

COOPERAÇÃO  
PORTUGUESA

**IPAD** Instituto Português  
de Apoio ao Desenvolvimento

**Portugal's Action Plan for  
AID EFFECTIVENESS**





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Portugal's Action Plan for Aid Effectiveness

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## CONTENTS

PART I .....	4
1. THE INTERNATIONAL SETTING .....	4
2. THE PARIS DECLARATION AND PARTNERSHIP COMMITMENTS .....	6
2.1. The 2010 targets for the 12 indicators .....	7
PART II .....	10
3. PORTUGAL'S ACTION PLAN .....	10
3.1. The Measures .....	10

## PART I

### 1. THE INTERNATIONAL SETTING

The 2<sup>nd</sup> High-Level Forum (HLF) on Aid Effectiveness, held in Paris, brought together donors and partners who undertook to make aid more effective. To that end, they approved a series of commitments, embodied in the Paris Declaration.

The forum took up the commitments on harmonising and aligning policies, practices and procedures made at the 1<sup>st</sup> HLF on Harmonisation<sup>1</sup>, which produced the Rome Declaration. It also took on board the principles set out at the Marrakech Roundtable on Managing for Results<sup>2</sup>.

These commitments add to the work already begun previously, including the Millennium Summit, which approved the Millennium Development Goals (MDGs)<sup>3</sup>. The Millennium Declaration was followed by other conferences, notably the Conference on Financing for Development, which resulted in the Monterrey Consensus<sup>4</sup>. That consensus renewed the political will surrounding the MDGs, especially poverty reduction; it reaffirmed the international community's commitment to find new sources of financing; and it resulted in an undertaking to coordinate and harmonise donors' and partners' efforts in a new spirit of partnership.

The EU also reflected this concern in its cooperation policy. It approved the Barcelona Commitments<sup>5</sup> and the new commitments of May 2005. It also produced three specific communications<sup>6</sup> - the Package on Aid Effectiveness - on financing for development and aid effectiveness. Furthermore, it produced other documents, such as the European Consensus on Development<sup>7</sup> and The EU and Africa: Towards a Strategic Partnership<sup>8</sup>.

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<sup>1</sup> 1st HLF on Harmonisation and Alignment, Rome, 2003.

<sup>2</sup> Marrakech Roundtable on Managing for Results, February 2004.

<sup>3</sup> Millennium Summit. United Nations' General Assembly, September 2000.

<sup>4</sup> Monterrey Consensus. Conference on Financing for Development, March 2002.

<sup>5</sup> European Council, Barcelona, March 2002, and new EU commitments approved in May 2005.

<sup>6</sup> EU Aid: Delivering More, Better and Faster.

Financing for Development and Aid Effectiveness – The Challenges of Scaling Up EU Aid 2006-2010.

Increasing the Impact of EU Aid: A Common Framework for Drafting Country Strategy Papers and Joint Multiannual Programming.

<sup>7</sup> Approved on 22 November 2005.

<sup>8</sup> Approved on 15 and 16 December 2005.

#### Portugal's Action Plan for Aid Effectiveness

This is the international context in which donors and partners are working together to ensure that the 2<sup>nd</sup> Forum calls for a change in the practices surrounding aid delivery, so as to improve the results and impact and thus encourage all States to pull their weight in achieving the MDGs.

## 2. THE PARIS DECLARATION AND PARTNERSHIP COMMITMENTS

The Paris Declaration<sup>9</sup> contains a series of commitments – **Partnership Commitments** – involving donors and partners in a joint effort to achieve greater aid effectiveness.

The commitments are organized along five axes (See Figure 1):

**Ownership** – The partner countries commit to exercising leadership in their development policies and strategies, and to coordinating development efforts. Donors will be responsible for supporting and facilitating that leadership, by respecting partner's policies and strengthening partners' capacity to implement them<sup>10</sup>.

**Alignment** – Donors base their aid delivery on partner countries' development strategies, institutions and internal procedures. This means that aid delivered by donors will be rooted in the development strategies of partner Governments, rather than any other conditions resulting from other agendas<sup>11</sup>.

