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IPAD Instituto Português
de Apoio ao Desenvolvimento

**PORTUGUESE COOPERATION
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Introduction

2006 was most definitely a notable year as concerns Portuguese Cooperation. Domestically, the fact that we began to implement our *Strategic Vision for Portuguese Cooperation*¹ led to the need to reformulate a number of our strategic guidelines in terms of goals, targets, and practices, which, in turn, had major impact on Portugal's own development aid agency, namely its Instituto Português de Apoio ao Desenvolvimento (hereinafter referred to as the "IPAD").

Increased international efforts in the fight against the scourges besetting the world's poorest countries have been highlighting the need for increasing professionalism in the handling of development cooperation. Therefore, Portugal has strengthened its commitment to pursuing such action by learning from good international practices, while tailoring such practices to its own particular features. A clear example of such commitment, is, in turn, evidenced by its introduction a new strategic management policy oriented towards an integrated approach to the programming, monitoring, and review of its cooperation effort, and towards the employment of specific goal- and results-oriented management practices.

Internationally, Portugal had to face the challenge of reaching a target of 0.33%² in the value of its Official Development Assistance (hereinafter referred to as "ODA") as a ratio to its Gross National Income (GNI). Regrettably, that goal was not met, mostly on account of budgetary constraints arising on other commitments undertaken by the Portuguese Government vis-à-vis the EU, namely with regards to the country's compliance with the regulations set out in the Growth and Stability Pact, which compliance implied an implementation of very strict budgetary policies.

Nevertheless, Portugal still has been making excellent progress in overcoming those constraints, while studying alternative ways in which to meet future development aid targets and to strengthen its commitment to participate in the global effort to foster development.

¹ The *Strategic Vision for Portuguese Development Cooperation* paper contains a new set of policies to guide Portugal's Development Cooperation, as approved by its Council of Ministers Resolution no. 196/2005, published in Portugal's Government Gazette of 22 December 2005.

² Development aid targets set for member states of the European Union.

1. General Strategic Framework and Political Guidelines

In essence, Portuguese Cooperation is guided by general Portuguese foreign policy guidelines, and is specifically oriented by three key drivers: *maintaining privileged bilateral relations with Portuguese-speaking African Countries (so-called “PALOP” countries) and with East Timor*, which are all countries with which Portugal has had long-standing historical and cultural links; *promoting the use of the Portuguese language worldwide*, as a contribution towards cementing its consolidation, enhancing its longevity, and strengthening the role of this linguistic community within the international system; and *developing Portugal’s ability to become a participant and a role player in international thematic networks*, insofar as such goals operate as mechanisms that are conducive to reinforcing international coordination.³

Inevitably, and in turn, Portuguese Cooperation cannot fail to be influenced by the international context within which it operates. In a globalised world characterised by ever increasing interdependence, it has emerged that poverty is not a problem that besets the least developed countries alone, but rather an issue that gives rise to phenomena impacting the entire international order. Therefore, the granting of aid to those countries must be considered an international priority because development is becoming evermore a global public good, insofar as it has become inextricably linked to the achievement of global stability, well-being, and safety.

Given this context, the Portuguese Government shares in the awareness that if globalisation is to really be able to operate effectively, than inequality and the exclusion of the world’s Southern Hemisphere must be urgently combated. Towards that end, Portuguese Cooperation aims to *“contribute to the achievement of a better, more stable world, most especially as concerns Portuguese-speaking countries, characterised by social and economic development and by the consolidation and strengthening of peace, democracy, human rights, and the rule of law”⁴.*

In 2006, Portugal included this major international theme – development aid – in its *Key Planning Options*⁵. Thus, aid to Southwest Asia in the wake of the Tsunami, the Aid Effectiveness issue, and Africa were at the forefront of its priorities in this regard.

³ Council of Ministers Resolution no. 196/2005, as published in Portugal’s Government Gazette of 22 December 2005.

⁴ *Ibidem*.

