of offers of untied aid on the OECD's Untied Aid Bulletin Board.

Portuguese Cooperation is above all composed of technical cooperation actions and other macroeconomic support measures, such as budget support, debt forgiveness and other related actions. Technical cooperation actions involve quite small amounts of money – mostly less than the 700,000 SDR threshold fixed for the activities covered by the Recommendation. For this reason, so far only one notification has been posted on the Untied Aid Bulletin Board.

Some of the operations worth more than this limit – especially budget support and debt forgiveness – are not subject to notification, inasmuch as the former is a type of support that is not directly related to procurement and the latter are untied by definition.

Where untied aid is concerned and whenever the amount involved warrants it, procurement is normally preceded by an international public call for tenders.

In recent years the disbursements of untied aid have risen: 2001 – 57.7%; 2002 – 33.0%; 2003 – 93.7%; 2004 – 99.8%. Table 1 shows untied bilateral aid³ as a percentage of total bilateral ODA.

Table 1

UNTIED BILATERAL ODA

	2001	2002	2003	2004
Untied bilateral ODA (% of total)	57.7	33.0	93.7	99.8

Source: OECD

Source for 2004, IPAD

Portugal's tied aid has essentially been given in the form of financing for small projects. The decision as to which actions should be funded in this way is taken on a case-by-case basis in the light of each project's characteristics.

In order to guarantee that tied and partially untied aid is competitive in terms of the quality and price of the goods and services that are to be supplied, the applicable procurement process is normally preceded by a competitive call for tenders which is

³ The data in the Table on untied aid are gross disbursements and exclude technical cooperation and administrative costs. Debt-related actions are deemed untied by definition.

restricted to suppliers from Portugal and the recipient country, depending on the specific characteristics of the project in question and the amount of money involved.

- **Evaluation**

The last DAC peer review, in 2001, considered Evaluation to be one of the most critical areas in our cooperation system, and, as such, to urgently require implementation as an independent system. The same review identified the main aspects that needed to be taken into account in the new approach (as laid down in the DAC Principles for the Evaluation of Development Assistance): a) an evaluation policy; b) impartial and independent process; c) guidelines and standards; d) overall evaluation plan; e) mechanisms for transparency; f) feedback procedures; g) systematic dissemination; and h) partnership with recipients and other donors, in order to create an evaluation and supervision system focused on reducing poverty and the other most important cross-cutting areas. The DAC review team also spoke about the importance of the coordination role that the then ICP ought to play in an independent assessment of the cooperation activities of the whole Public Administration.

Since the last DAC peer review Portuguese Cooperation Evaluation has taken both forward and backward steps, not only in terms of the institutional framework, but also in relation to its activities. This uneven path is a reflection not only of the changes which IPAD itself underwent, but also of a number of circumstantial factors, particularly in terms of the understanding of just what an Evaluation Unit and its role are.

Since 2001 the organisational structure of Portuguese Cooperation's central body has been altered twice. The 2003 reform (which led to the creation of IPAD) was the one that gave the Evaluation Unit a greater degree of institutional autonomy, inasmuch as it ceased to be incorporated in a Department and started reporting directly to the Institute's Chair. However, this autonomy did not lead to greater operability and the Unit remained without a head for many months. The redistribution of competencies among IPAD's Departments that took place in September 2004 was a step back in this regard, because the Evaluation Unit was reallocated to a Departmental Management.

Having said that, the Evaluation Unit has enjoyed a new dynamic since a new head was appointed to the unit and renewed attention was given to the paper on “Evaluation Strategy and Medium-Term Evaluation Plan”, which had begun to be drawn up in 2003, but has now finally been approved early in 2005.

The evaluations that were undertaken during this period highlighted a particular shortcoming, which is shared with other agencies – the difficulty of finding consultants with the experience and legal capacity to carry out evaluations. The fact is that although the evaluation of public policies is an area in which there is a considerable body of competencies and experience, there are still not many of these in the specific area of development cooperation evaluation – partly due to the absence of any specific training in this matter.

Since 2001 the following external evaluations have been carried out (executive summaries can be found on IPAD’s website):

- The NGDO CIC-Portugal’s intervention in projects in the health sector in Cape Verde;
- Cooperation in the health sector in Mozambique in the 1990’s;
- Cooperation between Portugal and Cape Verde in the higher education sector.

The following evaluations are currently under way:

- The Quebo Experimental Centre for Fruit Growing and Horticulture;
- IPAD’s Scholarship Policy;
- Evaluation of the Effectiveness of Portuguese Cooperation Mechanisms;
- Evaluation of Cooperation in the Statistical Field;
- Evaluation of the Cooperation Protocol between IPAD, ECDPM and IEEI (1996-2005) (internal evaluation).

It is also important to note that Portugal is accompanying two joint evaluations: the three C’s in the EU, in which Portugal is a member of the Steering Group; and General Budget Support (GBS), as part of the DAC Evaluation Network. Also as part of the DAC Network IPAD is electronically participating in the work of four groups – the

Evaluation of Multilateral Agencies, Quality Standards for Development Evaluations, Knowledge Management, and the Evaluation Inventory.

One of IPAD's concerns is to create an evaluation culture within Portuguese Cooperation. In this respect, besides a knowledge of evaluation mechanisms, another concern is to create competencies in evaluation – initially internal ones, and then among the other actors in the Portuguese Cooperation universe. Two IPAD experts attended the World Bank's IPDET core course in 2001, and then gave in-house training sessions. Training sessions on Evaluation Strategy, and on Evaluating Portuguese Cooperation and Evaluation in the EU have also been held internally for IPAD specialists and managers.

Another concern is the production and updating of information about evaluation concepts and methods, which is an indispensable tool for internal use, in the dialogue with external evaluators, and with our national and international partners. A certain amount of work has been done in response to this and is available on the IPAD website:

- The DAC Glossary of Key Terms in Evaluation and Results-Based Management has been translated into Portuguese;
- A Cooperation Glossary and a List of Acronyms have been compiled;
- The Executive Summary of the DAC Guidelines on Poverty Reduction has been translated into Portuguese;
- A preliminary version of the Evaluation Guide has been written and sent to selected evaluators. This is a methodological tool which is said to play a fundamental part in achieving the objective of conducting better evaluations, and its completion is one of our priorities.

4.2. Instruments

Portugal's ODA is given above all in the form of technical cooperation and debt-relief operations. However, although they are not as preponderant in the overall assistance package, we also employ a number of other formats that also deserve a mention, such as the direct budget support of certain partner countries (East Timor and Mozambique) and emergency and reconstruction aid.

- **Technical Cooperation**

Facilitated as it is by the historical and cultural bonds between Portugal and its partner countries and by the common institutional and legal formats we all employ, technical cooperation (TC) has always been the major element in the kind of assistance we supply at the bilateral level. It always constitutes more than 50% of Portuguese bilateral ODA, but since 2001 this proportion has tended to rise still further and now averages 67%.

There are various types of TC – especially teacher training, the sending of cooperants, scholarships (not just in Portugal, but also internally within the partner country), technical assistance for the capacity building of the partner countries' administrations, and so on.

There are many Portuguese Cooperation actors who engage in TC work within their specific fields of activity, in partnership with their counterparts. This cooperation is particularly important when it comes to strengthening institutional capabilities. For example, the Ministry of Justice is involved in TC activities with all five PALOPs and East Timor, with which it works to help draw up the laws, manuals and so on that provide a juridical basis for the partner countries' legal systems.

Scholarships and cooperants are two TC formats that are particularly important within the overall framework of IPAD's activities. IPAD has paid special attention to its policy of awarding scholarships to enable people to take higher education courses, master's degrees and PhDs. A number of useful changes have been made, notably in such a way as to increasingly target such awards at areas that are seen as fundamental to the fulfilment of the development goals which have been set by the partner country, and also taking into account the local training which is already available (in most cases the latter also receives support from Portuguese Cooperation).

In parallel we have reinforced internal scholarships, which are designed to permit the in-country training of local students from inland regions who have few financial resources, but possess intellectual ability. This avoids uprooting such people early on in life and enables them to attend higher education. In 2003 this Programme, which was already

operating in Cape Verde, Guinea Bissau, Mozambique and São Tomé and Príncipe, was extended to Angola and East Timor.

Most of our cooperants focus on the education sector, in which case they are selected jointly with the Ministry of Education. 2004 was marked by the publication of Law no. 13/2004, dated 14 April 2004, which revoked Executive Laws nos. 363/85 and 10/2000 – the legislation that had previously provided the framework for the work of cooperation agents. The new Law adapted the relationship between the agent and the Portuguese state to the current reality and harmonised the different sets of rules for the recruitment of agents for the PALOPs and East Timor in one statute. It has also made it possible to broaden the status of cooperation agent to cover both people who are engaged in humanitarian aid actions and the volunteers who are covered by the set of rules laid down in Law no. 71/98, dated 3 November 1998, and who work within the scope of cooperation actions.

- **Debt Restructuring and Forgiveness**

Portugal's general policy on handling debt has been to carry out restructuring operations either within the framework of the Paris Club, or bilaterally. The conditions applicable to those operations have been determined in accordance with the level of income and indebtedness of the debtor country in question. In the case of the heavily indebted poor countries (HIPC) Portugal has not only conceded reschedulings on highly favourable terms, but has also provided additional debt-reduction support, such as the conversion of debt into investment or aid, while always safeguarding the resulting budgetary and monetary implications for the debtor countries. In addition it has also resorted to both debt forgiveness (over and above the minimum standards set by the Paris Club) and support for the payment of multilateral debt.

Of the two types of swap, Portugal has tended to use the debt for equity scheme. It has done so due to both the multiple effects this type of restructuring tends to have – a reduction in the balance of payments gap is just one of them – and its direct consequences for a country's economic development, thanks to the resulting strengthening of its private sector.

In 2001-2004 we should particularly point to the conclusion of a new restructuring of São Tomé and Príncipe's debt on concessional terms, in the sum of around 6 MUSD (2001); and the restructuring of Angola's debt in the sum of 698 MUSD (562 M€) on a similarly advantageous basis (2004). In 2005 we expect to sign the agreement that will permit the cancellation in full of Mozambique's debt.

We should also note (again in 2004) the continuation of Portugal's monetary and exchange cooperation agreement with Cape Verde, which provides for the grant of an annual credit line of up to 45 M€ This is intended to finance imports and pay foreign debt in situations in which there is a breakdown in foreign reserves, thus serving as an additional guarantee of the convertibility of Cape Verde's currency.

- **Budget Support**

Portugal began to use this new aid instrument in 2002, when it undertook (at the Development Partners Meeting in Dili in May) to make 9 MUSD available for the Transitional Support Programme (PAT). The latter was designed to support East Timor's budget and balance of payments during the 2002/03, 2003/04 and 2004/05 fiscal years and enjoyed an overall allocation of 90 MUSD for that purpose.

Portugal has also been employing this aid instrument in Mozambique since 2004. On the 6th of April that year Portugal became one of the 15 subscribers (the so-called Programme Aid Partners – PAPs) to a Memorandum of Understanding under which it committed itself to contributing 1.5 MUSD over the course of the three years covered by the Agreement (2004-2006).

- **Emergency and Reconstruction Assistance**

One of the tendencies that we have been seeing at the cooperation level in the last few years is the great press of requests of a humanitarian and emergency nature, which form part of the response to the successive crises that have followed natural disasters or catastrophes.

On the bilateral level Portugal has been acting in the form of direct interventions in the affected countries – particularly by sending basic items, medicines, vaccines, clothes

and shelters, and by providing medical care. Assistance is also given via programmes and projects on the short-term rehabilitation level and by means of post-emergency or post-conflict interventions, all of which aim to facilitate a return to normality.

The majority of our assistance is channelled either via various civil society organisations, or in collaboration with other public bodies. In the cases in which the aid is destined for a country that is known to and specified by Portugal, we also channel funds for humanitarian, emergency and reconstruction aid via international non-governmental organisations and multilateral organisations, thereby enhancing both our own advantages and the country's capabilities and competencies in relation to field operations.

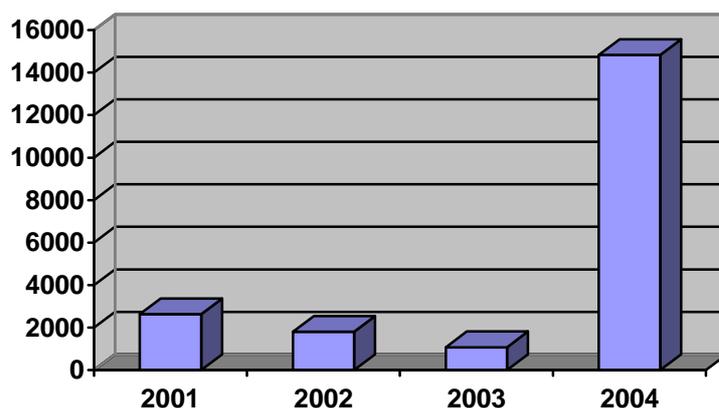
Bilateral Portuguese interventions on the emergency aid level have generally remained below 2% of ODA (average for 2001-2004). However, this average was exceeded in 2004, primarily due to Portugal's aid to **Iraq** (12 M€), which was intended to help with the country's reconstruction: the monitoring of and assistance with the electoral process; support for local police forces in their work to maintain law and order during the post-conflict reconstruction period; support for the development and operation of the country's governmental administration and its stabilisation within the region; and support for the rehabilitation of national infrastructures. The aid that was given to Iraq also included support for refugees, displaced persons and migrants, and was channelled via UNHCR (the United Nations High Commissioner for Refugees) and IOM (International Organisation for Migrations).

Emergency aid has regularly been given to **Angola** and **Guinea Bissau**, following both armed conflicts and natural disasters, and to **Mozambique**, in the wake of the floods that have devastated the country. In 2004 Portugal also sent support to **Morocco** in order to help the victims of the earthquake that affected the Al Hoceima region (24 thousand €), **Cuba** (74 thousand €), **Afghanistan** (600 thousand €), and **Sri Lanka** and **Thailand** following the Tsunami in December 2004 (102 thousand €).

Under the Pilot Voluntary Return Programme conducted by the International Organisation for Migration in Lisbon, in 2004 Portugal also provided assistance for the voluntary, safe and dignified return of refugees to their countries of origin (150

thousand €). It also channelled aid to help with the reception of asylum seekers via the NGO - Conselho Português para os Refugiados (Portuguese Refugee Council – 115 thousand €).

Figure 2
Emergency assistance in thousands of €



Source: IPAD

On the multilateral front Portuguese aid has taken the form of financial contributions or donations in kind to the various United Nations Agencies and via the European Union. Portugal has been increasing its multilateral contributions, but without any decrease in the assistance it provides by means of the bilateral channels mentioned above.

- **Private Sector Cooperation and Partnerships**

At the beginning of the period we are concerned with here, private sector cooperation focused on market development actions and programmes. It either took the form of direct support for private ventures or for economic agents in the public sector, or involved institutional support actions that targeted the creation of environments which suited the promotion of investment and the development of partnerships, particularly with the Portuguese private sector in developing countries.

These activities used to be supported by APAD. Its abolition in 2003 meant that there was no longer any body to promote this kind of cooperation. Portugal, however, recognises the importance of MDG Goal 8 – and especially that of direct investment in the developing countries – as an essential factor in economic growth and modernisation,

given that it fosters the acquisition of know-how and the transfer of technology, thereby making the local business fabric more dynamic and energetic.

In order to fill the gap that was created in Portuguese Cooperation in this respect, we are currently getting ready to create a development finance institution that may also come to form part of the related network of European Development Finance Institutions (EDFIs). The formation of a Portuguese EDFI falls within the overall ambit of the creation and restructuring of basic infrastructures, the modernisation and stabilisation of financial markets, and the strengthening and diversification of short, medium and long-term financial instruments, particularly for the provision of support to SMEs, which can be of significant importance to the economic and social stability of the least advanced economies.

In July 2004 the **CPLP Business Council** was created with the objective of promoting both commercial ties and the role of economic development in the eradication of poverty. This Council intends to promote more dynamic relations between businesses and the people and bodies that represent them within the Lusophone geographic area. Its work is targeted at promoting and increasing trade and investment between the eight CPLP Member States and the other countries in the economic regions to which they belong. It is seeking to be a “meeting point” in this process and a means of facilitating business-related and political contacts that will help lead to the establishment of partnerships.

4.3. Main Actors

Portuguese Cooperation is based on a decentralised model in which public departments (be they autonomous or not), bodies that exercise sovereign power, state-owned companies, some private bodies and NGOs all take part.

The characteristics of the Portuguese cooperation model mean that a lot of people and bodies intervene in the implementation of cooperation programmes and actions. A significant proportion of them form part of the Central Administration, and in this case their work is incorporated into the overall tasks of their respective departments. In addition, there is a whole range of important agents – both existing and potential –

who/which pursue common objectives in the development assistance field. Some of the most important roles in this respect are those played by NGOs, local authorities, universities and scientific institutions.