**Harmonisation** – Donors must be harmonised, working collectively to ensure greater effectiveness of aid and a reduced administrative burden for partner countries, in particular those whose administrative capacity is weak (i.e. fragile states). This means, for example, that joint agreements on planning, financing and implementing development programmes<sup>12</sup> must be reached under the partner's leadership.

**Managing for Results** – Both donors and partners manage resources and can make improvements to ensure that management is results-oriented. Donors must support partner countries' efforts to create performance-assessment frameworks to monitor progress in implementing their development strategies<sup>13</sup>.

**Mutual Accountability** – Donors and partners undertake to be jointly accountable for development results.

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<sup>9</sup> Available in English at [http://www.ipad.mne.gov.pt/images/stories/APD/parisdeclaration\\_english.pdf](http://www.ipad.mne.gov.pt/images/stories/APD/parisdeclaration_english.pdf) and in Portuguese at [http://www.ipad.mne.gov.pt/images/stories/APD/declaraparis\\_portg\\_1.pdf](http://www.ipad.mne.gov.pt/images/stories/APD/declaraparis_portg_1.pdf)

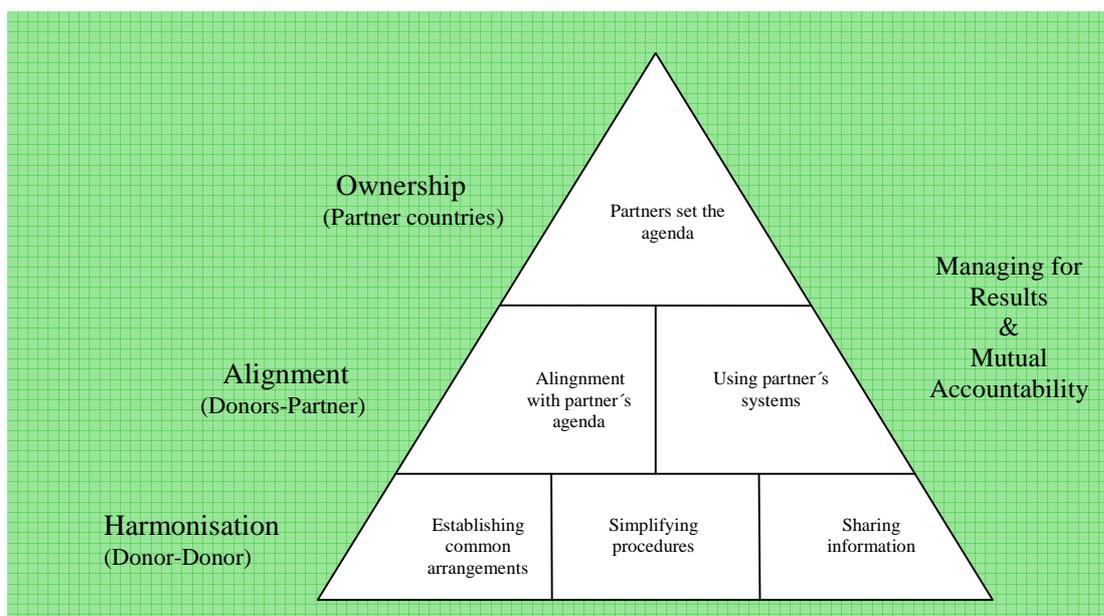
<sup>10</sup> Paragraphs 14 and 15 of the Paris Declaration.

<sup>11</sup> Paragraph 16 of the Paris Declaration.

<sup>12</sup> Paragraph 32 of the Paris Declaration.

<sup>13</sup> Paragraphs 43-46 of the Paris Declaration.

**Figure 1: Aid Effectiveness Pyramid**



Source: DAC-OECD

## 2.1. The 2010 targets for the 12 indicators

These partnership commitments (ownership, alignment, harmonisation, managing for results, and mutual accountability) take the form of 12 progress indicators, containing targets that are to be met by 2010 (see Figure 2). These indicators are not intended to substitute any other targets which donors and partners set between themselves. Progress towards these will be assessed in two monitoring cycles by the time of the next High-Level Forum, to be held in Ghana in 2008.