⁵ Portugal’s **Key Planning Options** are part and parcel of a strategic plan integrating the major policy guidelines of the country’s Executive, which is compiled by the Portuguese Government, based on the contents of its political program, for ratification by Parliament.

1.1 DAC Review and New Guidelines for Portuguese Cooperation

In 2006, Portuguese Cooperation was the object of a Peer Review by the Development Assistance Committee (the DAC/OECD). According to the conclusions of the DAC/OECD's review⁶, and although Portugal had made significant strides since its 2001 Peer Review, with particular highlight for the creation of the IPAD and the launch of its new Cooperation strategy, presented by the end of 2005, its development cooperation effort still faced major challenges.

Among those challenges, the Committee highlighted the need for the country to effectively render operational its commitment to increase its ODA on a par with its commitment with the achievement of the Millennium Development Goals (MDG's), while putting particular emphasis on effectively addressing the reduction of poverty by fostering increased commitment by key role players and thereby reaching those goals. Hand in hand with the above, the DAC highlighted the complex role that the IPAD was called to play as the entity coordinating Portuguese Cooperation system, which role is largely constrained on account of Portugal's development aid efforts being largely fragmented, owing to the fact that competence in such matters is divided among various Government Ministries and other public organisations and agencies.

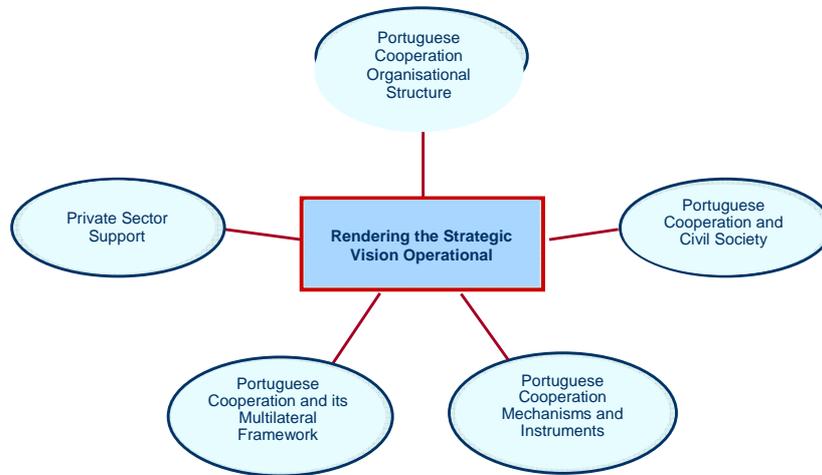
Consequently, the DAC compiled a list of recommendations addressing the following areas: the need to streamline policy guidelines towards a sectoral level; the volume and distribution of development aid being granted; the need to promote policy coherence; development aid management and implementation practices; and the granting of humanitarian aid.

Portugal started to follow up on those recommendations straight away by compiling a new framework for its new cooperation policy guidelines incorporating the aforementioned recommendations.

Among the new policy guidelines envisaged under the new framework, some of the actions which are already at an advanced stage of implementation or have already been completed deserve highlight for being of particular relevance. Among them, we highlight the country's new **operational document** of the ***Strategic Vision for Portuguese Cooperation***, which paper aims to introduce the necessary adjustments and amendments to make the new cooperation policy guidelines operational. The aforementioned operational framework addresses the following key operational areas:

⁶ Available at http://www.ipad.mne.gov.pt/index.php?option=com_content&task=view&id=167&Itemid=198

Figure 1. Operational dimensions of the Strategic Vision for Portugal's Development Cooperation