- **Central Administration Bodies**

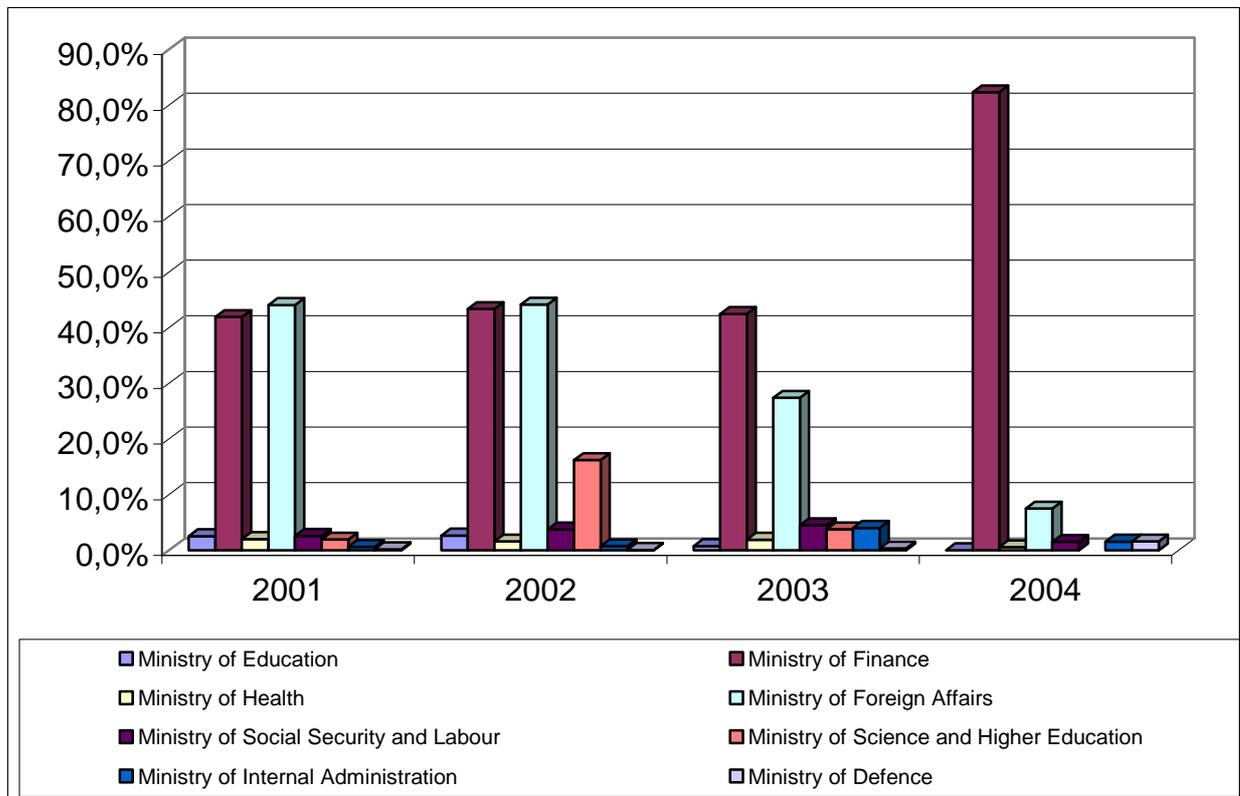
At the national level IPAD is the central executive body of Portugal's cooperation policy. As such, it is responsible for the planning, financing, monitoring and evaluation of the results of our country's cooperation activities.

IPAD undertakes to fund part of these cooperation efforts, but it is not the only body to do so. By supporting the stabilisation of the partner countries' budgets and contributing to their trust funds, the Ministry of Finance also plays a preponderant role as a financer of Portugal's cooperation actions. In fact, over the four-year period that we are looking at here, around 80% of Portuguese ODA was financed by either the Ministry of Finance or the Ministry of Foreign Affairs (Figure 3).

Despite the substantial weight of the abovementioned Ministries in the funding of Portuguese ODA, we should not ignore the important role played by other state bodies. Their importance lies essentially in the specificity of their intervention areas, rather than in the amounts of money they allocate to cooperation. This category includes cooperation between universities, between hospitals and between police and security forces.

There are a number of Ministries which consistently contribute towards Portugal's ODA, without great variations from one year to another. The exception is the Ministry of Finance, which in 2004 single-handedly took responsibility for financing 82% of all our ODA – a situation that is derived from the exceptional nature of the restructuring of Angola's public debt, which occurred in that year.

Figure 3
Main Sources of Funds for Portuguese ODA



We should also point to the role that the Ministry of Defence plays in its cooperation actions which, given their inherent characteristics, cannot be entirely accounted for under the official development assistance heading. Nor does the leading place it occupied in 2004 reflect the amounts of ODA it also funded in the previous years – a situation that is explained by the cost of the peace operations which its troops have been conducting in Timor, Afghanistan, the Ivory Coast, Kosovo and Bosnia.

- **Non-Governmental Development Organisations**

Although Portugal’s non-governmental development organisations (NGDOs) are not responsible for a massive amount of activity, the value of their contribution to human development in fields that are very closely related to the well-being of the most disadvantaged populations is well known.

IPAD encourages the Portuguese NGDOs’ actions along these lines and associates them with the execution of Portugal’s cooperation policy in areas that are of common interest

and where we know that the quality of their performance is guaranteed. In such cases IPAD provides them with an appropriate amount of co-funding.

As a result Portuguese NGDOs have gradually been given an increasingly more important role in the implementation of aid programmes and projects for developing countries.

On 20 June 2001 the Ministry of Foreign Affairs (MNE) and the Portuguese Platform of Non-Governmental Development Organisations signed a Cooperation Protocol that expressly recognises the *“NGDOs as a part of Portuguese civil society that play an important role in the Development Cooperation, Education for Development and Humanitarian Aid fields, and are elements that channel impulses to and from civil society”*. Clause 4 of the same Protocol states that the MNE shall include *“a specific allocation of funds for programmes and projects to be undertaken by the NGDOs and the Portuguese NGDO Platform every year, in accordance with the policies and strategies that have been laid down in advance”*.

In this context a set of Project Co-Financing Rules has been drawn up with the objective of making the processes of application, presentation, assessment and financial support for NGDO-led development cooperation projects clearer and subject to more rigorous criteria.

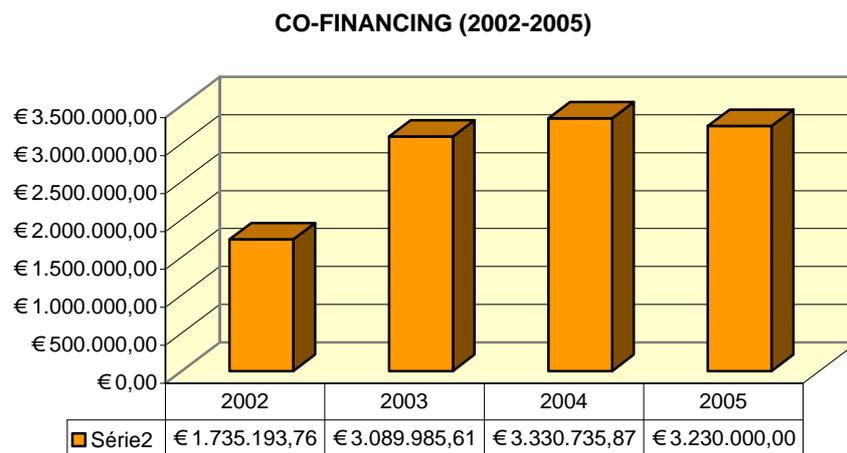
These Rules were written in the light of the best practices which the DAC/OECD have set out for support for NGDO projects, and of the principles laid down under the aegis of the European Commission – not only as regards the methods to be used in the presentation of NGDO projects, but also the procedures under which they are to be analysed, in particular in the cost/effectiveness and cost/benefit analysis. The intention is to thereby increase the trust and enhance the best practices between the state and the NGDOs, and thus to help ensure that their actions are more effective in pursuit of the objectives that are targeted by both parties.

The project co-financing rules comprise four documents: “Eligibility Criteria”; “Rules and Standards for the Execution of the Co-Financing Process”; “Directives for the Presentation of Development Cooperation Projects”; and a “Standard Contract”.

Bearing in mind the innovative nature of this procedure, IPAD and the Portuguese NGDO Platform agreed that these Project Co-Financing Rules should be subject to an annual critical review for the first three years. Accordingly, changes have recently been made in the overall rules and it has been decided that in 2005 this application process would become annual instead of six-monthly. The Model Budget also underwent a number of alterations designed to ensure a more effective monitoring of the projects that do receive approval.

The amount of co-financing allocated to these organisations' projects has been substantially increased – the budget for 2005 represents an 86% rise compared to the total co-financing that was approved in 2002 (Figure 4).

Figure 4



- **Municipal Authorities**

Portuguese Cooperation is fully aware of the role that municipal authorities play in stimulating cooperation – especially when it comes to supporting the developing countries' organisation of their local authorities – under the umbrella of twinning agreements or one-off protocols with their counterparts in the other Portuguese-speaking countries. It has therefore been supporting annual cooperation programmes undertaken by Portuguese municipal authorities. This backing falls within the framework of cooperation protocols entered into with the National Association of Portuguese Municipalities (ANMP), which sets out the fields of action that are covered,

the priority intervention areas, and the forms the support can take. From 1999 to 2002 this cooperation was managed by an autonomous body that reported directly to the Secretary of State for Foreign Affairs and Cooperation, and its funding came from the then APAD. In 2002 the latter was abolished and this area is now managed by IPAD.

The chosen intervention areas are:

- Staff Education and Training

Support for actions designed to hold training courses, seminars and technical information sessions that will help promote the training and professional upgrading of the managers and staff of the local administrations in the partner countries.

- Infrastructures, Basic Sanitation, Urban Planning and the Environment

Drawing up projects and creating infrastructures, the objective of which is to improve people's quality of life and well-being; and support for the in-country training of the partner country's specialist staff, to be conducted locally and in such a way as to improve the qualifications of their human resources and the departments in which they work.

- Culture and Historical Heritage

Recovering and preserving the historical/architectural heritage of the Portuguese-speaking countries.

- Support in the form of Materials and Equipment

Support for the sending of materials and/or equipment that are directly linked to the areas mentioned above, or serve as a support and complement to the implementation of ongoing projects.

The funding commitments made in relation to this type of cooperation amounted to 1,765,360 € in 2001 and 1,289,600 € in 2002. The financial difficulties that the majority of Portuguese municipalities began to experience at that time meant that they did not completely fulfil the rest of their part of the financing and so the Programme's

execution was quite low. As a result, and also due to the fact that Portuguese Cooperation was being restructured at the time, no new programme was established for 2003 and this form of cooperation was limited to the pursuit of the existing ongoing actions.

In an attempt to stimulate this area, a new framework of reference was drawn up in 2004 and formalised with ANPM at the beginning of 2005. It retains the same intervention areas, but lays down precise rules for the submission of applications and the selection of projects. It was also stipulated that the proportion of the assistance that is to be funded by IPAD cannot exceed 65%.

- **Universities and Scientific Institutions**

Another type of actor involved in Portuguese Cooperation is our **higher education institutions**, which cooperate with their counterparts in the partner countries in their specific fields of activity. The objective of this cooperation is to support the creation and/or consolidation of higher education in those countries.

Universitarian cooperation is governed by Scientific and Technical Cooperation Agreements, by Arrangements and Memoranda entered into by Portuguese universities and their counterparts in the partner countries, and also by specific Protocols concerning particular programmes/projects.

The programmes/projects vary quite a lot, but it is possible to identify a number of areas:

- ▶ Inter-university cooperation and partnerships under the aegis of institutional relationships, with support for both lecturers, and students taking master's degrees and/or PhDs within the scope of programmes that are agreed by university-level institutions. The latter engage in cooperation activities using both their own funds (a small amount) and above all co-funding from elsewhere – especially IPAD – albeit even then they act as the project managers.
- ▶ Programmes/projects in areas that are deemed a priority under an Indicative Cooperation Programme. Such programmes/projects receive funding from IPAD

and are key elements in the overall Programme in question. They have been undertaken in areas such as Medicine, Law, Political and Legal Sciences, Agronomy and Natural Resources, Tourism (Ecotourism, Tourist Management and Tourist Entertainment). This is a form of technical cooperation that involves both direct lectures by and the on-the-job training of local teachers, student evaluation and supervision, and drawing up programmes and manuals, as well as institutional capacity building via the development of the teaching and management skills of the partner institutions. It also entails enhancing bibliographic resources and supporting the publication of works of reference and the main legal codes;

- ▶ One-off actions involving the translation of international and/or regional rules and standards and their adaptation to internal law.

Of particular interest in this field are the universitarian cooperation projects between the Law Faculties of Coimbra University and Agostinho Neto University in Luanda, and those of Lisbon University with Bissau University and Eduardo Mondlane University in Maputo.

Where Cape Verde is concerned, the 17th of July 2003 saw the signature of a Cooperation Agreement in the Higher Education, Science and Technology field between the Portuguese Republic and the Republic of Cape Verde. This accord provides for the development of higher education and science in Cape Verde on a basis of equality and mutual benefit, especially via cooperation between both countries' higher education and research institutions. In this respect the various Portuguese institutions (examples of the membership of this group include Aveiro University, Coimbra University, the Coimbra Polytechnic Institute, the Higher Institute of Economics and Management (ISEG) and the Higher Technical Institute (Instituto Superior Técnico – IST)) – have contributed to the creation and institutionalisation of higher education in Cape Verde.

We should also mention that following on from the signature of a Protocol by the National Council of the Timorese Resistance Movement (CNRT), the Council of Deans of Portuguese Universities (CRUP) and the Portuguese University Foundation (FUP),

East Timor is currently the object of a university cooperation programme. It incorporates two projects: a) support for the provision of assistance to and the monitoring of Timorese scholarships in Portugal; and b) the creation and administration of five higher education courses in East Timor. Since the 2001/02 academic year, with Portuguese support East Timor National University has created such courses in Economics and Corporate Management, Electrotechnical Engineering, Computer Engineering, Agrarian Sciences, and the Training of Portuguese Language Teachers.

At the higher education level there is also a scholarship programme that is being managed in articulation with the partner countries' authorities. It is designed to help the latter's students come to Portuguese universities to take higher-level courses in priority areas in which the partner countries' response capability is small or inexistent.

Cooperation in the field of **scientific research** is governed by general conventions and also by a number of institutional protocols. It is based on a principle of autonomy, equality and mutual benefit. This is normally a domain in which financing is found in the form of specific competitive tenders and lines of funding.

The main actors in this area include the Institute of Scientific and Tropical Research (IICT), the Institute of Tropical Hygiene and Medicine (IHMT), the National Institute of Engineering, Technology and Innovation (INETI), Aveiro University and the University of the Azores.

In the light of the impact that the great endemic diseases have on the fight against poverty, a number of research programmes in the HIV/AIDS and malaria fields are currently being promoted in articulation with university-level science departments. The idea behind them is to work out prevention and control plans, and examples to date include the Malaria Control Project in São Tomé and Príncipe, which is being conducted in articulation with the Centre for Malaria and Other Tropical Diseases (CMODT) in Lisbon.

With a mind to the state of development in which university education and scientific research presently find themselves in the partner countries, the programmes that are undertaken are essentially targeted at the modernisation of learning institutions and the

formation of a body of specialist managers and staff in areas that are key to the promotion of democracy and the rule of law. Where scientific research is concerned, Portugal is basing its actions on the added value provided by the shared language and the existence of earlier studies by Portuguese institutions – notably in relation to natural resources. These studies are being taken to a greater depth and/or updated to the direct benefit of the partner countries, which are thereby endowed with documents that are essential to planning and investment.

5. The Shape of Portuguese ODA

5.1. Amount and Trends

The ODA/GNI ratio has generally moved in a positive direction, especially in 2002, when it attained 0.27% (342.3 M€) – a +14% variation compared to 2001 (299.7 M€). Having said this, in 2003 the ODA/GNI ratio then fell back to 0.22% (282.9 M€) and thus suffered a negative rate of ODA growth (-17%) in relation to the previous year. This was caused by a period of budgetary consolidation and very tight control of the public budget deficit imposed by the need to comply with the rules governing the EU Pact on Stability and Growth.

In 2004 the ODA/GNI ratio jumped up to 0.63% (829.9 M€) – a positive variation of 193% compared to 2002 – due to an operation to restructure Angola’s public debt on concessional terms.