Figure 2: Indicators of Progress

OWNERSHIP		TARGET FOR 2010	
1	<i>Partners have operational development strategies</i> – Number of countries with national development strategies (including PRSS) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	<b>At least 75% of partner countries</b> have operational development strategies.	
ALIGNMENT		TARGETS FOR 2010	
2	<i>Reliable country systems</i> – Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<p><b>(a) Public financial management – Half of partner countries</b> move up at least one measure (i.e., 0.5 points) on the PFM/CPIA (Country Policy and Institutional Assessment) scale of performance.</p> <p><b>(b) Procurement – One-third of partner countries</b> move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.</p>	
3	<i>Aid flows are aligned on national priorities</i> – Percent of aid flows to the government sector that is reported on partners' national budgets.	<b>Halve the gap</b> – Halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).	
4	<i>Strengthen capacity by co-ordinated support</i> – Percent of donor capacity-development support provided through coordinated programmes consistent with partners' national development strategies.	<b>50% of technical cooperation flows are</b> implemented through coordinated programmes consistent with national development strategies.	
5a	<i>Use of country public financial management systems</i> – Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF DONORS	
		Score*	Target
		5+	<b>All donors</b> use partner countries' PFM systems.
		3.5 to 4.5	<b>90% of donors</b> use partner countries' PFM systems.
		PERCENT OF AID FLOWS	
		Score*	Target
5+	<b>A two-thirds reduction</b> in the % of aid to the public sector not using partner countries' PFM systems.		
3.5 to 4.5	<b>A one-third reduction</b> in the % of aid to the public sector not using partner countries' PFM systems.		

Portugal's Action Plan for Aid Effectiveness

		<b>PERCENT OF DONORS</b>	
		<b>Score*</b>	<b>Target</b>
<b>5b</b>	<i>Use of country procurement systems</i> – Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	A	<b>All donors</b> use partner countries' procurement systems.
		B	<b>90% of donors</b> use partner countries' procurement systems.
		<b>PERCENT OF AID FLOWS</b>	
		<b>Score*</b>	<b>Target</b>
		A	<b>A two-thirds reduction</b> in the % of aid to the public sector not using partner countries' procurement systems.
		B	<b>A one-third reduction</b> in the % of aid to the public sector not using partner countries' procurement systems.
<b>6</b>	<i>Strengthen capacity by avoiding parallel implementation structures</i> – Number of parallel project implementation units (PIUs) per country.	<b>Reduce by two-thirds</b> the stock of parallel project implementation units (PIUs).	
<b>7</b>	<i>Aid is more predictable</i> – Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	<b>Halve the gap</b> – Halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.	
<b>8</b>	<i>Aid is untied</i> – Percent of bilateral aid that is untied.	<b>Continued progress over time.</b>	
<b>HARMONISATION</b>		<b>TARGETS FOR 2010</b>	
<b>9</b>	<i>Use of common arrangements or procedures</i> – Percent of aid provided as programme-based approaches.	<b>66% of aid flows are</b> provided in the context of programme-based approaches.	
<b>10</b>	<i>Encourage shared analysis</i> – Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	<b>(a) 40% of donors missions</b> to the field are joint.	
		<b>(b) 66% of country analytic is joint.</b>	
<b>MANAGING FOR RESULTS</b>		<b>TARGET FOR 2010</b>	
<b>11</b>	<i>Results-oriented frameworks</i> – Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	<b>Reduce the gap by one-third</b> – Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.	
<b>MUTUAL ACCOUNTABILITY</b>		<b>TARGET FOR 2010</b>	
<b>12</b>	<i>Mutual accountability</i> – Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	<b>All partner countries</b> have mutual assessment reviews in place.	

## PART II

### 3. PORTUGAL'S ACTION PLAN

The purpose of this plan is to respond to Portugal's commitment to transforming its aid practices and procedures. In line with other Member-States, Portugal undertook to change its practices with a view to improving the impact of its activities in partner countries.

To that end, the measures detailed here reflect the commitments made by Portugal at various international fora, and in the various documents drawn up by the Portuguese Cooperation, which directly influence the way in which aid is managed.