Source : IPAD/DSP

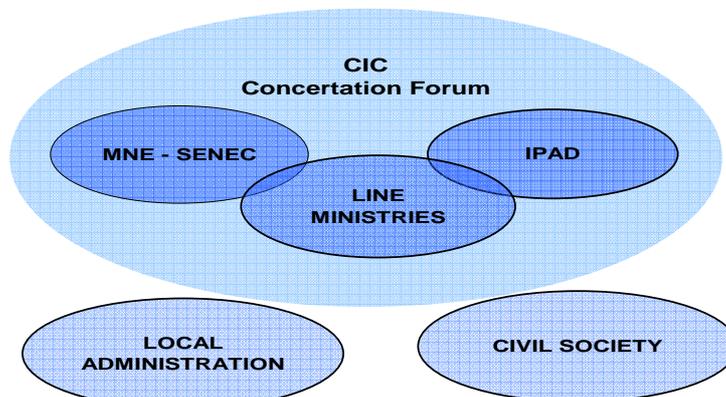
In tandem with the above, the intention to prevent dispersion of means and thereby achieve coherent logic and increased focus in rationale, efficiency, and effectiveness of development aid was given top priority. To the effect, Portuguese Cooperation gave continuity to former guidelines on geographical concentration, namely privileging Portuguese-speaking countries, and especially PALOP countries and East Timor, while it equally tries to abide by principles of sectoral concentration, namely by focusing on Education, Health Care, Training, and Institutional Building from a perspective of sustainable development and the fight against poverty, as a means of achieving the MDGs.

2. Organising, Structuring, and Managing Portuguese Cooperation

2.1 Organisation and Structure

Portuguese Cooperation is structured along a decentralised model comprising various participants (see Fig. 2).

Figure 2. Portuguese Cooperation Model



Source: IPAD/DSP

The Ministry of Foreign Affairs of Portugal (hereinafter referred to as “MNE”), through its *Secretary of State for Foreign Affairs and Cooperation* (“SENEC”), has been mandated to define the policies and guidelines that govern Portuguese Cooperation. In turn, the IPAD is Portugal’s central cooperation agency, and its mission is to operate, supervise, manage, and coordinate the policies defined by the State, as well as to centralise all information pertaining to cooperation activities. The IPAD is equally responsible for compiling Indicative Cooperation Programs (PIC) and Annual Cooperation Programs (PAC), and for coordinating the Cooperation Budget Program (PO05). During 2006, this Agency oriented its activities around the following key policy guidelines and objectives:

Table 1. IPAD 2006 Goals
• To rationalise aid-granting mechanisms and to reinforce the assistance being provided to the institutions of beneficiary countries.
• To strengthen the monitoring and evaluation of development programs and projects.
• To privilege a results-oriented approach and to enhance the quality and transparency of development aid processes.
• To increase ODA coherence.
• To strengthen communications and information policies.
• To restructure the organisation of IPAD.
• To increase the degree of financial execution of its programs.
• To introduce policies to enhance the skills of its human resources.

Source: IPAD/DSP

Portugal’s *Inter-Ministerial Committee for Cooperation (CIC)* is a concrete forum geared for the achievement of concerted action at sectoral level and an instrument for coordinating action by the various Line Ministries with regard to development cooperation, assisting with the planning and monitoring of development aid programs and projects. The CIC has a Permanent Secretariat comprising representatives of the various sectoral ministries⁷, usually through their International Relations Departments, which meets regularly for the effect. Those Departments are responsible for disseminating the strategic cooperation policy guidelines, as well as for coordinating all issues falling within the scope of action of their respective ministries.

Side by side with the above entities, cooperation may still involve intervention by sectoral ministries, municipal structures (Town Councils and the country’s National Association of Town Councils), and the country’s Civil Society (NGOD’s, Foundations, and so on).

2.2 Managing Portuguese Cooperation

- *Cooperation Budget Program*

The Cooperation Budget Program (PO05) was launched in 2004. It is a budgetary tool for the programming and allocating of funds in conformance to development cooperation commitments

⁷ The CIC’s Permanent Secretariat comprises representatives of the sectoral ministries and is chaired by the Chairman of IPAD.

undertaken by Portugal. This Program is coordinated by Portugal's Ministry of Foreign Affairs, through the IPAD.