Table 2

TOTAL RESOURCE FLOWS - PORTUGUESE COOPERATION 2001/2004

	<i>(Millions of Euros)</i>							
	ODA/GNI *	ODA	Change	Other Official	Private	NGO	TOTAL	Change
	%		%	Flows	Flows	Grants		%
2001	0,25	299,75	2%	-1,18	1.677,98	5,47	1.982,04	-60%
2002	0,27	342,30	14%	-1,49	-158,91	n d	181,90	-91%
2003	0,22	282,87	-17%	-1,60	728,46	3,51	1.013,07	457%
2004	0,63	829,89	193%	-557,39	269,47	2,16	546,06	-46%

Source: IPAD

In 2002 the total official and private flows of Portuguese Cooperation amounted to 182 M€ - a substantial fall in relation to 2001. This was due above all to the reduction in **Private Flows**, which was in turn caused by a decrease in Portuguese direct investment

in the developing countries. It was also influenced by the capitalisation of interest that resulted from the rescheduling of non-concessional credits, which were accounted for as **Other Official Flows** and represented a return of 1,49 M€ However, 2003 saw an increase in the total official and private cooperation flows to 1.013 M€ due particularly to an increase in Portuguese direct investment in the developing countries.

Then in 2004 total resource flows fell back again by 46% in relation to the previous year, to 546 M€ This was affected not only by a renewed fall in the **Private Flows** concerning Portuguese direct investment in the DCs, but also by the receipt of a number of extraordinary payments under the **Other Official Flows** classification.

Table 3
OFFICIAL DEVELOPMENT ASSISTANCE 2001/2004

	(Thousands of Euros)							
	2001	%	2002	%	2003	%	2004	%
TOTAL BILATERAL ODA	204.695	100	197.443	100	161.494	100	702.446	100
ANGOLA	13.262	6,5	15.325	7,8	17.249	10,7	575.892	82,0
CAPE VERDE	25.721	12,6	11.554	5,9	35.611	22,1	24.772	3,5
GUINEA BISSAU	14.928	7,3	7.051	3,6	7.304	4,5	9.767	1,4
MOZAMBIQUE	38.251	18,7	25.367	12,8	16.920	10,5	19.516	2,8
SÃO TOMÉ AND PRINCIPE	15.664	7,7	13.806	7,0	9.856	6,1	10.299	1,5
PALOPs **	16.747	8,2	15.193	7,7	4.280	2,7	4.047	0,6
EAST TIMOR	64.708	31,6	80.485	40,8	37.781	23,4	20.568	2,9
OTHER COUNTRIES	15.414	7,5	28.662	14,5	32.492	20,1	37.585	5,4
TOTAL MULTILATERAL, ODA	95.052	100	144.852	100	121.379	100	127.445	100
1. UNITED NATIONS	8.696	9,1	11.489	7,9	7.139	5,9	8.270	6,5
1.1. United Nations - Agencies, Funds and Committees	8.696	9,1	11.489	7,9	7.139	5,9	8.270	6,5
2. EUROPEAN COMMISSION	77.061	81,1	77.766	53,7	78.232	64,5	90.508	71,0
2.1. EU Budget for Developing Countries	63.222	66,5	64.642	44,6	60.966	50,2	63.708	50,0
2.2. EDF – European Development Fund	13.839	14,6	13.124	9,1	17.266	14,2	25.585	20,1
2.3. EIB – European Investment Bank							1.215	1,0
3. IMF, WORLD BANK AND WTO	847	0,9	7.896	5,5	10.185	8,4	10.573	8,3
3.1. World Bank Group	338	0,4	7.298	5,0	9.590	7,9	9.990	7,8
3.2. World Trade Organisation	509	0,5	598	0,4	595	0,5	583	0,5
4. REGIONAL DEVELOPMENT BANKS	6.247	6,6	46.766	32,3	21.584	17,8	13.996	11,0
5. OTHER MULTILATERAL INSTITUTIONS	2.201	2,3	935	0,6	4.239	3,5	4.097	3,2
of which:								
GEF - Global Environment Facility	919	1,0	0	0,0	2.134	1,8	1.103	0,9
Montreal Protocol	801	0,8	355	0,2	1.130	0,9		
CPLP - Community of Portuguese-Speaking Countries ****							724	0,6
TOTAL ODA	299.747		342.295		282.873		829.891	
For reference:								
% ODA/GNP								
% ODA/GNI***	0,25		0,27		0,22		0,63	

Source: IPAD. Last updated 14 July 2005

* Amounts obtained by converting totals up to 2000, inclusive.

** PALOPs: Joint projects, or not broken down by country.

*** GNP: Gross National Product (adopted as an indicator by DAC/OECD in 2000, with data revised until 1995)

**** CPLP added to the list of multilateral organizations in June 2005. Inclusion in DAC Working Group on Statistics approved, Paris, 14-15 June 2005.

Portuguese ODA is characterised by its highly concessional nature: in 2001 93% of aid was given in the form of grants; in 2002 the figure was 98%; in 2003, 99%; and in

2004, 32% (once again, this reduction is the result of the proportion of ODA that was dedicated to the restructuring of the Angolan debt).

5.2. Bilateral ODA

Portuguese Cooperation channels most of its foreign aid bilaterally. Bilateral ODA averaged 67% of total ODA between 2001 and 2004.

Up until 1998 more than 97% of our bilateral ODA went to five countries with very low levels of per capita income, all of which are located in Sub-Saharan Africa. However, the aid that has been disbursed to East Timor since 1999 has changed this predominant situation and altered the resource allocation profile that had thus far prevailed in relation to Portuguese assistance.

Since 1999 Portugal has placed its priorities on the Portuguese-Speaking Countries in Africa (PALOPs) and East Timor, precisely because they are countries that suffer from multiple shortcomings and are therefore classed as Least Developed Countries (LDCs) by the United Nations, and because it considers that is where its action enjoys an additional comparative advantage in relation to that of other partners. East Timor then became the main recipient of Portuguese Cooperation and on average absorbed 31% of our bilateral aid in 1999-2003. However, in 2004 Angola took East Timor's place as the main partner of bilateral Portuguese ODA, due to the concessional restructuring of its debt in the amount of 562 M€, which we mentioned earlier. This operation changed the profile of the ranking of the main partner countries that received Portuguese ODA in 2004: Angola (82%), Other Countries (5.4%), Cape Verde (3.5%), East Timor (2.9%), Mozambique (2.8%), São Tomé and Príncipe (1.5%), Guinea Bissau (1.4%), PALOPs (0.6%).

In 2001 and 2002 Mozambique took the lead, receiving an average of 27% of our ODA. In 2003, however, it was overtaken by Cape Verde, which became the primary partner of Portuguese ODA with 35%. This fall in the disbursements to Mozambique was due especially to a combination of the exclusion of the negotiations in relation to the country's debt in the ODA calculations and the absence of any cooperation framework instrument with it in 2003. In 2004 Cape Verde's position was in turn taken by Angola,

which became the main destination of Portuguese aid, thanks to the 562 M€ operation to restructure its debt, which we mentioned above.

Table 4

GEOGRAPHICAL DISTRIBUTION OF BILATERAL ODA - 2001/2004

(Thousands of Euros) *

	2001	%	2002	%	2003	%	2004	%
TOTAL BILATERAL ODA	204.695	100	197.443	100	161.494	100	702.446	100
ANGOLA	13.262	6,48	15.325	7,76	17.249	10,68	575.892	81,98
CAPE VERDE	25.721	12,57	11.554	5,85	35.611	22,05	24.772	3,53
GUINEA BISSAU	14.928	7,29	7.051	3,57	7.304	4,52	9.767	1,39
MOZAMBIQUE	38.251	18,69	25.367	12,85	16.920	10,48	19.516	2,78
SÃO TOMÉ AND PRINCIPE	15.664	7,65	13.806	6,99	9.856	6,10	10.299	1,47
PALOPs	16.747	8,18	15.193	7,69	4.280	2,65	4.047	0,58
EAST TIMOR	64.708	31,61	80.485	40,76	37.781	23,39	20.568	2,93
OTHER COUNTRIES	15.414	7,53	28.662	14,52	32.492	20,12	37.585	5,35
<i>For reference:</i>								
% ODA/GNP								
% ODA/GNI**	0,25		0,27		0,22		0,63	
TOTAL ODA	299.747		342.295		282.873		829.891	

Source:

** GNP: Gross National Product (adopted as an indicator by DAC/OECD in 2000, with data revised until 1995)

*** PALOPs: Joint projects, or not broken down by country.

The geographic area in which Portuguese Cooperation is concentrated thus continues to be Africa south of the Sahara, and primarily the five PALOPs, which account for around 99% of our total bilateral ODA to Africa: 99.5% in 2001; 99.2% in 2002; 99.5% in 2003; and 99.9% in 2004.

In compliance with the United Nations goal of dedicating 0.15% - 0.20% of ODA to the LDCs, the ratio of ODA LDC/GNI attained 0.26% in 1991-1992. From 1999, however, it fell, reaching 0.11% in 2001, 0.10% in 2002 and 0.12% in 2003. The reason for this is that at that time the ODA to East Timor was not statistically considered as being given to an LDC. In fact ECOSOC only reviewed East Timor's situation in December 2003, after which it was classified as an LDC. Until then Timor's classification had been linked to that of Indonesia (Other Low Income Countries)⁴. In 2004 the LDC/GNI ratio attained 0.51%, thereby enabling Portugal to exceed the objective which had been set for Least Developed Countries under the Brussels Action Programme.

⁴ If it had not been for the lateness of Timor's classification as an LDC, Portugal's ODA LDC/GNI ratio would have been 0.16% in 2001 and 0.15% in 2002.

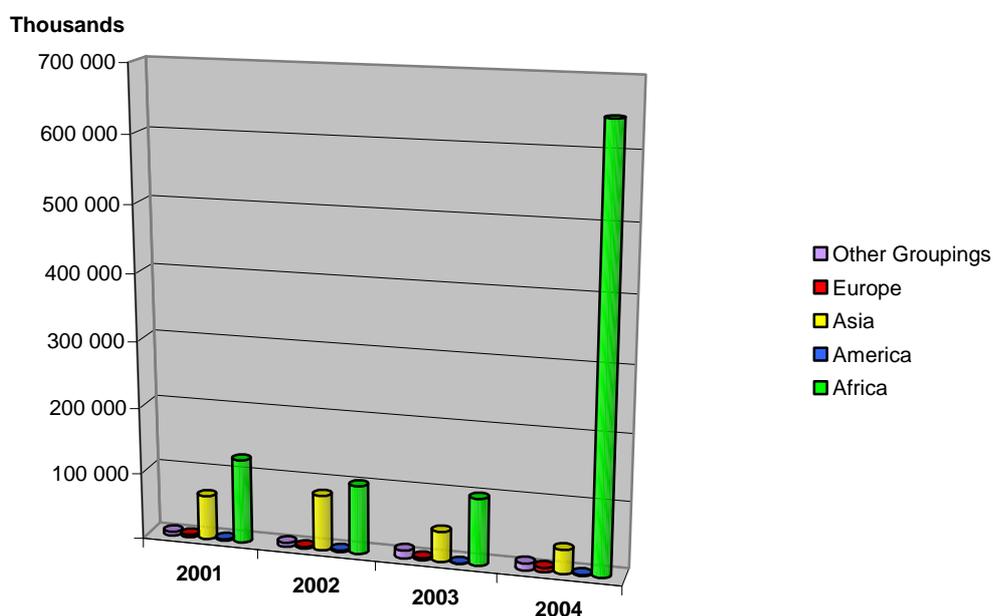
Table 5
BILATERAL PORTUGUESE ODA TO AFRICA – 2001-2004

	€							
	2001	%	2002	%	2003	%	2004	%
DZA - Algeria	59.937	0,05	11.215	0,01	15.900	0,02	3.254	0,00
EGY - Egypt	2.540	0,00	252	0,00			2.000	0,00
EH - Western Sahara	205.910	0,16	125.608	0,12	125.318	0,12	105.835	0,02
MAR - Morocco	283.442	0,22	607.767	0,59	60.473	0,06	235.700	0,04
QMD - North of the Sahara - Unspecified							70.000	0,01
TUN - Tunisia	17.693	0,01	76.672	0,07	18.590	0,02	50.688	0,01
North of Sahara	569.522	0,45	821.514	0,80	220.281	0,22	467.477	0,07
AO - Angola	13.261.761	10,50	15.324.722	14,88	17.249.435	17,17	575.891.931	88,98
BJ - Benin			19.118	0,02	9.368	0,01	10.000	0,00
CD - Dem. Rep. Congo	912	0,00	4.991.526	4,85	2.122.924	2,11	139.449	0,02
CF - Cent. African Rep.	319.220	0,25						
CI - Cameroon			4.725	0,00			3.250	0,00
CM - Ivory Coast	36.500	0,03	87.051	0,08			76.540	0,01
CV - Cape Verde	25.720.656	20,36	11.554.374	11,22	35.611.370	35,46	24.771.767	3,83
ET - Ethiopia			2.279.194	2,21	729.546	0,73	3.460	0,00
GA - Gabon	56.991	0,05	77.327	0,08				
GQ - Equatorial Guinea							40.927	0,01
GW - Guinea Bissau	14.928.471	11,82	7.050.557	6,84	7.304.150	7,27	9.766.622	1,51
KE - Kenya	1.806	0,00	4.518	0,00			130	0,00
LR - Liberia	1.985	0,00					67.445	0,01
MG - Madagascar			50.127	0,05				
ML - Mali	14.774	0,01						
MR - Mauritania	99.760	0,08	256.522	0,25				
MZ - Mozambique	38.251.442	30,28	25.367.370	24,62	16.919.767	16,85	19.516.283	3,02
NA - Namibia	228.928	0,18	932.620	0,91	75.667	0,08	65.859	0,01
NE - Niger	363	0,00	3.000	0,00				
NG - Nigeria							3.500	0,00
PALOPs *	16.746.935	13,25	15.193.433	14,75	4.280.158	4,26	4.046.846	0,63
QME - South of the Sahara - Unspecified							889.061	0,14
RW - Rwanda					871.121	0,87	428.899	0,07
SD - Sudan							260.000	0,04
SL - Sierra Leone			2.797.261	2,72	4.667.841	4,65		
SN - Senegal	155.859	0,12	234.373	0,23	3.107	0,00	45.525	0,01
ST - São Tomé and Príncipe	15.664.369	12,40	13.805.918	13,40	9.856.141	9,81	10.299.277	1,59
ZA - South Africa	127.142	0,10	2.131.717	2,07	238.247	0,24	323.775	0,05
ZW - Zimbabwe	158.043	0,13	30.357	0,03				
South of Sahara	125.775.917	99,55	102.195.810	99,20	99.938.842	99,50	646.650.546	99,91
Africa - Unspecified					277.467	0,28	115.770	0,02
TOTAL Africa	126.345.439	#####	103.017.324	100,00	100.436.590	#####	647.233.793	#####

* PALOP - Joint projects or unspecified by country.
Source: IPAD

Figure 5

GEOGRAPHICAL DISTRIBUTION OF BILATERAL ODA



Where the type of aid is concerned we can see that the relative weight of technical cooperation in overall ODA was 64% in 2001, 68% in 2002 and 78% in 2003. In 2004 it fell drastically to 13%, due to the effect of other types of macroeconomic aid related to debt-relief actions like the restructuring of the Angolan debt (Table 6).

Table 6

Bilateral ODA by Type of Assistance

	<i>Millions of €</i>							
	2001	%	2002	%	2003	%	2004	%
Technical Cooperation	131,21	64,10	134,54	68,14	125,93	77,98	92,15	13,12
Food Aid	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Emergency Aid	2,62	1,28	1,81	0,92	1,07	0,66	14,83	2,11
Budget Assistance	16,23	7,93	0,00	0,00	2,66	1,64	2,55	0,36
Actions Related to Debt	21,87	10,68	12,34	6,25	4,67	2,89	564,54	80,37
Other Bilateral ODA	32,75	16,00	48,76	24,70	27,17	16,82	28,39	4,04
<i>For reference:</i>								
Bilateral ODA	204,69		197,44		161,49		702,45	

In sectoral terms bilateral assistance has focused on infrastructures and social services, particularly in the Education and the Government and Civil Society domains.