Thus, the present plan incorporates the measures set forth in the Portuguese Action Plan for Harmonisation and Alignment<sup>14</sup>, drawn up by the Portuguese Cooperation in 2005 and which aimed to set down the undertakings made in the Rome Declaration. The plan also makes use of the Cooperation's new Strategic Document, *Uma Visão Estratégica para a Cooperação Portuguesa*.<sup>15</sup> Finally, the document sets out the undertakings made by Portugal at various international fora (as referred to in Part I).

This document will be disseminated amongst those involved in development cooperation. It should be highlighted that the measures will only be effective if **everyone involved in Portuguese Cooperation** has the will to act together in a coordinated way. Only in this way will Portugal meet the commitments it has made, and make its aid more effective.

All contributions to the plan will be welcomed and incorporated into future reflections on the theme.

#### 3.1. The Measures

The Portuguese Institute for Development Cooperation's aim is for the plan to be a working tool, presenting **measures** for each dimension, together with **implementation targets** for each one. For ease of reading, the measures and targets are presented in timetable form in Figure 3.

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<sup>14</sup> Available at: [http://www.ipad.mne.gov.pt/images/stories/APD/ha\\_planodeaccao.pdf](http://www.ipad.mne.gov.pt/images/stories/APD/ha_planodeaccao.pdf)

<sup>15</sup> A Strategic Vision for Portuguese Cooperation, approved by Council of Ministers' Resolution no. 196/2005.

Thus, **the Institute commits itself to the following:**

## 1. OWNERSHIP

### Measures :

- ✓ **To respect the leadership of partner Governments** and ensure from the outset that the aim of aid programming is to strengthen local capacity in this respect.

**Target:** Continual.

## 2. ALIGNMENT

### Measures:

- ✓ To align aid programming with **partner countries' poverty reduction strategies**, or similar frameworks.

**Target:** Continual.

- ✓ To review the **project/programme portfolio** in the next few years.

**Target:** October 2006 (PICs for Angola, Mozambique and East Timor); October 2007 (PICs for Cape Verde, Guinea-Bissau and Sao Tome and Principe).

- ✓ In forthcoming programming years, to identify which of the partner's **programmes** require capacity building so as to enable Portugal to channel its aid via those local programmes (e.g. programmes to strengthen the public sector, statistics, finance, education, etc).

**Target:** October 2006 (PICs for Angola, Mozambique and East Timor); October 2007 (Cape Verde, Guinea-Bissau and Sao Tome and Principe).

- ✓ Gradually to opt for **new forms of aid** that give leadership to the partner: budget support, sectoral budget support, SWAP<sup>16</sup> for education, health, etc.

**Target:** Continual.

- ✓ Gradually to channel aid **through the partner country's national budget** (on budget aid). This will encourage use of the partner's domestic financial management procedures<sup>17</sup>.

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<sup>16</sup> Sector-wide approach.

**Target:** Continual.

- ✓ To adopt a **multi-annual financial envelope** when drawing up PICs, to ensure that **aid is more predictable**. The financial envelope must reflect firm – and not merely indicative – disbursement commitments.

**Target:** October 2006 (PICs for Angola, Mozambique and East Timor); October 2007 (PICs for Cape Verde, Guinea-Bissau and Sao Tome and Principe).

- ✓ To untie bilateral aid to partner countries, in line with the DAC Recommendation on Untying Bilateral ODA to Least Developed Countries.

**Target:** Continual.

- ✓ To encourage the gradual use of local structures and human resources (integrated implementation units), rather than PIUs<sup>18</sup> (parallel implementation units).

**Target:** Continual.

- ✓ To ensure the flow of technical assistance to areas that need internal capacity-building. This foreign technical assistance must respect the principle of not substituting local human resources, whenever they exist.

**Target:** Continual.

- ✓ To strengthen training and local capacity-building of the partner, with particular focus on fragile states, in respect of:
  - good governance, public finances, public administration and management;
  - drawing up partners' sectoral strategies and managing their programmes and projects.

**Target:** Continual.

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<sup>17</sup> These include domestic budget-implementation, financial-notification and auditing procedures:

**Domestic budget-implementation procedures:** donors use domestic budget-implementation systems when their funds are generated in line with such procedures. This means that programmes supported by donors are subject to domestic budget-implementation rules relating to authorization, approval and payment.