The intention was to obtain a greater degree of predictability in the flow of development aid and to increase overall awareness of what each Ministry intends to spend, and, consequently, to decrease the dispersion in aid funding efforts, which is so characteristic of systems that feature a wide range of participants and role players.

Formally and structurally, the 2006 PO05 Program was basically identical to the 2005 program, but a number of enhancements in terms of the envisaged results have been introduced since 2004 and deserve particular mention.

The fact that a number of improvements have been introduced in the PO05 Program since 2004 bears witness to its vitality and importance to policymakers. From inception, the PO05 has been a live instrument that is being enhanced on an on-going basis. The first major change was the introduction of Measure 3⁸ concerning technical and military cooperation and framing the actions of traditional development cooperation role players which had hitherto failed to be fully included in the Program. The enhancement brought in by the country's PO05 have not only been evidenced by structural improvements in the management of development aid but also by the introduction of a much broader degree of coordination, thereby managing to widen the range of executive role players and to ascribe appropriate procedural practices to such players.

For 2006, and in terms of the PO05's overall execution, it is not only the good level of results obtained with regard to its rate financial execution that should be taken into consideration but rather, and most of all, the fact that the amounts allocated to Portuguese Cooperation have fallen. When looking superficially at the figures, it can be immediately noted that the PO05 program's level of achievement was rather positive. However, the truth of the matter is that aid allocations were reduced, the value of disbursements decreased, and targets were mostly reached thanks to improved data collection rather than owing to stronger action.

Table 2. PO05 (2004-2006): Trends in Development Aid Allocation and Target Achievement
€ million

	2004	2005	2006
Adjusted allocation*	266,678,937	327,637,736	270,449,204
Payments	191,373,833	253,295,250	220,393,340
% Target achievement	72%	77%	81%

* As at December of the applicable year
Source: IPAD/DSP

⁸ Measure 3 was an addition to two other existing Measures, namely Measure 1 – *Development Cooperation* and Measure 2 – *Technical and Scientific Cooperation*.

Three years after the implementation, PO05 continues to be constrained by a number of factors which impact adversely on its performance, as follows: the Program's multi-annual nature (the PO05 Program and various other international cooperation action programs and projects are spread over several years, which spreading does not match the country's annual funding allocation cycle); balances from prior years arising (a lack of automatic allocation of balances from prior years to budgeted current expenditure constrains adequate execution of the projected cooperation actions); compilation of the Program per se (the coordinating entity requires additional prerogatives vis-à-vis Executive entities, and it should not be limited to a mere passive role – namely to collect and provide information, which militates against achievement of good end results); and Program monitoring and execution (the IPAD's current scope of action as coordinating entity does not empower it to effectively monitor and follow up on all amendments being introduced in the programming or on changes to its execution schedules).

Yet, policymakers have emphatically acknowledged how important development cooperation is for the Portuguese State. Their efforts to restructure the PO05 for 2007 are clear evidence thereof. The enhancements introduced concerning financial coordination mechanisms that are now at the disposal of the responsible entity – IPAD – are becoming ever more productive. However, redefining competences and coordination mechanisms is, per se, still not enough, and it is equally necessary that those enhancements go hand in hand with realistic funding allocations – in short, the volume of funding and the value of payments under the PO05 must equally increase.

- *Portuguese Cooperation Database*

The *Portuguese Cooperation Database* is another management tool that has been introduced, and it has become a critical means for centralising, coordinating, and managing all official information on the country's cooperation activities. In 2006, access to the database was made available to all the technical and management personnel of the IPAD through search modules and matrices which enable them to search the database based on parametric criteria, thereby facilitating consultation and enhancing the accessibility of the information.

In addition, an *ODA Manual* was produced and distributed, with the objective of explaining the main concepts involved in ODA and of clarifying the applicable accounting procedures.

3. Portuguese Cooperation Operating Principles

3.1 Harmonisation and Alignment

- *Portugal's Action Plan for Aid Effectiveness*

Portugal committed to amend its practices in the granting of development aid with a view to enhance the impact of its respective programs and activities in partner countries.