Table 7
Bilateral ODA by Sector of Destination (2001-04)

(Thousands of €)

Sector	2001	2002	2003	2004
I – SOCIAL INFRASTRUCTURE AND SERVICES	114 934	151 477	121 099	91 415
EDUCATION	34 714	38 112	55 864	43 758
HEALTH	8 070	8 437	7 120	7 716
POPULATION AND REPRODUCTIVE HEALTH	32			227
WATER SUPPLY AND SANITATION	1 271	334	126	1 743
GOVERNMENT AND CIVIL SOCIETY	51 808	80 351	41 778	20 963
OTHER SOCIAL INFRASTRUCTURE AND SERVICES	19 041	24 242	16 210	17 009
II – ECONOMIC INFRASTRUCTURE AND SERVICES	22 941	9 145	3 536	6 248
TRANSPORT AND STORAGE	4 293	4 360	1 255	1 150
COMMUNICATIONS	3 680	907	770	2 595
ENERGY: PRODUCTION AND SUPPLY	609	1 720	342	961
BANKING AND FINANCIAL SERVICES	549	886	653	454
BUSINESS AND OTHER SERVICES	13 811	1 273	515	1 088
III – PRODUCTION SECTORS	8 152	7 235	3 501	3 498
AGRICULTURE	5 722	4 759	2 452	1 969
FORESTRY	41	52	125	141
FISHING	112	3	15	8
INDUSTRY	240	142	32	188
MINING	214	329	350	181
CONSTRUCTION	1 262	1 146	314	787
TRADE	20	9	13	150
TOURISM	541	794	201	74
IV - MULTISECTOR / CROSS-CUTTING	7 771	4 171	13 758	7 741
TOTAL SECTOR ALLOCABLE	153 799	172 027	141 895	108 902
V – COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	16 234	46	2 655	2 539
VI – ACTION RELATING TO DEBT	21 871	12 341	4 672	564 536
VII – EMERGENCY ASSISTANCE	2 624	1 807	1 072	14 827
VIII – ADMINISTRATIVE COSTS OF DONORS	7 316	7 417	8 829	8 273
XIX – SUPPORT TO NGOs	2 298	2 930	1 358	3 082
X – UNALLOCATED / UNSPECIFIED	553	876	1 013	287
TOTAL BILATERAL:	204 695	197 443	161 494	702 446

Source: IPAD. Last updated 14 July 2005

5.2.1. Main Bilateral Partners

As we have already said, given our historical, linguistic and cultural ties Portugal centres its aid on six Portuguese-speaking countries.

Direct bilateral cooperation is undertaken within the framework of Indicative Cooperation Programmes (PICs) that Portugal enters into with the partner countries. In 2003 and 2004 PICs were signed with the six countries that are the main recipients of Portuguese ODA. The Indicative Programmes set out the strategic framework of Portugal's intervention in each country, which is based on the country's own development strategies – particularly those aimed at reducing poverty. The Programmes establish the sectors for priority intervention and the cooperation modalities and

instruments that are to be employed. They cover a period of three years, are associated with an indicative financial ceiling and are operationalised by means of Annual Cooperation Plans (PACs).

➤ **Angola**

The cooperation between Portugal and Angola has primarily been founded on three-yearly Indicative Cooperation Programmes (PICs), which are put into practice by project operationalisation plans known as Annual Cooperation Plans (PACs).

Portugal allocated an indicative amount of 75 M€ to the 2000-2002 PIC, to be used in six priority areas: human and cultural resource development; promoting social and health-related conditions; support for socio-economic development; support for institutional consolidation; inter-municipal cooperation; and financial and multilateral cooperation.

2003 was an exceptional year in terms of cooperation with Angola, partly because Portuguese Cooperation was undergoing its internal restructuring process, but above all because the political/military situation in that country changed radically that year, with the Angolan people finally securing peace. In the light of all this and of both countries' recognition of the need to prepare the next PIC properly, it was agreed that there should be an Interim Action Programme with a financial allocation of 14.31 M€

The 2004-2006 PIC, which is in force at the moment, was signed on 27 October 2003 and is the product of the conjugation of the Angolan government's national development strategies and Portuguese Cooperation's priorities and resources.

The indicative financial envelope for the three years covered by the current PIC amounts to 42 M€ plus a supplementary sum of 6 M€ which may be used to subsidise interest on lines of credit that are to be opened in Angola's favour in order to enable it to finance infrastructure works. This PIC provides for a concentration of interventions in priority sectoral areas, such as the promotion of conditions in the health and education sectors, the strengthening of institutions, human resource development, and social reinsertion and the promotion of jobs.

In 2001-2004 official development assistance to Angola totalled 621,727,849 €. In 2004 it grew by 3,239.00% compared to 2003, due to the effect of a concessional restructuring of Angola's debt in a single year, thereby making Angola by far the main partner of Portuguese Cooperation. This operation, which was worth 562 M€, was also reflected in the debt-related actions sector and represented 97.5% of all bilateral ODA to Angola in 2004.

Secondly, it is worth pointing out the Social Infrastructure and Services grouping, with Education alone averaging 32% in 2001-2004. Having said that, in absolute terms the ODA to this sector fell from 10 M€ in 2003 to 6 M€ in 2004, particularly due to the reduction in disbursements concerning higher education students under the "Special Access Regime"⁵. Education was followed by Other Social Infrastructure and Services with 20%, Government and Civil Society with 9%, and Health with 4%.

The third ODA grouping was Economic Infrastructure and Services with 3%, followed by Production Sectors with 2%. The latter included interventions in Agriculture, Forestry and Fishing with 1% between them.

⁵ This Regime enables students from developing countries to attend higher education in Portugal, via a quota system. It also grants them easier access to higher education by requiring lower levels of average marks than those demanded of Portuguese students.

Table 8

PORTUGUESE BILATERAL ODA BY SECTOR - ANGOLA
2001 - 2004

									Euro
SECTOR	2001	%	2002	%	2003	%	2004	%	
100 I – SOCIAL INFRASTRUCTURE AND SERVICES	11.668.16	87,98	12.356.63	80,63	15.320.24	88,82	9.815.91	1,70	
110 EDUCATION	4.827.71	36,40	5.111.01	33,35	10.096.04	58,53	6.314.43	1,10	
120 HEALTH	749.79	5,65	1.047.35	6,83	257.73	1,49	133.91	0,02	
130 POPULATION AND REPRODUCTIVE									
140 WATER SUPPLY AND SANITATION	32.37	0,24	10.00	0,07			178.47	0,03	
150 GOVERNMENT AND CIVIL	2.022.79	15,25	1.717.38	11,21	1.809.87	10,49	655.28	0,11	
160 OTHER SOCIAL INFRASTRUCTURE AND SERVICES	4.035.48	30,43	4.470.87	29,17	3.156.59	18,30	2.533.80	0,44	
200 II – ECONOMIC INFRASTRUCTURE AND SERVICES	564.23	4,25	1.082.53	7,06	414.28	2,40	1.323.52	0,23	
210 TRANSPORT AND STORAGE	58.65	0,44	135.51	0,88	1.898	0,01	3.122	0,00	
220 COMMUNICATION	37.50	0,28	119.11	0,78	36.19	0,21	318.68	0,06	
230 ENERGY: PRODUCTION AND SUPPLY			549.39	3,59	269.89	1,56	909.46	0,16	
240 BANKING AND FINANCIAL SERVICES	35.82	0,27	89.80	0,59	47.14	0,27	30.56	0,01	
250 BUSINESS AND OTHER SERVICES	432.24	3,26	188.70	1,23	59.15	0,34	61.68	0,01	
300 III – PRODUCTION SECTORS	558.39	4,21	251.14	1,64	242.25	1,40	325.70	0,06	
310 AGRICULTURE, FORESTRY AND FISHING	259.95	1,96	170.86	1,11	140.89	0,82	97.63	0,02	
311 AGRICULTURE	221.27	1,67	168.23	1,10	107.70	0,62	73.77	0,01	
312 FORESTRY	15.35	0,12			33.18	0,19	23.86	0,00	
313 FISHING	23.33	0,18	2.625	0,02					
320 INDUSTRY, MINING & CONSTRUCTION	138.01	1,04	59.68	0,39	88.86	0,52	202.30	0,04	
321 INDUSTRY	118.49	0,89	59.68	0,39			32.13	0,01	
322 MINING	19.51	0,15			4.369	0,03			
323 CONSTRUCTION					84.49	0,49	170.16	0,03	
330 TRADE AND TOURISM	160.42	1,21	20.59	0,13	12.50	0,07	25.76	0,00	
331 TRADE	19.94	0,15	9.000	0,06	12.50	0,07	25.76	0,00	
332 TOURISM	140.47	1,06	11.59	0,08					
400 IV- MULTISECTOR / CROSS-CUTTING	71.84	0,54	219.27	1,43	660.84	3,83	882.18	0,15	
500 V – COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE									
600 VI – ACTION RELATING TO DEBT	69.23	0,52					561.708.31	97,54	
700 VII – EMERGENCY ASSISTANCE			497.87	3,25	188.83	1,09	826.63	0,14	
910 VIII – ADMINISTRATIVE COSTS OF DONORS	11.45	0,09	32.35	0,21	107.39	0,62	100.76	0,02	
920 IX – SUPPORT TO NGOs	318.44	2,40	855.54	5,58	167.55	0,97	908.88	0,16	
998 X – UNALLOCATED / UNSPECIFIED			29.36	0,19	148.02	0,86			
TOTAL BILATERAL	13.261.76	100	15.324.72	100	17.249.43	100	575.891.93	100	

Source: IPAD

➤ Cape Verde

Bilateral cooperation relations between Portugal and Cape Verde have been undertaken using strategy papers that set out the main axes for cooperation interventions in the latter country – the Indicative Cooperation Programmes (PICs), which are executed on the basis of Annual Cooperation Plans (PACs).

The PIC for 2002-2004, which enjoys an indicative budget allocation of 50 M€ states that interventions should be concentrated along the following axes: reinforce macroeconomic stability; support institutional consolidation; human resource development; develop infrastructures; broaden Cape Verde's productive base and improve the competitiveness of its business sector; and enhance the country's culture and preserve its historical heritage.

Due to the fact that Portuguese cooperation policy has been somewhat dispersed and has entailed a multiplicity of small actions with only a small impact or visibility, the programming for the following three-year period was concerned to maximise resources and capabilities. To this end it was decided to increase the concentration of its interventions and to articulate it with the provisions of Cape Verde's Development Policy and Strategic Options for 2001-2005.

The 2005-2007 PIC, which takes account of these considerations, was signed on 30 November 2004 and enjoys an indicative budget allocation of 55 M€ Its priority axes are: the upgrading of human resources and technical empowerment; support for the creation of basic infrastructures, urban and regional planning and the recovery of heritage assets; support for macroeconomic stability; and complementary actions. The financial programming for the three-year period is as follows: 2005 – 14 M€, 2006 – 20 M€, 2007 – 21 M€ Where the priority axis – support for macroeconomic stability – is concerned, it is expected that use will continue to be made of a credit facility that was established under the Exchange Cooperation Agreement and can go up to 44.9 M€ per annum.

In 2001-2004 official development assistance to Cape Verde totalled 97,658,167 € Having said that, in 2004, this ODA suffered a negative variation of –30% compared to 2003.

In Cape Verde Education continues to be the main sector of destination of Portugal's ODA, with an average of 52% in 2001-2004. However, in absolute terms the value of our assistance in this sector fell from 29.7 M€ in 2003 to 18.9 M€ in 2004, due to a decrease in the disbursements made in relation to higher education students under the "Special Access Regime".

Other Social Infrastructure and Services came second in this ranking of the main sectors of destination, with an average of 14% of the total in 2001-2004. It was followed by Health with 7%. The Economic Infrastructure and Services grouping received 3% over the same period of time, and Production Sectors 1%.

The reduction in the net ODA to Cape Verde between 2003 and 2004 was also caused by the payments that Cape Verde made to Portugal as the result of earlier loans, which affected the “Commodity Aid and General Programme Assistance” and the “Actions Relating to Debt” sectors.

Table 9
Bilateral Portuguese ODA by Sector – Cape Verde

<i>Euros</i>								
SECTOR	2001	%	2002	%	2003	%	2004	%
I – SOCIAL INFRASTRUCTURE AND SERVICES	6.702.996	26,06	9.070.050	78,50	34.764.06	97,62	25.995.84	104,94
SOCIALS								
EDUCATION	3.404.38	13,24	3.852.61	33,34	29.685.46	83,36	18.990.87	76,66
HEALTH	967.916	3,76	1.368.93	11,85	2.208.75	6,20	1.816.15	7,33
POPULATION & REPRODUCTIVE HEALTH							85.010	0,34
WATER SUPPLY AND SANITATION	56.195	0,22	9.976	0,09	10.000	0,03	1.008.00	4,07
GOVERNMENT AND CIVIL	141.987	0,55	356.030	3,08	638.130	1,79	1.527.65	6,17
OTHER SOCIAL INFRASTRUCTURE AND SERVICES	2.132.51	8,29	3.482.49	30,14	2.221.72	6,24	2.568.15	10,37
II – ECONOMIC INFRASTRUCTURE AND SERVICES	1.883.081	7,32	650.095	5,63	113.206	0,32	-77.529	-0,31
TRANSPORT AND STORAGE	1.136.70	4,42	156.934	1,36	-196.832	-0,55	-205.770	-0,83
COMMUNICATIONS	161.712	0,63	3.731	0,03	55.249	0,16	24.082	0,10
ENERGY: PRODUCTION AND SUPPLY	90.242	0,35	221.132	1,91	37.050	0,10		
BANKING AND FINANCIAL SERVICES	109.065	0,42	125.124	1,08	102.372	0,29	104.159	0,42
BUSINESS AND OTHER SERVICES	385.356	1,50	143.174	1,24	115.367	0,32		
III – PRODUCTION SECTORS	359.876	1,40	290.471	2,51	346.113	0,97	188.925	0,76
AGRICULTURE, FORESTRY AND FISHING	177.010	0,69	148.044	1,28	73.671	0,21	15.245	0,06
AGRICULTURE	177.010	0,69	148.044	1,28	58.581	0,16	15.245	0,06
FORESTRY								
FISHING					15.090	0,04		
INDUSTRY, MINING & CONSTRUCTION	41.875	0,16	29.986	0,26	196.174	0,55	140.075	0,57
INDUSTRY	11.413	0,04					15.370	0,06
MINING	30.462	0,12	29.986	0,26	196.174	0,55	124.705	0,50
CONSTRUCTION								
TRADE AND TOURISM	140.991	0,55	112.441	0,97	76.268	0,21	33.605	0,14
TRADE							11.303	0,05
TOURISM	140.991	0,55	112.441	0,97	76.268	0,21	22.302	0,09
IV- MULTISECTOR / CROSS-CUTTING	138.285	0,54	486.891	4,21	605.318	1,70	1.034.126	4,17
V – COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	16.234.00	63,12						-4,52
VI – ACTION RELATING TO DEBT	290.081	1,13	806.666	6,98	-500.391	-1,41		-6,08
VII – EMERGENCY ASSISTANCE							5.000	0,02
VIII – ADMINISTRATIVE COSTS OF DONORS	5.621	0,02	25.991	0,22	153.747	0,43	118.403	0,48
IX – SUPPORT TO NGOS	67.686	0,26	76.335	0,66	4.000	0,01	112.624	0,45
X – UNALLOCATED / UNSPECIFIED	39.029	0,15	147.875	1,28	125.316	0,35	21.122	0,09
TOTAL BILATERAL	25.720.65	100	11.554.37	100	35.611.37	100	24.771.76	100

Source: IPAD

➤ Guinea Bissau

Portugal’s first Indicative Cooperation Programme with Guinea Bissau covered the period between 2000 and 2002 and focused on Education, Health, Institutional Support, Job Protection and Promotion, Culture, Youth and Sport, Business Support, Agriculture, Fishing and the Environment, Trade and Tourism, Inter-municipal Activities, Humanitarian Aid, Transport and Communications, and totalled 8,060,000,000 €

Despite the political and social instability that the Republic of Guinea Bissau has experienced in the last few years, Portugal has ensured continuous support for a number of projects, notably in the Education, Health and Agricultural areas. The **Short-Term Intervention Programme**, which was drawn up in 2003, made this continuity easier and amongst other things, permitted a mobilisation of efforts in 2004 that led to a 34% increase over the previous year.

On 20 December 2004 the two countries signed the Indicative Cooperation Programme for 2005-2007 and the Annual Cooperation Programme for 2005 in Lisbon. The new PIC involves an indicative financial envelope that is worth 42,406,625.79 € over the three years and encompasses 3 axes along which the aid is to be concentrated: Education; Health; and Institutional Empowerment; and 4 complementary support programmes: Agriculture; Heritage Assets; Socio-community Development; and Media. The financial programming that is allocated to this PIC for the three-year period is: 2005 – 8,406,625.79 € 2006 – 17,000,000.00 € and 2007 – 17,000,000.00 €

Portugal defined its intervention strategy by articulating its competencies and areas of added value with the priorities which Guinea Bissau laid down in its Poverty Reduction Strategy Paper (DENARP). In this way we hope to contribute to both the reduction of poverty, and political and military stability in the country. DENARP includes an action strategy that the government of Guinea Bissau intends to pursue in 2005-2007.

In 2001-2004 the net ODA for Guinea Bissau was worth 39,049,800 € The main sectors of destination in that period were (average data for 2001-2004): Education, with 33%; Health, with 21%; and Government and Civil Society, with 7%.

The Economic Infrastructure and Services grouping absorbed 9% of ODA over the same period, while Production Sectors received 4%, including 3% for the interventions in the Agricultural, Forestry and Fishing sectors.