**Domestic financial-notification procedures:** countries' legal frameworks usually require the production of regular financial reports. The use of domestic procedures means that donors do not require governments to produce additional financial reports, reports at different times to the normal domestic notification schedule, or report formats/models that differ from domestic practices.

**Domestic auditing procedures:** The use of these procedures means that donors trust the partner country's auditing institutions, and consequently they do not overload the partner with additional auditing requirements.

<sup>18</sup> Parallel implementation units are all project/programme-support structures created by the donor, parallel to the partner's institutions. They share the following features: they are parallel units, they are created by the donor, and most recruit human resources from outside the partner country.

### 3. HARMONISATION

#### Measures:

- ✓ When programming development aid, to identify partners' **programmes** in which donors are jointly involved. Thus, a complementary approach can enable Portuguese technical assistance to be integrated into sectors involving several participants (a pool of donors in given sectors, global and regional funds, etc).

**Target:** Continual.

- ✓ To encourage joint missions involving Portuguese stakeholders so as to harmonise efforts and reduce the partner's administrative burden. To that end, IPAD will have to be informed of each stakeholder's **mission timetable** in advance.

**Target:** From 2007.

- ✓ Whenever possible, to combine missions with other donors.

**Target:** Continual.

- ✓ Not to send field missions during the "no donor missions" period.

**Target:** Continual.

- ✓ To structure forthcoming cooperation programmes in line with the *Linhas de Orientação para os PIC*<sup>19</sup> document, prepared by the Portuguese Institute for Development Cooperation. This will also facilitate harmonisation and participation in joint aid schemes.

**Target:** October 2006 (PICs for Angola, Mozambique and East Timor); October 2007 (Cape Verde, Guinea-Bissau and Sao Tome and Principe).

- ✓ To harmonise **sectoral documents** to be produced by the Portuguese Institute for Development Cooperation both with other donors' programmes and partners' strategic choices.

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<sup>19</sup> Guidelines for PICs - a document drawn up by the Portuguese Development Support Institute (IPAD) and based on the document entitled EU aid: A common framework for drafting country strategy papers.

**Target:** 2006 (education, gender, good governance); 2007 (health, rural development, environment).

- ✓ To set up local offices in the main partner countries, so as to intensify **coordination** between the Portuguese Institute for Development Cooperation in partner countries and the delegations of other donors.

**Target:** From July 2006.

- ✓ To encourage **clusters**, aimed at boosting the integrated development of certain target regions, so encouraging the involvement of public and private stakeholders, the donor, the partner and other international donors.

**Target:** From 2006.

- ✓ To create partnerships between the partners' institutions and competent Portuguese companies, once SOFID (Sociedade Financeira para o Desenvolvimento) enters into operation.

**Target:** From 2006.

- ✓ To strengthen **development cooperation within the Commonwealth of Portuguese-speaking countries**, identifying partnerships and developing bilateral or multilateral projects aimed at **mobilizing resources from international financing agencies**.

**Target:** From July 2006.

- ✓ To disseminate strategic cooperation documents, projects and programmes, and relevant studies, in order to encourage greater dialogue and sharing of information, both via IPAD's website and other existing sites, such as the World Bank's Country Analytical Work webpages, the DAC's Harmonisation page, or the European Commission's website.

**Target:** Continual.

- ✓ To concentrate aid on **specific countries and sectors**, in accordance with each partner's specific features so as to avoid geographical dispersal of human and financial resources and fragmented projects.

**Target:** Continual.

- ✓ To use existing formal mechanisms (Inter-Ministerial Committee for Cooperation) to ensure wider dissemination of partners' **programmes**, so as to help technical assistance from the various stakeholders to be channelled via those programmes.

**Target:** Continual.

- ✓ To eliminate the need to draw up Annual Cooperation Programmes (PACs). PACs have disadvantages, such as annual negotiations, the time spent by both parties, and the risk of endangering programmes already being implemented.

**Target:** October 2006 (the PICs for Angola, Mozambique and East Timor); October 2007 (Cape Verde, Guinea-Bissau and Sao Tome and Principe).

#### 4. MANAGING FOR RESULTS

##### Measures:

- ✓ To establish **monitoring and analysis tools**, namely **progress and results indicators that** will enable to monitor the performance and degree of implementation of the measures set forth in PICs.