Following the compilation by Portuguese Cooperation of an “Action Plan for the Harmonisation and Alignment of Portugal”⁹, in 2005, as a means of materialising its commitments under the Declaration of Rome, in 2006, the country finalised its “Action Plan for Aid Effectiveness”¹⁰. This Action Plan is guided by its new strategic orientation paper, “*Strategic Vision for Portuguese Cooperation*”, and translates the commitments undertaken by Portugal at various international fora into action.

In terms of its contents, and in addition to incorporation of the various measures defined under the “Action Plan for the Harmonisation and Alignment of Portugal”¹¹, “Portugal's Action Plan for Aid Effectiveness” introduces additional measures which, in turn, translate into specific deadlines. Those measures and targets are defined and structured with respect to every type of partnership commitment – and namely concerning Ownership, Alignment, Harmonisation, Managing for Results, and Mutual Accountability.

The Plan was distributed among Portugal's various Cooperation role players, and it is available for consultation at the IPAD's website, having been translated to English during 2006.

- *EU Common Framework for Country Strategy Papers*

In April 2006, a review of the “EU Common Framework for Country Strategy Papers” was finalised with the objective that such papers start to reflect the changes taking place internationally over the last few years, while also fostering enhanced coordination and complementarity in the granting of foreign aid among (EU) donor countries and partner nations.

Based on the new common framework for EU development aid programs, the IPAD compiled guidelines for Portugal's Country Strategy Paper titled “Guidelines for the 2007-2009 Indicative

⁹ Available at: http://www.ipad.mne.gov.pt/images/stories/APD/ha_planodeaccao.pdf

¹⁰ Available at: <http://www.ipad.mne.gov.pt/images/stories/APD/planoeficaciaajuda.pdf> (Portuguese version) and <http://www.ipad.mne.gov.pt/images/stories/APD/PlanoEficaciaAjudaEn.pdf> (English version)

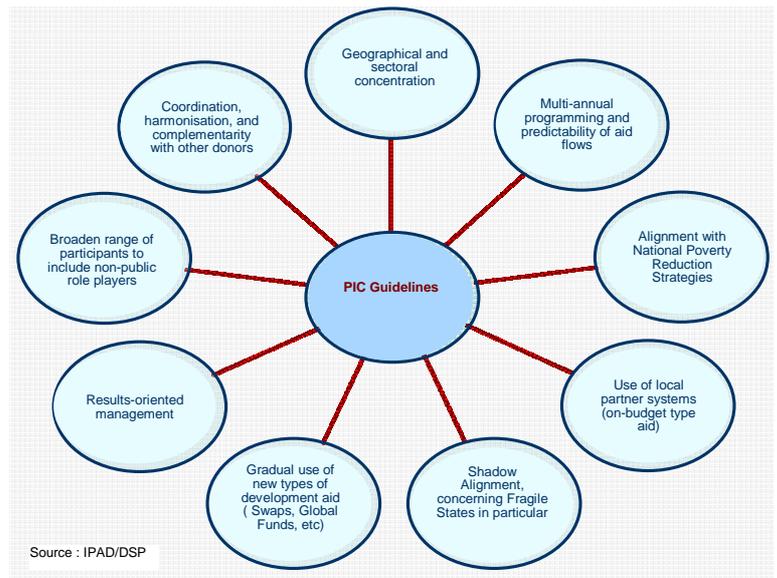
¹¹ Produced by IPAD following commitments undertaken at the HLF I of 25 February 2003.

Cooperation Programs (PIC)", which document, in essence, proposed the introduction of a common format in conformance to the EU Common Framework (see Figure 3.). The preliminary works for compilation of the PIC 2007/2010 for Angola, the PIC 2007/2010 for Mozambique, and the PIC 2007/2009 for East Timor already conformed to the aforementioned common format from inception.