In response to the emergency requests made by the government of Guinea Bissau, emergency aid ended up being responsible for a relatively high 3% of the bilateral aid programme.

Table 10

PORTUGUESE BILATERAL ODA BY SECTOR - GUINEA BISSAU
2001 - 2004

Euros								
SECTOR	2001	%	2002	%	2003	%	2004	%
100 I – SOCIAL INFRASTRUCTURE AND SERVICES	6.274.750	42,03	5.890.509	83,55	5.715.834	78,25	7.067.461	72,36
110 EDUCATION	3.050.985	20,44	2.877.019	40,81	2.732.212	37,41	3.212.892	32,90
120 HEALTH	2.264.891	15,17	1.785.943	25,33	1.515.817	20,75	2.215.297	22,68
130 POPULATION & REPRODUCTIVE							35.905	0,37
140 WATER SUPPLY AND SANITATION	19.592	0,13	12.571	0,18			52.370	0,54
150 GOVERNMENT & CIVIL SOCIETY	50.063	0,34	163.751	2,32	1.347.181	18,44	704.432	7,21
160 OTHER SOCIAL INFRASTRUCTURE AND SERVICES	889.219	5,96	1.051.225	14,91	120.624	1,65	846.565	8,67
200 II – ECONOMIC INFRASTRUCTURE AND SERVICES	4.036.633	27,04	137.140	1,95	148.490	2,03	385.425	3,95
210 TRANSPORT AND STORAGE	24.756	0,17	2.961	0,04	13.287	0,18	2.500	0,03
220 COMMUNICATIONS	233.675	1,57			92.205	1,26	357.295	3,66
230 ENERGY: PRODUCTION AND SUPPLY								
240 BANKING AND FINANCIAL SERVICES	777	0,01						
250 BUSINESS AND OTHER SERVICES	3.777.425	25,30	134.179	1,90	42.998	0,59	25.630	0,26
300 III – PRODUCTION SECTORS	121.124	0,81	355.357	5,04	301.938	4,13	414.130	4,24
310 AGRICULTURE, FORESTRY AND FISHING	118.076	0,79	353.204	5,01	301.938	4,13	352.130	3,61
311 AGRICULTURE	118.076	0,79	353.204	5,01	301.938	4,13	344.054	3,52
312 FORESTRY								
313 FISHING							8.076	0,08
320 INDUSTRY, MINING & CONSTRUCTION	0	0,00	0	0,00	0	0,00	62.000	0,63
321 INDUSTRY							62.000	0,63
322 MINING								
323 CONSTRUCTION								
330 TRADE AND TOURISM	3.048	0,02	2.153	0,03	0	0,00	0	0,00
331 TRADE								
332 TOURISM	3.048	0,02	2.153	0,03				
400 IV- MULTISECTOR / CROSS-CUTTING	256.069	1,72	265.838	3,77	449.590	6,16	475.603	4,87
500 V – COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE								
600 VI – ACTION RELATING TO DEBT	4.105.620	27,50						
700 VII – EMERGENCY ASSISTANCE			9.151	0,13	133.808	1,83	718.547	7,36
910 VIII – ADMINISTRATIVE COSTS OF DONORS	2.524	0,02	7.667	0,11	554.490	7,59	198.102	2,03
920 IX – SUPPORT TO NGOS	129.556	0,87	384.895	5,46			507.354	5,19
998 X – UNALLOCATED / UNSPECIFIED	2.195	0,01						
TOTAL BILATERAL	14.928.471	100	7.050.557	100	7.304.150	100	9.766.622	100

Source: IPAD

➤ Mozambique

March 1999 saw the signature of the 1999-2001 Indicative Cooperation Programme (PIC) – the first document to be subscribed by the two countries under the new guidelines that had just been issued by Portuguese Cooperation. This PIC achieved a total execution of 123.3 M€ As a result of the additional effort that Portugal made to provide emergency assistance in response to the floods which devastated Mozambique in 1999 and 2000, this figure considerably exceeded the 79 M€ that had originally been planned.

In 2002 and 2003 it was not possible to enter into a new indicative programme and consequently the respective Annual Cooperation Programmes also remained unsigned. However, the 2004-2006 PIC was signed in March 2004 and involves an indicative financial envelope of 42 M€ for the three-year period. Its main priority axes include Education, Health, Agriculture, Good Governance, and Socio-Community

Development, along with Technical/Military Cooperation as a complementary support programme.

Portugal defined its cooperation strategy by looking at its competencies and existing value added in articulation with the priorities set out by Mozambique itself, all with the intention of reducing poverty and promoting economic and social development. In this respect we should note that from 2001 to 2005 Mozambique is the object of an Action Plan for the Reduction of Absolute Poverty (PARPA), which is an action strategy of the country's own government that Portugal has sought to follow as a donor. Relations between Portugal and Mozambique have been guided by the primary objective of helping to reduce absolute poverty, in accordance with the priority sectors denoted in PARPA.

While still on the subject of bilateral ODA it is worth noting that Portugal is one of the 17 PAPs – Programme Aid Partners (the G16 + the World Bank, with roots in the Joint Donor Programme for Macro-financial Support to the Government of Mozambique, which began in 2000). Under the terms of an inter-governmental agreement that was signed in February 2004, for three years Portugal is annually contributing 1.5 MUS\$ towards a total of 178.29 MUS\$, of which 77.7 MUS\$ (43.58%) is coming from the European Commission, which is Mozambique's largest donor. This direct budget support partnership requires a rigorous criteria-based implementation of the actions that are described and scheduled in a Joint Memorandum dated April 2004. The overall objective is to make a decisive contribution to *reducing poverty* in all its aspects and to help improve the management of Mozambique's public finances – something that the donor community considers to be an extremely urgent priority.

A number of procedures have also been adopted with a view to increasing the monitoring of actions in the field, either by means of sectoral missions, or within the framework of meetings between the two countries' coordinators. This makes it possible to identify any limitations or bottlenecks sooner and to make suitable adjustments to correct them, thereby improving aid effectiveness and sustainability.

In overall terms the ODA that was given to Mozambique in 2001-2004 amounted to 100,054,862 € 2004 saw the reversal of the trend towards a reduction in ODA that had been occurring since 2001, with an increase of 15% compared to 2003.

The main sectors of destination of Portugal's ODA to Mozambique in 2001-2004 (average data) were: Education, with 26%; Other Social Infrastructure and Services, with 16%; Government and Civil Society, with 5%; and Health, with 3%.

The Economic Infrastructure and Services grouping represented 6% of ODA in the same period. Production Sectors received 5%, virtually all of which went to a number of significant interventions in the Agriculture, Forestry and Fishing sectors.

Table 11

PORTUGUESE BILATERAL ODA BY SECTOR - MOZAMBIQUE
2001 - 2004

									Euros
SECTOR	2001	%	2002	%	2003	%	2004	%	
100 I – SOCIAL INFRASTRUCTURE & SERVICES	13.461.834	35,19	12.473.178	49,17	10.543.950	62,32	10.563.825	54,13	
110 EDUCATION	9.258.356	24,20	7.293.743	28,75	4.989.276	29,49	4.310.516	22,09	
120 HEALTH	963.219	2,52	559.199	2,20	468.870	2,77	563.916	2,89	
130 POPULATION & REPRODUCTIVE									
140 WATER SUPPLY AND SANITATION	121.833	0,32	33.121	0,13			353.496	1,81	
150 GOVERNMENT & CIVIL	92.596	0,24	266.451	1,05	2.191.891	12,95	1.001.591	5,13	
160 OTHER SOCIAL INFRASTRUCTURE AND SERVICES	3.025.830	7,91	4.320.664	17,03	2.893.913	17,10	4.334.306	22,21	
200 II – ECONOMIC INFRASTRUCTURE AND SERVICES	7.067.775	18,48	438.560	1,73	172.412	1,02	634.323	3,25	
210 TRANSPORT AND STORAGE	102.167	0,27	89.552	0,35	27.362	0,16	60.537	0,31	
220 COMMUNICATION	257.709	0,67	40.137	0,16	35.400	0,21	400.269	2,05	
230 ENERGY: PRODUCTION AND SUPPLY	332.320	0,87	23.827	0,09					
240 BANKING AND FINANCIAL SERVICES	60.023	0,16	16.516	0,07	77.039	0,46	20.935	0,11	
250 BUSINESS AND OTHER SERVICES	6.315.556	16,51	268.528	1,06	32.611	0,19	152.582	0,78	
300 III – PRODUCTION SECTORS	3.368.348	8,81	2.159.845	8,51	525.099	3,10	306.375	1,57	
310 AGRICULTURE, FORESTRY AND FISHING	3.304.558	8,64	1.948.696	7,68	448.052	2,65	199.635	1,02	
311 AGRICULTURE	3.281.715	8,58	1.932.416	7,62	426.013	2,52	182.235	0,93	
312 FORESTRY			16.280	0,06	22.039	0,13	17.400	0,09	
313 FISHING	22.843	0,06							
320 INDUSTRY, MINING &	15.840	0,04	77.355	0,30	77.047	0,46	70.335	0,36	
321 INDUSTRY	15.840	0,04	77.355	0,30	29.147	0,17	41.500	0,21	
322 MINING					47.900	0,28	28.835	0,15	
323 CONSTRUCTIO									
330 TRADE AND TOURISM	47.950	0,13	133.794	0,53	0	0,00	36.405	0,19	
331 TRADE							1.867	0,01	
332 TOURISM	47.950	0,13	133.794	0,53			34.538	0,18	
400 IV- MULTISECTOR / CROSS-CUTTING	909.535	2,38	970.918	3,83	586.715	3,47	1.295.764	6,64	
500 V – COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE							1.253.657	6,42	
600 VI – ACTION RELATING TO DEBT	12.674.879	33,14	8.492.293	33,48	4.765.908	28,17	4.334.387	22,21	
700 VII – EMERGENCY ASSISTANCE	432.374	1,13	99.813	0,39			258.236	1,32	
910 VIII – ADMINISTRATIVE COSTS OF DONORS	17.278	0,05	25.445	0,10	245.228	1,45	176.525	0,90	
920 IX – SUPPORT TO NGOs	313.932	0,82	680.506	2,68	70.490	0,42	693.191	3,55	
998 X – UNALLOCATED / UNSPECIFIED	5.487	0,01	26.812	0,11	9.965	0,06			
TOTAL BILATERAL	38.251.442	100	25.367.370	100	16.919.767	100	19.516.283	100	

Source: IPAD

We should also note the considerable weight – 29% – of the Debt-related Actions, which was due to the operations involved in the rescheduling of Mozambique's debt. In 2004 Commodity Aid and General Programme Assistance amounted to 6% of ODA and consisted of Portugal's disbursements in Support for the Mozambican Budget, as part of

the “Joint Donor Programme for Macro-financial Support to the Government of Mozambique”.

➤ **São Tomé and Príncipe**

On the bilateral level the cooperation between Portugal and São Tomé and Príncipe has been conducted by means of Indicative Cooperation Programmes (PICs)

These three-year Indicative Cooperation Programmes are put into practice by means of Annual Cooperation Plans (PACs), which set out the projects that are to be pursued in accordance with the priorities that have been laid down and the respective financing plan.

The previous Indicative Cooperation Programme (2002-2004), which was worth 40 M€ emphasised four sectors, in which Portugal’s cooperation was concentrated: – Education and Teaching; Health; Agriculture; and Vocational Training; and two cross-cutting lines of intervention – Poverty Reduction, and Institutional Reinforcement.

The Annual Cooperation Plan for 2004 included projects in the various areas that were deemed a priority, and involved a budget of 10 M€ The Plan was drawn up using the 2003/2004 Action Programme – Strategic Guidelines as its framework of reference. This Action Programme had been worked out in the wake of the political crisis that had affected the country in July 2003, and sought to minimise the problems which the unstable political situation might bring about. It identified the main areas of intervention and promoted a financial mobilisation that was reflected in a 2004 budget allocation which was 4% above that of the previous year.

The three-year Indicative Cooperation Programme for 2005-2007, which was signed on 22 December 2004, looks to conjugate São Tomé and Príncipe’s development needs and strategies (as set out in the guidelines and objectives of the country’s Poverty Reduction Strategy Paper (PRSP)) with the Portuguese government’s priorities for its cooperation policy.

With a total financial allocation of 41 M€ the breakdown of the PIC budget by axes is designed to ensure that the priorities are complied with. Thus Axis 1 – Upgrading

Human Resources and Technical Empowerment has an allocation of 12.3 M€ or 30% of the total; Axis 2 – Support for Strengthening Basic Services and Basic Infrastructures will receive 20 M€ or 50% of the total; while 8.2 M€ or around 20% of the overall budget allocation, is reserved for the Complementary Actions Axis.

The execution of the cooperation projects receives assistance from both countries' sectoral departments, and from civil society bodies, examples of which include several Non-Governmental Development Organisations and the National Association of Portuguese Municipalities (ANMP).

Table 12

**PORTUGUESE BILATERAL ODA BY SECTOR - SÃO TOMÉ E PRÍNCIPE
2001 - 2004**

									Euros
SECTOR	2001	%	2002	%	2003	%	2004	%	
100I – SOCIAL INFRASTRUCTURE AND	7.451.054	47,57	8.790.937	63,68	7.728.724	78,42	7.883.819	76,55	
110EDUCATI	2.632.250	16,80	2.346.345	17,00	2.805.608	28,47	2.542.764	24,69	
120HEALT	2.984.564	19,05	3.584.006	25,96	2.533.755	25,71	2.884.207	28,00	
130POPULATION &	32.032	0,20							
140WATER SUPPLY AND SANITATION			26.518	0,19					
150GOVERNMENT AND CIVIL	74.990	0,48	191.556	1,39	762.806	7,74	751.709	7,30	
160OTHER SOCIAL INFRASTRUCTURE &	1.727.218	11,03	2.642.512	19,14	1.626.555	16,50	1.705.139	16,56	
200II – ECONOMIC INFRASTRUCTURE AND	2.957.444	18,88	1.167.500	8,46	1.046.962	10,62	1.281.714	12,44	
210TRANSPORT &	52.622	0,34	7.716	0,06	733.284	7,44	784.572	7,62	
220COMMUNICATI	139.297	0,89			56.957	0,58	247.226	2,40	
230ENERGY: PRODUCTION AND SUPPLY	117.427	0,75	809.238	5,86	2.529	0,03	46.808	0,45	
240BANKING AND SERVICES	43.772	0,28	22.720	0,16	22.004	0,22	2.615	0,03	
250BUSINESS & OTHER	2.604.326	16,63	327.826	2,37	232.188	2,36	200.493	1,95	
300III – PRODUCTION	303.084	1,93	428.746	3,11	94.518	0,96	103.086	1,00	
310AGRICULTURE, FORESTRY &	209.416	1,34	183.894	1,33	63.685	0,65	53.661	0,52	
311AGRICULTU	209.416	1,34	183.894	1,33	63.685	0,65	53.661	0,52	
312FORESTRY									
313FISHIN									
320INDUSTRY, MINING &	53.057	0,34	67.030	0,49	30.833	0,31	38.091	0,37	
321INDUSTR							10.260	0,10	
322MINING	53.057	0,34	67.030	0,49	30.833	0,31	27.831	0,27	
323CONSTRUCT									
330 TRADE & TOURISM	40.611	0,26	177.822	1,29	0	0,00	11.334	0,11	
331TRADE									
332TOURIS	40.611	0,26	177.822	1,29			11.334	0,11	
400IV- MULTISECTOR / CROSS-CUTTING	110.520	0,71	30.601	0,22	300.373	3,05	578.933	5,62	
500V – COMMODITY AID AND GENERAL PROGRAMME			46.153	0,33			-9.667	-0,09	
600VI – ASSISTANCE RELATING TO DEBT	4.674.215	29,84	3.031.294	21,96	406.230	4,12			
700VII – EMERGENCY ASSISTANCE									
910VIII – ADMINISTRATIVE COSTS OF DONORS	3.332	0,02	5.212	0,04	169.991	1,72	114.200	1,11	
920IX – SUPPORT TO NGOS	164.720	1,05	174.897	1,27	104.320	1,06	347.192	3,37	
998X – UNALLOCATED / UNSPECIFIED			130.578	0,95	5.023	0,05			
TOTAL BILATERAL	15.664.369	100	13.805.918	100	9.856.141	100	10.299.277	100	

Source: IPAD

In recent years Portugal has always been the main source of international official development assistance to São Tomé and Príncipe.

In average terms in 2001-2004, the main intervention sectors were: Health, with 25%; Education, with 22%; Other Social Infrastructure and Services, with 16%; and Government and Civil Society, with 4%. Economic Infrastructure and Services was the second largest grouping in terms of ODA received, with 13%; while Production Sectors were allocated 2%, of which half – 1% – went to Agriculture, Forestry and Fishing.