**Target:** From 2006.

- ✓ To strengthen the project-monitoring phase by **systematically monitoring the implementation** of development projects **at headquarters level** (by analysing implementation reports) and **on the ground** (by strengthening technical personnel at embassies, who will be charged with monitoring projects and identifying and quickly correcting any constraints thereon *in loco*).

**Target:** From 2006.

- ✓ For evaluation, to adopt the results of evaluations carried out by other donors.

**Target:** From 2007.

- ✓ To provide partner countries with statistical and other systems so that they have transparent and monitorable frameworks for evaluating performance, enabling them to assess the progress made.

**Target:** Continual.

- ✓ As far as possible to rely on the partner's own systems, to enable its indicators to be incorporated into the donor's programming.

**Target:** Continual.

## 5. MUTUAL ACCOUNTABILITY

### Measures:

- ✓ To supply detailed information within a useful timeframe on aid flows to be delivered to partner countries. These measures will enable partner countries to submit more complete budget information to their parliaments and citizens.

**Target:** Continual.

- ✓ To supply information on the aid delivered whenever so requested.

**Target:** Continual.

- ✓ To evaluate the Portuguese Cooperation's progress in implementing the partnership commitments.

**Target:** Continual.

Portugal's Action Plan for Aid Effectiveness

**Figure 3: Timetable of Measures**

Measures	2006												2007												Following Years
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	...
<b>OWNERSHIP</b>																									
To respect the leadership of partner Governments and ensure from the outset that the aim of aid programming is to strengthen local capacity in this respect.																									
<b>ALIGNMENT</b>																									
To align aid programming with partner countries' poverty reduction strategies, or similar frameworks.																									
To review the project/programme portfolio in the next few years.																									
In forthcoming programming years, to identify which of the partner's programmes require capacity building so as to enable Portugal to channel its aid via those local programmes (e.g. programmes to strengthen the public sector, statistics, finance, education, etc).																									
Gradually to opt for new forms of aid that give leadership to the partner: budget support, sectoral budget support, SWAP for education, health, etc.																									
Gradually to channel aid through the partner country's national budget (on budget aid). This will encourage use of the partner's domestic financial management procedures .																									
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To encourage the gradual use of local structures and human resources (integrated implementation units), rather than PIUs (parallel implementation units).																									
To ensure the flow of technical assistance to areas that need internal capacity-building. This foreign technical assistance must respect the principle of not substituting local human resources, whenever they exist.																									
To strengthen training and local capacity-building of the partner, with particular focus on fragile states.																									

Portugal's Action Plan for Aid Effectiveness

HARMONISATION																									
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To encourage joint missions involving Portuguese stakeholders so as to harmonise efforts and reduce the partner's administrative burden. To that end, IPAD will have to be informed of each stakeholder's mission timetable in advance.																									
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Not to send field missions during the "no donor missions" period.																									
To structure forthcoming cooperation programmes in line with the <i>Linhas de Orientação para as PIC</i> document, prepared by the Portuguese Institute for Development Cooperation. This will also facilitate harmonisation and participation in joint aid schemes.																									
To harmonise sectoral documents to be produced by the Portuguese Institute for Development Cooperation both with other donors' programmes and partners' strategic choices.																									
To set up local offices in the main partner countries, so as to intensify coordination between the Portuguese Institute for Development Cooperation in partner countries and the delegations of other donors.																									
To encourage clusters, aimed at boosting the integrated development of certain target regions, so encouraging the involvement of public and private stakeholders, the donor, the partner and other international donors.																									
To create partnerships between the partners' institutions and competent Portuguese companies, once SOFID (Sociedade Financeira para o Desenvolvimento) enters into operation.																									
To strengthen development cooperation within the Commonwealth of Portuguese-speaking countries, identifying partnerships and developing bilateral or multilateral projects aimed at mobilizing resources from international financing agencies.																									
To disseminate strategic cooperation documents, projects and programmes, and relevant studies, in order to encourage greater dialogue and sharing of information, both via IPAD's website and other existing sites, such as the World Bank's Country Analytical Work webpages, the DAC's Harmonisation page, or the European Commission's website.																									
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