- *Harmonisation and Alignment with Partner Countries in the 2007 Programming Cycle*

On the one hand, *aligning* aid to the mechanisms and strategies of partner countries becomes a key step in improving the quality and increasing the effectiveness of development aid granted by donor countries, while, on the other hand, alignment facilitates aid appropriation by partner countries.

Figure 3. Portugal's New Development Cooperation Guidelines



Portugal has been addressing this issue. During 2006, a number of technical workshops involving beneficiary organisations and executing entities were conducted for purposes of thoroughly covering the country's programming activities concerning various aid programs and projects, with a view to identify areas where strategic alignment was feasible and to redefine objectives or re-focus action plans, wherever necessary. In this context, the conduct of *Assessment Missions* in partner countries has proved to be a most useful tool.

In tandem with the above actions, particular attention was given to various *National Poverty-Reduction Strategies* which are in place in partner countries. In this regard, harmonisation between donors and alignment of development aid programming between donor and partner country was of particular relevance in the cases of S. Tome and Principe and of Guinea-Bissau, and this greatly facilitated the appropriation process in those two countries. The convening of sectoral donor round table talks (in December 2006), allowed the Government of S. Tome to present its programs and projects for areas it deemed as priority areas thereby raising donor awareness and interest in materialising such projects. Another set of round table talks took place in Geneva (November, 2006) involving donors for Guinea-Bissau and envisaging disbursement of USD262.5 million in

financial aid over the following five years (2006-2011), subject to submission of evidence of good governance on the part of the Government of Guinea-Bissau.

- *Joint EU / UN Initiative in Mozambique - ODAMOZ*

In 2006, information on Portugal's Official Development Assistance (ODA) activities developed with Mozambique during 2005 and 2006 was gathered and forwarded to the ODAMOZ system. Regular supply of information on projects developed in Mozambique to ODAMOZ has enabled the donor countries involved to take joint action, as well as it has facilitated improvement in alignment with Mozambican authorities.

3.2 Policy Coherence and Coordination

Portugal considers that increased policy coherence on development aid to poorer countries is a key success factor in achieving the MDG in the fight against poverty and in providing effective aid. Nevertheless, it equally recognises that equating the level of importance attributed to development cooperation policy to the importance ascribed to other domestic policies in each country is an issue that still faces many obstacles in the majority of international donor nations.

As concerns Portugal in particular, the country is still at a beginner stage as concerns the promotion of a "culture" of coherence with regard to the implications of its various domestic policies may have for the development of its partner countries. Within the scope of such efforts, two key instruments deserve particular highlight:

- The country's *Inter-Ministerial Committee for Cooperation (CIC)*, which operates as a relevant forum for the achievement of concerted action by the various ministries and for information exchange. Sectoral themes, together with other cross-cutting themes that equally impact on Portuguese cooperation, are debated at that forum, and the country can thus increase policy and practice coordination, and enhance coherence and complementarity between Portugal's various cooperation role players.

In 2006, the CIC met seven times, having addressed various themes, as follows: a presentation of the 2006 Annual Development Cooperation Programs for PALOP countries and East Timor, which required increased coordination and coherence in terms of projects and initiatives to be implemented; discussions by the various sectoral Ministries and the IPAD on how to make the country's *Strategic Vision for Portuguese Cooperation* operational; discussion of the new *Sectoral Strategies for Portuguese Cooperation*, which compilation required the involvement of IPAD together with various sectoral Ministries; and a presentation of the new structure of the country's Cooperation Budget Program for 2007.

- The country's *Strategic Vision for Portuguese Cooperation*, which commit Portugal to be guided by the principles of coherence, setting out the applicable mechanisms and priorities geared to enhance coordination of the various actions and contributions to be taken by domestic role players involved in development cooperation. The overall objective has been to increase coherence in the formulation and implementation of public policies which may have an impact on the development of poorer countries.