➤ **East Timor**

Portugal's involvement in and commitment to the process of reconstructing and developing East Timor made the latter the main recipient of Portuguese aid in every year except 2004. The main priority areas have been Education and the Reintroduction of the Portuguese Language, Institutional Empowerment, and Economic Development.

The cooperation between Portugal and East Timor, which began in 1999, has gone through different phases: the predominant form of assistance was initially humanitarian emergency assistance; since then, in response to requests from the Timorese authorities, reconstruction support and development support have progressively taken the lead.

Given the exceptional nature of the assistance that was to be given, during the initial phase Executive Law no. 189-A/99, dated 4 June 1999, created the post of Commissioner for Support to the Transition in East Timor (CATTL). The purpose of this new position was to coordinate all the actions related to the drawing up and execution of the various aid programmes during East Timor's transitional period.

However, 2002 was to prove an especially important year due to the end of the phase of transition to independence and the actual implementation of that independence by the creation and passage of East Timor's first Political Constitution and the subsequent birth of a new sovereign state – the Democratic Republic of East Timor – on the 20th of May.

It was during the course of the same year that Portugal's development assistance began to treat East Timor in the same way as the other partner countries, and thenceforth the then ICP became responsible for coordinating the applicable cooperation action. The Cooperation Programme for 2002 mirrored this change and was targeted at four areas

that were deemed to be priorities: support for the education system and the consolidation of the Portuguese language; support for the structural organisation of the state and the strengthening of civil society; construction and rehabilitation of the urban fabric (the restoration of buildings, particularly public ones); and support for economic development, with special emphasis on the agricultural and forestry sectors.

In 2003 negotiations commenced with the Timorese authorities in order to draw up a strategic framework for bilateral cooperation, to be reflected in a three-year Indicative Cooperation Programme (PIC). This document was signed by the Portuguese and Timorese governments on 5 January 2004 and was allocated a financial envelope of 50 M€ It prioritised: Education and the Reintroduction of the Portuguese Language; the Institutional Capacity Building of the State; and Support for Economic and Social Development. The priority intervention axes have complied with East Timor's National Development Plan (PDN). Portuguese Cooperation's strategy for this country over the next few years thus entails the consolidation of the institutional framework, together with the provision of support for the efforts designed to structure the East Timorese state and Public Administration.

The instruments that are being used to put the aid into place are centred on technical cooperation, particularly in the form of the sending of technical assistants, State Budget Support, and especially the TFET (50 MUSD). Within the overall context of the support that is being given to the consolidation and control of the East Timor's budgetary policies, it is worth highlighting Portugal's contribution of 9 MUSD to the Transitional Support Programme (PAT), which is intended to support the State Budget during the 2002/03, 2003/04 and 2004/05 fiscal years (see chapter 4.2. on Aid Instruments)⁶.

Following on from these commitments Portugal has already disbursed this financial contribution – the third and final tranche, worth 3 MUSD, was settled in February of this year.

During the last Development Partners' Meeting, which was held in Dili on 24-26 April 2005, the Timorese government again requested support for its State Budget. It asked

⁶ The partners in the financing of PAT included the governments of Australia, Canada, Finland, Ireland, New Zealand, Norway, Portugal, Sweden, the United Kingdom and the USA, and the World Bank.

for somewhere around 30 MUSD for the next three fiscal years – in other words, 10 MUSD per annum – which will be channelled and implemented via the Consolidation Support Programme (PAC), which is the instrument that has replaced the PAT we mentioned earlier. Portugal has already announced⁷ that its contribution for the next three fiscal years (2005/06, 2006/07 and 2007/08) will be 3 MUSD – i.e. 1 MUSD per annum.

In the multilateral sphere Portugal has cooperated with various international bodies. The most significant cases have been our contribution to the Trust Fund for East Timor in the sum of 50 million US Dollars (commitment made at the Tokyo Conference in 1999), and also the recent participation in two UNDP projects: “Strengthening the Justice Sector in East Timor”, and the Partnership Agreement.

In 2001-2004 Portugal’s official assistance to East Timor totalled 203,542,221 € In 2004 there was a negative growth of –46% compared to the previous year in this respect. This was due basically to the reduction in Portugal’s support for the United Nations’ humanitarian and peace-related missions.

In 2001-2004 (net average data) ODA was targeted at the following sectors of destination: Government and Civil Society, with 53%; Education, with 17%; and Other Social Infrastructure and Services, with 5%.

We should also note the Commodity Aid and General Programme Assistance, which represented 9% of ODA in 2003-2004 and reflected the financial support that the Portuguese state provided to East Timor’s Budget with a view to the country’s macroeconomic stability.

⁷ During the meeting on the negotiations for the Consolidation Support Programme, which took place in Lisbon on 25 and 27 July this year.

Table 13

PORTUGUESE BILATERAL ODA BY SECTOR - EAST TIMOR
2001 - 2004

									Euros
SECTOR	2001	%	2002	%	2003	%	2004	%	
100I – SOCIAL INFRASTRUCTURE &	55.536.652	85,83	71.959.831	89,41	23.767.045	62,91	13.367.281	64,99	
110EDUCATIO	9.206.938	14,23	10.515.967	13,07	4.687.209	12,41	5.819.752	28,30	
120HEALT	95.852	0,15	64.284	0,08	135.261	0,36	80.107	0,39	
130POPULATION & REPRODUCTIVE									
140WATER SUPPLY AND SANITATION	997.596	1,54			87.683	0,23	150.516	0,73	
150GOVERNMENT & CIVIL	44.368.586	68,57	59.882.658	74,40	15.554.419	41,17	5.817.802	28,29	
160OTHER SOCIAL INFRASTRUCTURE &	867.680	1,34	1.496.922	1,86	3.302.473	8,74	1.499.104	7,29	
200II – ECONOMIC INFRASTRUCTURE & SERVICES	3.239.989	5,01	2.516.111	3,13	679.847	1,80	1.038.658	5,05	
210TRANSPORT & STORAGE	2.706.702	4,18	1.376.060	1,71	3.825	0,01			
220COMMUNICATI	492.345	0,76	743.663	0,92	425.998	1,13	260.836	1,27	
230ENERGY: PRODUCTION AND SUPPLY									
240BANKING & FINANCIAL SERVICES	40.942	0,06	396.388	0,49	250.024	0,66	130.268	0,63	
250BUSINESS & OTHER							647.554	3,15	
300III – PRODUCTION SECTORS	1.919.325	2,97	1.984.018	2,47	635.834	1,68	1.105.322	5,37	
310AGRICULTURE, FORESTRY & FISHING	644.837	1,00	596.800	0,74	393.962	1,04	473.744	2,30	
311AGRICULTUR	578.934	0,89	596.052	0,74	393.962	1,04	452.870	2,20	
312FORESTRY							20.874	0,10	
313FISHIN	65.903	0,10	748	0,00					
320INDUSTRY, MINING &	1.274.488	1,97	1.210.905	1,50	241.872	0,64	617.150	3,00	
321INDUSTRY									
322MINING	12.552	0,02	87.580	0,11	35.137	0,09			
323CONSTRUCTI	1.261.936	1,95	1.123.325	1,40	206.735	0,55	617.150	3,00	
330TRADE & TOURISM	0	0,00	176.313	0,22	0	0,00	14.428	0,07	
331TRADE							8.636	0,04	
332TOURISM			176.313	0,22			5.792	0,03	
400IV-	1.191.100	1,84	1.514.087	1,88	8.627.420	22,84	1.390.080	6,76	
500V – COMMODITY AID & GENERAL PROGRAMME ASSISTANCE					2.655.102	7,03	2.414.700	11,74	
600VI – ACTION RELATING TO DEBT									
700VII – EMERGENCY ASSISTANCE	1.492.858	2,31	74.778	0,09	17.765	0,05			
910VIII – ADMINISTRATIVE COSTS OF DONORS	670.230	1,04	1.880.735	2,34	827.144	2,19	1.059.174	5,15	
920IX – SUPPORT TO NGOs	781.060	1,21	555.792	0,69	571.078	1,51	192.716	0,94	
998X – UNALLOCATED / UNSPECIFIED	-123.511	-0,19							
TOTAL BILATERAL	64.707.703	100	80.485.352	100	37.781.235	100	20.567.931	100	

Source: IPAD

5.2.2. Other Bilateral Assistance

In 2001-2004 total official development assistance to **Other Countries** amounted to 114,153 thousand € Over the last few years the assistance targeted at this group has tended to increase, from 8% of the total in 2001 to 20% in 2003. 2004 witnessed new growth in this form of assistance in absolute terms, but its relative weight decreased by 5% due to the large sums that were applied to the restructuring of the Angolan debt.

An analysis of the type of activities involved enables us to see that this is not a dispersal of our aid flows, but rather an orientation warranted by reasons of a humanitarian nature, as well as by the desire to maintain peace and security in countries that are or have been the victims of conflict.

2002 thus enjoyed an increase of 86% compared to the year before – a jump that is explained by Portugal's participation in the United Nations missions in the Democratic

Republic of the Congo (MONUC), Ethiopia and Eritrea (UNMEE) and Sierra Leone (UNOMSIL), and in humanitarian and emergency aid operations to help the victims of the conflict in Afghanistan.

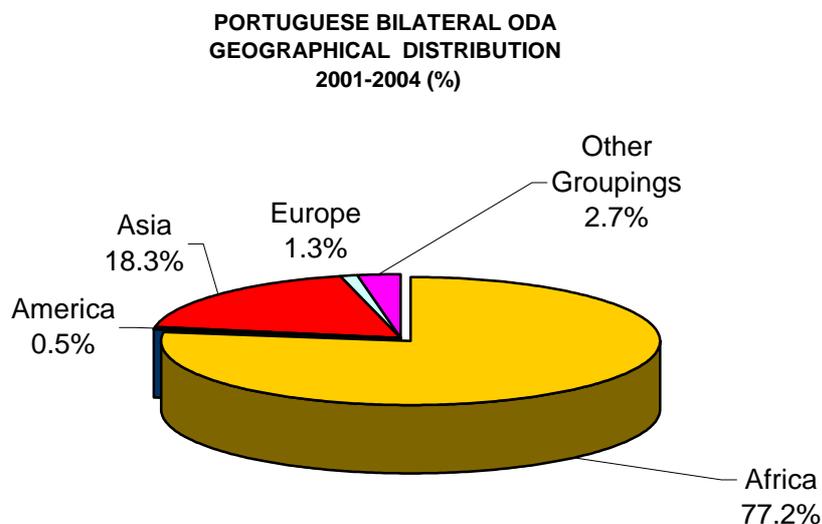
In 2003 there was another rise of 13% compared to the previous year, this time due to Portugal's role in the United Nations peace operations in Iraq, where it took part in SFIR – the Stabilisation Force in Iraq. The objective of this mission was to help with the measures to re-establish and maintain public order, develop the country's civil administration and promote stability in the region. 2004 saw yet another increase on the previous year – this time of 16% – thanks to the continued Portuguese participation in the United Nations operations to maintain peace in and rebuild Iraq, as well as our role in the UN missions to Bosnia-Herzegovina (UNMIBH).

In geographic terms all this meant that the Continent of Asia (excluding East Timor) was the second highest recipient of flows of Portuguese bilateral ODA, with 28 M€ between 2001 and 2004, or 2.2% of the total. The support that was given to **Afghanistan** and **Iraq**, as part of their rehabilitation and reconstruction process, was the main reason for this geographic allocation. In fulfilment of the commitment it made at the Tokyo and Berlin Donors' Conferences, Portugal contributed 1 M€ to the Trust Fund for **Afghanistan**. Since the humanitarian catastrophe that followed the military conflict, Portuguese Cooperation has given 1.20 M€ in emergency aid and has also participated in the International Red Cross's Humanitarian Assistance Programme, with 50 thousand € At the Donors' Conference for the Reconstruction of **Iraq** in Madrid in October 2003, Portugal announced that it would be contributing 17.5 M€ In 2003 and 2004 our participation in short-term emergency aid totalled 942 thousand €, while support for refugees, displaced persons and migrants attained 1 M€

Between 2001 and 2004 the European continent received 16 M€ (1.28% of bilateral ODA), with Bosnia as the main beneficiary (10 M€), following on from the process of the country's reconstruction in the post-conflict period. In the same period Latin America received 7 M€(0.54%), with Brazil as the main destination.

Again in the same period, North Africa was the destination of 0.16% of Portugal's bilateral ODA.

Figure 6



5.2.3. Composition and Breakdown of Assistance by Sector

In 2001-2003 the sector that received the most Portuguese ODA continued to be Social Infrastructure and Services, with an average of 69% of bilateral ODA. However, in 2004 its weight in the overall ODA picture decreased by 13% – a fall that was heavily influenced by the exponential increase in the Actions Related to Debt sector (80% of the total in 2004).

Within the Social Infrastructure and Services grouping the leading components were Government and Civil Society (24%), Education (19%) and Other Social Infrastructure and Services (9%), followed by Health (3%) – all average data for 2001-2004.

The emphasis on these sectors is the result of the historical and linguistic ties between Portugal and its partner countries, which we have already talked about and which permit a proximity between us thanks to both our common language and the similarities in our legal and administrative structures. However, it is also due to the fact that inasmuch as they are LDCs, the countries in question are lacking in a whole range of basic amenities that Portuguese Cooperation is trying to ease by concentrating on these sectors.

Although cooperation in the remaining sectors is relatively smaller, it does reflect a concern on the part of Portuguese Cooperation about areas related to Economic Infrastructure and the Production Sectors – not only energy, transport and communications, but also the business and other services area, agriculture and construction.

Table 14
2001/2004
Bilateral ODA by Sector
(Thousands of Euros*)

Sector	2001	%	2002	%	2003	%	2004	%
I – SOCIAL INFRASTRUCTURE AND	114 934	56,1	151 477	76,7	121 099	75,0	91 415	13,0
EDUCATIO	34 714	17,0	38 112	19,3	55 864	34,6	43 758	6,2
HEALT	8 070	3,9	8 437	4,3	7 120	4,4	7 716	1,1
POPULATION AND REPRODUCTIVE HEALTH	32	0,0		0,0		0,0	227	0,0
WATER SUPPLY AND SANITATION	1 271	0,6	334	0,2	126	0,1	1 743	0,2
GOVERNMENT AND CIVIL	51 808	25,3	80 351	40,7	41 778	25,9	20 963	3,0
OTHER SOCIAL SERVICES	19 041	9,3	24 242	12,3	16 210	10,0	17 009	2,4
II – ECONOMIC INFRASTRUCTURE AND	22 941	11,2	9 145	4,6	3 536	2,2	6 248	0,9
TRANSPORT AND STORAGE	4 293	2,1	4 360	2,2	1 255	0,8	1 150	0,2
COMMUNICATI	3 680	1,8	907	0,5	770	0,5	2 595	0,4
ENERGY	609	0,3	1 720	0,9	342	0,2	961	0,1
BANKING AND FINANCIAL	549	0,3	886	0,4	653	0,4	454	0,1
BUSINESS AND OTHER	13 811	6,7	1 273	0,6	515	0,3	1 088	0,2
III – PRODUCTION SECTORS	8 152	4,0	7 235	3,7	3 501	2,2	3 498	0,5
AGRICULTUR	5 722	2,8	4 759	2,4	2 452	1,5	1 969	0,3
FORESTRY	41	0,0	52	0,0	125	0,1	141	0,0
FISHIN	112	0,1	3	0,0	15	0,0	8	0,0
INDUSTRY	240	0,1	142	0,1	32	0,0	188	0,0
MINING	214	0,1	329	0,2	350	0,2	181	0,0
CONSTRUCTI	1 262	0,6	1 146	0,6	314	0,2	787	0,1
TRADE	20	0,0	9	0,0	13	0,0	150	0,0
TOURIS	541	0,3	794	0,4	201	0,1	74	0,0
IV – MULTISECTOR / CROSS-	7 771	3,8	4 171	2,1	13 758	8,5	7 741	1,1
TOTAL SECTOR	153 799	75,1	172 027	87,1	141 895	87,9	108 902	15,5
V – COMMODITY AID AND GENERAL PROGRAMME	16 234	7,9	46	0,0	2 655	1,6	2 539	0,4
VI – ACTION RELATING TO DEBT	21 871	10,7	12 341	6,3	4 672	2,9	564	80,4
VII – EMERGENCY	2 624	1,3	1 807	0,9	1 072	0,7	14 827	2,1
VIII – ADMINISTRATIVE COSTS OF DONORS	7 316	3,6	7 417	3,8	8 829	5,5	8 273	1,2
XIX – SUPPORT TO NGOs	2 298	1,1	2 930	1,5	1 358	0,8	3 082	0,4
X – UNALLOCATED / UNSPECIFIED	553	0,3	876	0,4	1 013	0,6	287	0,0
TOTAL BILATERAL:	204 695	100	197 443	100	161 494	100	702 446	100

Source: IPAD

Emergency Assistance is another area that deserves a special mention, given the heavy pressure that all the humanitarian, emergency and reconstruction needs that have been felt in recent years have imposed: 14,827 €in 2004, as against 1,072 €in 2003.

Over the last few years the relative weight of Debt-related Actions has been tending to decrease: 10.7% in 2001; 6.3% in 2002; and 2.9% in 2003. This falling trend would

have continued in 2004, to 0.4%, if it were not for the concessional operation to restructure Angola's debt in that year. This operation was worth 561.7 M€ and thus caused an exponential rise in this sector, which thereby consumed 80.4% of our total bilateral ODA.

5.3. Multilateral Aid

5.3.1. Overall Framework of Multilateral Assistance

Portugal's multilateral contributions represented between 32% and 43% of total ODA in 2001-2003, but then experienced a major reduction to 15% in 2004. Having said this, the 2004 figure is not due to an actual fall in multilateral contributions, because taken on their own, multilateral contributions actually increased by 5% compared to the previous year.

The lion's share of Portuguese multilateral aid is channelled through the European Union in the form of contributions to the European Development Fund (EDF), which finances EU aid to the ACP countries, and to the European Commission's Foreign Aid Budget, which finances aid to the developing countries that are not covered by the EDF. On average Portuguese ODA via the EU received slightly more than two thirds (68%) of all our multilateral aid between 2001 and 2004. In the same period the Regional Development Banks received an average of 17% of our multilateral aid, the various United Nations Agencies, Funds and Committees 7%, the IMF, WB and WTO 6%, and Other Multilateral Institutions 2%. We should note that the list of Other Multilateral Institutions includes the Community of Portuguese-Speaking Countries (CPLP), which received 0.6% of Portugal's multilateral ODA⁸.

⁸ The CPLP was added to the list of multilateral organisations in June 2005. Its inclusion in the DAC Working Group on Statistics was also approved in Paris on 14-15 June. The amounts included herein refer to contributions of a multilateral nature.

Table 15

MULTILATERAL ODA - 2001/2004

(Milhares de								
MULTILATERAL ORGANISATION	2001	%	2002	%	2003	%	2004	%
1. UNITED NATIONS	8.696	9,1	11.488	7,9	7.139	5,9	8.270	6,5
1.1. UN - Agencies, Funds and Committees	8.696	9,1	11.488	7,9	7.139	5,9	8.270	6,5
2. EUROPEAN COMMISSION	77.061	81,1	77.766	53,7	78.232	64,5	90.508	71,0
2.1. EC Budget for Developing Countries	63.222	66,5	64.642	44,6	60.966	50,2	63.708	50,0
2.2. EDF – European Development Fund	13.839	14,6	13.124	9,1	17.266	14,2	25.585	20,1
2.3. EIB – European Investment Bank							1.215	1,0
3. IMF, WORLD BANK AND WTO	847	0,9	7.895	5,5	10.185	8,4	10.573	8,3
3.1. World Bank Group	338	0,4	7.298	5,0	9.590	7,9	9.990	7,8
3.2. World Trade Organisation	509	0,5	597	0,4	595	0,5	583	0,5
4. REGIONAL DEVELOPMENT BANKS	6.247	6,6	46.766	32,3	21.584	17,8	13.996	11,0
5. OTHER MULTILATERAL INSTITUTIONS	2.201	2,3	935	0,6	4.239	3,5	4.097	3,2
of which:								
GEF - Global Environment Facility	919	1,0			2.134	1,8	1.103	0,9
Montreal Protocol	801	0,8	355	0,2	1.130	0,9		
CPLP - Community of Portuguese Speaking Countries							724	0,6
TOTAL	95.052	100	144.850	100	121.379	100	127.445	100

Source: IPAD

5.3.2. International Financial Institutions

In 2001-2004 Portugal's participation in international financial institutions resulted in a budget charge of around 188 M€ which served to make good our various commitments to contributions and participations and to the different institutions' share capital. It should be noted that during the negotiations on the replenishment of resources that took place during this period, Portugal continued to argue for a fair and equitable breakdown of each country's share in the institutions' capital, which should be based on the relative weight of each of their economies in the world economy and on each country's ability to pay. Around 93% of the amount referred to above was allocated to concessional funds.

In the case of the World Bank Group, in 2001-2004 Portugal did not issue any promissory notes to the International Bank for Reconstruction and Development (IBRD), or to the International Finance Corporation (IFC), or to the Multilateral Investment Guarantee Agency (MIGA). In 2003 it did partially redeem an IBRD promissory note in the sum of 258,218.86 € thereby paying up our share of the Bank's capital in full.

Where the International Development Association (IDA) was concerned, a number of promissory notes were redeemed as part of the various replenishments of the institution's resources – namely IDA 10, IDA 11, IDA 12 and IDA 13, in the sums of 817,201.00 € 9,379,681.24 € 17,392,002.00 € and 7,192,000.00 € respectively, for a total of 34,780,884.24 € Another three promissory notes worth a total of 26,260,000.00 € were also issued in payment of the 3rd instalment of IDA 12 and the 1st and 2nd instalments of Portugal's contribution to the Thirteenth Replenishment of the IDA (IDA 13).

Portugal participates in the Global Environment Facility (GEF) and issued promissory notes worth a total of 5,523,266.55 € in payment of the 4th instalment of the Second Replenishment of the GEF's Resources (GEF 2) and the 1st, 2nd and 3rd instalments of Portugal's contribution to the Third Replenishment of GEF's Resources (GEF 3). Promissory notes in the amount of 5,642,102.00 € concerning the First, Second and Third Replenishments were redeemed.

Portugal also redeemed promissory notes concerning the Common Fund for Commodities in the amount of 220,502.79 €

Under the heading of Regional Development Banks and Funds and following the negotiations for the fifth general increase in the capital of the African Development Bank (ADB), under which Portugal committed to subscribing the sum of 24,520 M€ 2001-2004 saw the payment of the 2nd to the 5th of eight equal annual instalments worth 2,184,723.00 € each, for a total of 738,892.00 €

Promissory notes in the total sum of 93,291,338.00 € were issued in payment of instalments related to the Eighth and Ninth Replenishments of the African Development Fund.

Redemptions of promissory notes that had been issued as part of the Seventh (ADF VII), Eighth (ADF VIII) and Ninth (ADF IX) Replenishments of the Fund's Resources totalled 20,902,157.28 €

Redemptions of promissory notes worth a total of 308,375.98 € and the sum of 889,082.87 € were made in relation to the Inter-American Development Bank Group (IADB). The larger of the two amounts concerned our contribution to IADB's concessional instrument – the Special Operations Fund (SOF).

Redemptions in the sum of 1,288,771.03 € were made in favour of the Multilateral Investment Fund (MIF), which is the IADB body that seeks to provide concessional support for the development of the private sector, especially in relation to micro-businesses in Latin America and the Caribbean.

While still on the subject of the IADB, in 2002 Portugal completed the process of becoming a member of the Inter-American Investment Corporation (IIC). Within the IADB Group the IIC is the institution that promotes the development of the private sector in Latin America and the Caribbean by financing small and medium-sized enterprises there. In 2001-2004 Portugal paid 1,092,259.51 € in capital subscriptions.

Portugal's participation in the first increase in the capital of the European Bank for Reconstruction and Development (EBRD) included a cash payment of 1,890,000.00 €, the issue of four promissory notes worth a total of 2,835,000.00 €, and the redemption of a total of 2,693,250.00 € in existing promissory notes.

Portugal joined the Asian Development Bank Group (AsDB) in 2002. It made payments to the Bank totalling 6,645,846.08 € and issued a total of 4,212,152.86 € in promissory notes for capital subscriptions.

The Asian Development Fund (AsDF) benefited from the issue of promissory notes in the total amounts of 34,248,540.00 € and 16,949,726.00 € as instalments in Portugal's contribution to AsDF VII and AsDF VIII, respectively. Redemptions worth a total of 34,911,000.00 € were also made.

In relation to the International Fund for Agricultural Development (IFAD) Portugal redeemed promissory notes concerning IFAD IV and IFAD V in the total sum of 1,178,704.16 € and issued new ones worth 720,150.00 € as part of the Fifth Replenishment of Resources.

5.3.3. Multilateral Cooperation

In 2001 the then ICP faced two major challenges in the multilateral cooperation field: a structural one, and a budgetary one. As part of the restructuring of the former ICP, the purpose of which was to achieve greater coherence and effectiveness and which culminated in 2001 with passage of the new Organisational Law, the two departments that dealt with matters related to Community cooperation and multilateral cooperation respectively were merged. Together they formed the new Community and Multilateral Affairs Services Department, which was given the task of preparing and articulating Portugal's position in relation to all matters concerning development cooperation policy within the ambit of the European Union, international organisations, the CPLP and other regional organisations like the Ibero-American Conference and the African Union.

The second – budgetary – challenge entailed a difficult situation that was due to debts to international bodies that had arisen as the result of the failure to fulfil a series of both mandatory and voluntary financial commitments which Portugal had undertaken in relation to 1999 and 2000. These accumulated debts totalled approximately 3.5 M€

Beginning in 2001 and continuing on into 2002, ICP made an enormous effort to fulfil its overdue commitments. It sought not only to pay off the amounts that had built up since 1999, but also to concentrate its aid on certain multilateral development institutions or mechanisms and thereby cease to make a whole series of small contributions scattered across a variety of programmes. As an example, in 2000 ICP supported twelve United Nations programmes, seven of which were given financial backing in partnership with the financial department of the Ministry of Foreign Affairs; gradually this situation was altered in such a way as to concentrate all the support on just two programmes – UNDP and UNFPA.

In 2001-2004 Portugal closely accompanied the process of launching the African Union (UA) and the New Partnership for Africa's Development (NEPAD) and seeing them become a reality on the ground, both within the sphere of the United Nations and the OECD's Development Assistance Committee, and as part of the process of following up the Cairo Europe-Africa Summit and the Africa Partnership Forum (the latter was

created in November 2003, following the formal extension of the G8's partnership with Africa to other international partners), in which Portugal has been participating.

In 2001 and 2002 Portuguese multilateral cooperation was characterised by attendance at world summits – particularly the Conference on Least Developed Countries and the Summits on Financing for Development and Sustainable Development. Portugal continued to follow these world-level initiatives in 2003 and 2004. This was especially true of the 1st Phase of the Summit on the Information Society, the International Conference on the Global AIDS Fund, and UNCTAD XI.

Portugal also accompanied the meetings and work that took place within the scope of international forums such as the OECD's Development Assistance Committee, the CPLP and the Ibero-American Conference.

A number of cooperation actions of particular significance in the multilateral field took place during the period between 2001 and 2004:

- **United Nations**

- UNDP**

Portugal has paid special attention to UNDP as a partner in development cooperation programmes. Its collaboration with this UN body has essentially involved three areas: voluntary contributions; a Trust Fund; and the recruitment of young professionals (JPOs).

Where voluntary contributions are concerned, it is worth noting that following successive increases over a number of years, since 1999 Portugal's contribution has amounted to 1.6 MUSD (IPAD - 400 thousand USD, and SAF – 1.2 MUSD).

Since 1991 Portugal has been a UNDP partner in a cooperation agreement underlain by a Trust Fund that has permitted the co-financing on a cost-sharing basis of a range of activities that UNDP has promoted in the PALOPs. The maximum value of this Fund is 1 MUSD, with the commitment to replenish this amount each year in accordance with the expenses incurred in relation to the co-financing of projects during the previous year. The signature in December 2004 of a new agreement for a Trust Fund of 1 MUSD

p.a. targeted at the co-financing of projects in the Democratic Governance field in the PALOPs and East Timor, is intended to strengthen Portugal's ties with this United Nations programme still further.

This privileged relationship is completed by the JPO (Junior Professional Officers) Programme, which we signed with UNDP for the first time in 1993 and which was updated in 2002 in order to add East Timor as a partner country, alongside the existing commitment to the PALOPs. The Portuguese government's desire in this respect is to contribute to these countries' development and to open the way for young professionals to be incorporated into the ranks of the UNDP staff. The costs involved in having these young people in UNDP's local offices for up to two years at a time are borne by IPAD.

UNFPA

For Portugal the United Nations Population Fund (UNFPA) is a kind of second partner at the United Nations. Portugal contributes 40,000 USD to its budget each year – an amount that is paid entirely by IPAD.

UNESCO

As with its cost-sharing co-financing agreement with UNDP, Portugal has a Trust Fund with UNESCO. This Fund was first created in 1994 and is currently worth 330,000 USD. It is replenished annually in the light of the disbursements made in relation to the co-financing of UNESCO projects concerning the PALOPs and East Timor.

In December 2004 Portugal and UNESCO signed a Cooperation Agreement for the posting of Portuguese associated experts to the UNESCO offices in the PALOPs and East Timor.

- **Global Fund to fight AIDS, Tuberculosis and Malaria**

In 2003 and 2004 Portugal contributed a total of 1 MUSD to the Global Fund. This contribution is seen as a complement to our bilateral support in this area, which goes essentially to our partner countries.

- **Community of Portuguese-Speaking Countries (CPLP)**

Since the CPLP's creation in 1996 Portugal has been the organisation's main source of financing. Despite the fact that only a few of the projects it finances are undertaken at Portugal's initiative, the majority of the contributions to the Special CPLP Fund come from this country (from the MNE's Central Budget).

Portugal's cooperation activities have gradually stood out over the years due to their significance in the economic, social, cultural, legal and technical/scientific domains. Of the many one-off cooperation projects and actions that are currently under way or are awaiting implementation under the aegis of the CPLP, we would particularly point to the formation of a Centre of Excellence in Business Development (CEDE) and a Centre of Excellence in Public Administration (CEAP), the support for the reconstruction of Guinea Bissau (the projects for training New Labour and Public Administration Inspectors and Regional Delegates, support for the Production of *Bas-Fond* Rice, and the Restructuring and Revitalisation of Bissau Law Faculty), the support for the Empowerment of Health-related Human Resources in the PALOPs, the institutional empowerment of the CPLP's Executive Secretariat, an Electronic Government project, the courses on how to draw up development cooperation projects, and the projects involving Education Statistics, Technical Cooperation in Telecommunications, and Lusitanian Studies at Lisbon National Library.

Within the overall framework of the CPLP's business-related and economic cooperation the confirmation of the entrepreneurial area as a Luso-Brazilian priority has proved important. Amongst other things, the holding of the II CPLP Business Forum (June 2003), the III CPLP Business Forum (October 2004), and the recent creation of the Business Council have helped consolidate the economic relations between the Portuguese-speaking countries and are viewed as fundamental steps in achieving greater maturity in this field. Portugal's interest in this subject is clearly seen in the involvement of ELO – the body that was responsible for drawing up the Articles of Association and for the creation of a network of hubs in all the Member States.

The CPLP's cooperation with other international bodies has also become more active, especially in the case of the United Nations Organisation and its agencies and with the

regional organisations to which the various CPLP Member States belong – all with a view to partnerships for the development of joint projects.

To this end, and in accordance with the CPLP guideline that seeks to consolidate the Community's international presence, in 2004 Portugal initiated the process of including the CPLP on the DAC/OECD list of international organisations that can receive funds which are classified as ODA. The aim of this initiative is to help increase the Community's visibility and to establish international partnerships with other bilateral and multilateral partners, particularly at the level of the financing of the CPLP's cooperation projects.

- **The Ibero-American Conference**

IPAD is the Portuguese hub in the cooperation domain and as such takes part in the three annual meetings known as Meetings of Ibero-American Cooperation Managers, which, along with the National Coordinators' Meetings, prepare the annual Ibero-American Summits of Heads of State and Government.

Portugal contributes 30,000 USD per annum to the budget of the Ibero-American Cooperation Secretariat (SECIB).

Recent years have seen the implementation of projects in areas such as education, the preservation of documental and cultural heritage assets, scientific research, urban development, the cultural industries, quality management, support for small and medium-sized enterprises, the promotion of indigenous languages and cultures, and a number of initiatives in the youth development field. These projects are essentially networks of programmes that are characterised by their horizontal nature and seek to ensure that all the participants contribute with the means that are available to them, so that nobody is seen as either a mere recipient or a mere donor.

The balance sheet of Portugal's participation in Ibero-American Programmes and Initiatives continues to be a modest one, inasmuch as Portuguese Cooperation is primarily geared towards low-income countries (e.g. the PALOPs). However, it is worth noting our intervention in the programmes of the Indigenous Fund, CYTED (science and technology), IBERGOP (Electronic Government), FUNDIBEQ (the Foundation for

Quality), ARCE (civil defence), IBERMÉDIA (audiovisual matters), CIBERAMÉRICA (the Ibero-American internet website), RADI (diplomatic archives), and ADAI (Ibero-American archives), which are managed by the applicable sectoral ministries, in accordance with their areas of responsibility.

Portugal has made a commitment of around 500 thousand USD to the Indigenous Fund, 100 thousand USD of which was disbursed in 2001-2004. Portugal has been a fully fledged member of this Fund since 1995 and takes part in the meetings of its Management Board.

5.3.4. European Community Cooperation

As an EU Member State Portugal has been playing an active role in deciding the Community's Development Cooperation Policy, and has also been contributing to the development activities that are managed by the European Commission.

Where the European Community is concerned, as the central body in Portuguese Cooperation IPAD is charged with:

- Following and ensuring the articulation of Portugal's position in the EU Council Working Groups on the Community's development cooperation policy (the Development Cooperation Group; the Food Aid Group; the ACP Group);
- Preparing and participating in the work of those of the ACP-EC Councils of Ministers, the EU-SADC Meetings of Senior Officials and Ministerial Meetings, the Europe-Africa Meetings of Senior Officials and Ministerial Meetings, the sessions of the General Affairs and External Relations Council, which include matters that come under its authority;
- Representing Portugal on several of the European Commission's Financing Committees (the European Development Fund Committee; the Committee on Asian and Latin American Developing Countries; the Human Rights Committee; the Committee for Food Security and Food Aid).

The Portuguese contributions to EU development cooperation activities, which are financed by the Community budget and by the European Development Fund, which is

specifically directed at support for the ACP countries, are disbursed by the Ministry of Finance.

We should also note our major contribution to the European Development Fund (EDF) in the sum of 72,385,446.00 € (contribution + interest), and the disbursement of 1,991,269.00 € for the Investment Facility managed by the European Investment Bank (EIB).

- **General Affairs and External Relations Council**

Following the work that had been done in previous years, since 2001 the Community and the Member States have intensified their efforts in the various discussion forums to achieve the great objective of the EU's development cooperation policy – the fight against poverty and its consequent eradication – as set out in the Joint Declaration that the Council and the Commission issued at the end of the year 2000.

In recent years the Council has been restating both the essential role that the European Union must play in achieving the international development goals, and the need to pay more attention to the results that are being obtained, which are precisely what make it possible to see the actual impact on the reduction of poverty. It has also been considered essential to deepen the collaboration and coordination both within the EU and with other donors, on the basis of partnerships and national plans such as Country Strategy Papers, Poverty Reduction Strategy Papers and Sectoral Programmes.

As a member of the Council Portugal has been making its contribution to the debate on an extremely wide range of subjects, which it bases on its experience within the context of its bilateral and multilateral cooperation policy. It has also sought to transpose the policies that are approved by the Council and by the fifteen – and since May 2004, the twenty-five – Member States, into its own bilateral cooperation.

In 2001-2004 many topics have been the object of a great deal of debate and the passage of Council Conclusions or Resolutions. Portugal attached special importance to:

- Conflict Prevention and Development, which highlighted the synergetic relationship between the prevention of conflicts and the efforts to reduce poverty, and accentuated the importance of development in relation to this matter;
- The Link between Emergency Aid, Rehabilitation and Development, in which the Council analysed the complexity of the situations that arise as a result of natural disasters, conflicts with a greater or lesser degree of violence, or the absence of the rule of law, and recommended that more support should be given to the creation of institutional capabilities at the political, economic and social levels in order to overcome crises and prevent conflicts;
- The conclusions on the measures that have been taken and need to be taken to reduce poverty, in which the Council considered the importance of Country Strategy Papers and Poverty Reduction Strategy Papers, the role and commitment of the partner country in a true fight against poverty, the methods used to allocate resources to the poorest countries, the focus on priorities, reliable results, and impact indicators;
- Policy Coordination and Procedural Harmonisation and their importance to making aid more effective;
- Security and Development. Portugal introduced the topic of “Security and Development” for discussion at the informal meeting of Development Ministers in Maastricht in October 2004. It presented a paper that analyses this subject from the perspective of a more coherent, active and flexible way for the EU to work in relation to the so-called Fragile and Failed States and the dangers associated therewith (e.g. instability, violence, armed conflict and conditions that facilitate the proliferation of organised crime and terrorist activities), and the role that development assistance should play in this respect, whether or not it is accounted for as ODA. The importance of this theme and of discussing it gained the support of a large number of Member States and Portugal asked the

Commission to think about this subject with a view to the drafting of a Communication on “Security and Development”;

- The Effectiveness of the EU’s External Action, which included discussions about three main items: the Millennium Development Goals; EU leadership for an effective multilateralism; and the maximisation of the EU’s external assistance;
- The conclusions on the progress report on the EU’s contribution to the review of the MDGs, in which the Council underlined the EU’s role in speeding progress towards achieving the goals and the need for a joint effort, particularly in the following areas: development financing; political coherence for development; and focusing on Africa.

During this period another important point deserves mentioning. The end of the Development Council (which met for the last time in May 2002) raised a number of doubts as to the way to address development issues – i.e. as to the operability and visibility that development cooperation may enjoy in the near future. Portugal argued that the development policy, the object and instruments of which are essentially medium and long-term in nature, should not, under any circumstances, be relegated to second-rank status by much shorter-term political considerations. On the contrary, development issues should be given added visibility and more political interest should be attached to them within the context of the EU’s foreign relations.

In the various forums in which this problem was raised, Portugal always considered that it would be positive to concentrate development cooperation matters in two GAERCs each year. It contributed to this debate by disseminating a study, which was commissioned from ECDPM under the tripartite agreement between IPAD, ECDPM and IEEI⁹, entitled: “The new organisation of the European Union Council: a step backwards or an opportunity for the European Union’s Development Cooperation?”

⁹ Portuguese Institute for Development Support / European Centre for Development Policy Management / Institute for International Strategic Studies.

- **EU-Africa Relations**

The strengthening of the strategic relationship with the African continent, which is one of the leading priorities of Portugal's foreign policy, has been proving to be a fundamental aspect of the positions that Portugal has been taking and defending at EU level.

The importance that Portugal attaches to the strengthening and institutionalisation of Europe's relationship with the African continent was immediately reflected in the political efforts that were made with a view to the holding of the first Europe-Africa Summit, which took place in Cairo in April 2000, during the Portuguese Presidency of the European Union. Since then (acting in collaboration with the European Commission, France and Belgium) Portugal has actively been participating in the process of following up the Summit as *Chef de File* for the subject of peace and security on the European side. Following the difficulties that have subsequently arisen in relation to the holding of the Second Summit of Heads of State and Government, which was initially planned for April 2003, Portugal has also heavily committed itself to looking for an urgent solution that would make it possible to hold the summit in Lisbon with the full participation of both sides. In Portugal's opinion the re-launch of the political dialogue between the two continents at the highest level is of the utmost importance – a view that is reflected in the contacts that the Portuguese government has been having with its African and European partners.

- **EU-ACP Relations**

Portugal has been taking an active part in the discussions about the practical application and the process of revising the EU-ACP Partnership Agreement, which was signed in Cotonou in June 2000 under the Portuguese Presidency of the EU. The strengthening of the strategic partnership between the EU and this group of countries, the maintenance of the predictability and the improvement of the quality of aid that is supplied in the form of financial cooperation, and the practical application of the consultation procedures laid down within the framework of the political dialogue have constituted some of Portugal's main concerns and positions. During the course of the discussions that then took place under the Council umbrella on the proposal for the Full Incorporation of the Cooperation with the ACP countries into the EU Budget, which the Commission put

forward in October 2003, Portugal has been in favour of maintaining the EDF as an autonomous instrument. It has taken this stance because it considers that this is the best way of ensuring the quality, predictability and level of the cooperation with the ACP countries.

As an EU Member State Portugal has subscribed the commitments which the Union has undertaken in the trade and development field. These include (under the trade regime that was established with the ACP countries as part of the Cotonou Agreement) the Everything But Arms Initiative, which is aimed at the LDCs, and the access to the Community market granted to products from the North African countries (under the Euro-Mediterranean partnership). We have attached great significance to the promotion of regional economic integration in this respect, given the importance that this will inevitably possess for the progressive integration of the exports of the developing countries – including the most disadvantaged ones – into the world market.

Within the framework of the agreements entered into by IPAD / the ex-ICP, the Institute of International Strategic Studies (IEEI) and the European Centre for Development Policy Management (ECDPM), both at home and in the partner countries Portugal has been encouraging and promoting research into and debate on the issues related to the Community's development cooperation policy, with a particular focus on EU-Africa and EU-ACP relations. In this respect a variety of seminars have taken place both at Portuguese universities and in Portuguese-speaking countries in Africa, with those in the latter designed to help strengthen African capabilities in relation to these issues. Given Portugal's role as an active participant in the dialogue between the EU and Africa and as the host of the next Summit of Heads of State and Government, under this heading Lisbon was also the site of an international conference on this topic (in October 2003). This meeting debated the main issues and challenges facing the African continent and the possible European responses thereto, in such a way as to deepen the level of reflection on the main themes of the debate between Europe and Africa.

6. Public Awareness and Education for Development

Portugal recognises the need, and the growing importance of being in possession of and being able, to provide ever more complete and transparent information about Portuguese

Cooperation's activities, so as to enable civil society to accompany our development effort to a larger extent.

It was on the basis of this understanding that the former ICP contracted a Portuguese NGDO to carry out a study on the strategy that should be adopted in order to raise awareness of development issues among the Portuguese population.

In 2005 for the first time it was decided to create a period in which NGDOs could submit Education for Development (ED) projects. As is currently happening in relation to the European Commission, it was determined that the budget for supporting such projects would be equal to 10% (340,000.00 €) of the total amount allocated to the co-financing of development projects.

The definition of a framework of rules and standards for the co-financing of ED projects and the creation of a specific budget line to support projects of this kind are an important step forward in the way in which these questions are dealt with. However, this framework will form part of a more wide-ranging approach on IPAD's part, which is not limited to the co-financing of NGDO projects and will entail the formation of a specialised technical group to handle these matters. This group will particularly be responsible for submitting initiatives that promote the various actors' (NGDOs, Ministries, Local Authorities, Schools etc.) participation in working out a national ED strategy.

IPAD has been represented at the main international forums on Global Education, Education for Development, and Raising the Awareness of Public Opinion, especially the meetings of the GENE (Global Education Network Europe) group, which are promoted by the Council of Europe's North-South Centre, and at the European Conference on World Solidarity, which the European Commission and the Belgian government organised in Brussels in May of this year.

In 2001-2004 Portugal promoted the holding of institutionalised higher education courses on Development Cooperation and continued to sponsor the award of prizes in the Development Cooperation and African or Asian Studies fields. This prize is open to

all master's and PhD students at Portuguese universities and universities with which Portugal has cooperation agreements, notably in the PALOPs.

A study has also been carried out on six politically fragile African countries, including Guinea Bissau.

In November 2001 we launched the magazine "*Cooperação*" (Cooperation). Its objective is to publicise activities related to this theme, not only in Portugal, but also in our partner countries. At the end of the same year the former ICP created the website www.icp.mne.gov.pt, which amongst other things complied with the provisions on the content and presentation of public bodies' websites, as laid down in the "Guide to Good Practices concerning the Construction of Websites by Public Administration Bodies". An automatic mailing list for sending information about the Institute's work was also drawn up. The work to develop the site also entailed registering it with the main Portuguese and foreign search engines.

As part of the effort to increase Portuguese Cooperation's visibility, as soon as IPAD was created it started to produce and maintain a more attractive, modern and responsive website (www.ipad.mne.gov.pt) that would be able to portray the reality of our work more clearly and effectively. In 2003 and 2004 this website was constantly updated with all the matters that are relevant to the subject of cooperation and with a more modern graphic design.

The site went online late in the summer of 2003 and since then has operated with the technical and creative support of the Computer Centre and under the general and content-related coordination of the Communication and Image Department. The latter is responsible for sorting and adapting texts and/or information that are received from the other departments or outside the Institute, or are produced by the Communication and Image Department itself. A team of "focal points" has also been appointed by each of IPAD's departments and they serve as the website's primary correspondents for anything related to its maintenance and updating.

In the same area we should also mention IPAD's Documentation and Information Centre (CDI), which promotes the dissemination of information on the official

development assistance area. In this role it promotes the acquisition, treatment and dissemination of all types of information concerning cooperation – particularly periodicals, monographs and legislation. Both internally and externally it does its dissemination and publicising work by distributing those of IPAD’s own publications – the IPAD Magazine, PICs, leaflets and brochures among other things – that are deemed of interest in this area. It sends them to our Embassies, Consulates, Permanent Missions, the Ministry of Foreign Affairs, the Camões Institute and its Cultural Centres, NGOs and so on. The CDI has also supported the acquisition of bibliographic funds for centres and libraries in the PALOPs and Timor, and has also helped to hold the Book Fairs in Portugal.

The CDI is open to the public, who are thus able to gain access to documentation that is important to the study of cooperation in general and Portuguese Cooperation in particular. It also promotes Portuguese Cooperation among civil society, using information leaflets that are distributed by libraries, universities, documentation centres and so on.

As part of an effort to make the services provided by IPAD more efficient, the CDI’s facilities have been improved and part of it has been installed in a larger and more operational space in one of IPAD’s main buildings, where it functions in articulation with the new reception area called the “Cooperation Shop”.

7. Fragile States

Portugal has both accompanied with interest and actively participated in the discussions that have taken place in the various international forums – including those in Europe – on the question of the relationship between development and security, which is especially important within the context of the development cooperation with fragile states. We have been pointing to the need for a more coherent and integrated, active and flexible approach, and for some urgent thinking about the suitability of the current cooperation instruments.

This concern can clearly be seen in the positions that Portugal has taken and defended within the EU framework, under which we feel that there is a need for both a greater

sensibility and a more suitable and timely action in relation to these situations – one that makes use of every available instrument, including financial support. This belief was also present in the positions that Portugal has taken as part of the process to review the Cotonou Agreement, including that concerning the need for an improvement in the practical application of the political consultation mechanisms created by Articles 96 and 97. The resources that are allocated to the countries which are subject to these mechanisms are often maintained in theory but frozen in practice, in situations in which support from the EU would be all the more necessary in order to obviate the risk of further degradation.

In this respect it is particularly worth highlighting the work that has been done within the framework of the research project on the EU's Response to Politically Fragile Countries (2000-2003), under an agreement with the European Centre for Development Policy Management (ECDPM) and the Institute of International Strategic Studies (IEEI). This project contains an analysis of the various different strategies/programmes which the main bilateral and multilateral donors have pursued in six countries affected by crisis or conflict situations, including Guinea Bissau, and identifies practices that have been successful in the work involved in these situations. In addition to publishing various reports, this project led to the holding of a conference in October 2001, and to the drafting of operational directives for improving the effectiveness of the cooperation between the EU and its Member States and countries affected by such situations.

This is in effect a theme to which Portugal attaches particular importance, inasmuch as the majority of its partner states are classified as fragile under the classification system that has gradually been adopted by the international donor community (notwithstanding the existence of another, universally accepted definition)¹⁰.

In fulfilment of its development cooperation policy, which has been undertaken in compliance with the MDGs and with the ultimate aim of reducing poverty, and while equally pursuing the commitments that have been internationally agreed in relation to aid effectiveness – policy coordination, procedural harmonisation, and alignment with local systems – Portugal's stance in its bilateral cooperation with those of its partners

¹⁰ Of our preferential partners, Angola, Guinea Bissau, São Tomé and Príncipe and East Timor are all considered to be fragile states.

which are fragile states is characterised by the active and flexible approach of its assistance formats and instruments. These take account of the specificities of the different economic, political and social contexts in question, as well as the partner countries' planning instruments, development strategies, performance levels and ability to absorb and manage the funds that are made available to them, all with the objective of responding in a timely and appropriate manner to their most pressing needs.

However, this approach is complementary to the perspective of a support that is integrated, coherent, predictable and sustained in the long term – one that must supply a framework for the processes involved in development support which is based on the partner countries' own development and poverty reduction strategies and which is facilitated by a high degree of dialogue, consultation and mutual cooperation. In turn, the intrinsic relationship that undeniably exists between the political, security and development domains – the solidity of which is indispensable to the achievement of the MDGs, but the fragility of which is characteristic of fragile states – makes it essential to support the basic functions of the state, including security and justice.

It is in accordance with these principles that Portuguese Cooperation with our partner countries has to a large extent been directed towards areas which are directly related to peace, security and political stability. Examples include administrative capacity building, democratic governance and respect for human rights, and the reinforcement of African countries' peacekeeping capabilities, always with the primary goal of consolidating peace and preventing conflicts.

Our support for Guinea Bissau and our support for East Timor are both examples of Portugal's work in fragile states. Having said that, these two cases also reflect the disparity that exists both in terms of the international community's political involvement in such states, and as regards the importance and volume of the aid it provides them with – Guinea Bissau is a typical case of a “donor orphan”, while East Timor is clearly a “donor darling”.