In order to reach that goal, and with a view to complement the CIC's scope of action, a *Development Cooperation Forum* was launched with the purpose of concerting the actions of public and private donors and of thereby fostering the development of donor synergies, and of ways and means to achieve complementarity between the actions being developed by the various stakeholders.

3.3 Evaluation and Managing for Results

Improving Portuguese ODA policy requires the strengthening of a culture of on-going evaluation. Such evaluations must become routine for management and must operate as a cornerstone for the decision-making process. In this way, development aid effectiveness can be enhanced, both as concerns policy making and operational features, thereby allowing for correction of deviations, for learning from past experience, and for incorporating these lessons and recommendations in current and future interventions.

In 2006, the following actions were implemented¹²:

¹² Executive Summaries of the Reviews conducted to date are available at:
http://www.ipad.mne.gov.pt/index.php?option=com_content&task=view&id=167&Itemid=198

Table 3. Portuguese Cooperation Review

Portuguese Cooperation Review	Status report
Evaluation of Angola's and Mozambique's PIC's	Finalised. Findings were advised to Portugal's various development cooperation role players and to partner countries, and published on the IPAD's website.
Evaluation of East Timor's PIC	In progress. The visit to East Timor was delayed, leading to delay in the finalisation of The information gathering and analysis processes and the production provisional report, and delaying final review workshop. The final Report was submitted by the end of January 2007, having included the workshop's comments and recommendations
Evaluation of IPAD's Scholarships Policy	Finalised. Findings were advised to Portugal's various development cooperation role players and to partner countries, and published on the IPAD's website.
Cooperation in the statistics area	Terms of Reference submitted for discussion with the role players involved, to be subsequently forwarded to partner countries for comment.
Joint reviews	Status report
Global Budget Support (DAC)	The IPAD followed up on the discussions of the entire process of finalisation and distribution of the findings of the joint review of the Global Budget Support (GBS) and, in December, distributed those findings internally.
3 Cs - Coherence, Coordination and Complementarity (EU)	The process of the 3 Cs review was indirectly followed up, and IPAD was not represented at the June meeting in Brussels, for lack of human resources. For the same reason, the IPAD was not represented at EU Heads of Review meeting.
DAC Evaluation Network	The IPAD was represented at the meetings of the DAC Evaluation Network (March and November, Paris).

Source: IPAD/DSP

As concern strategic guidelines documents, a paper titled **Evaluation Policy** was produced, setting out the reviewing requirements on Portuguese Cooperation and, in December, there was a workshop for the IPAD's staff on *Evaluation in Development Cooperation*.

Simultaneously, the last chapter of the **Evaluation Guide – Reviewing Methodology and Techniques** was finalised, and this guide is to be published in the Review page of the IPAD's website. In addition, a **Commented Guide on Evaluation Resources available on the Internet** was also produced and will soon be published in the Evaluation page of the IPAD's website.

Within the scope of the **DAC's Peer Review of Portugal**¹³, all the required work was undertaken, including distribution of the preliminary report, comments and answers submitted to OECD; distribution, translation and publication in the IPAD'S website of the main findings and recommendations; as well as the convening of meetings between the Chairman of DAC and the Foreign Affairs and Development Cooperation Parliamentary Committee at the Portuguese Parliament, and of a public session to present the Peer Review's findings, which session took place on the 2nd of June.

¹³ A summary of the main findings and recommendations is available at <http://www.ipad.mne.gov.pt/images/stories/Avaliacao/examecad.pdf>

As concerns the evaluations taking place in 2006, it could once more be established that they suffer from a blatant weakness, which, besides, is the case at several other agencies. That weakness arises from the difficulty in finding adequately experienced and duly empowered consultants to conduct such evaluations. In fact, and although reviews of public policies is a matter where adequate competence and considerable experience abounds, those very assets are scarce when it comes to specifically reviewing development cooperation, partly on account of the fact that there is no specific training available in that area. That type of weakness constrains the effectiveness of a policy review, and consequent inclusion of the review's findings on Portuguese Cooperation.

3.4 Untied Aid

Portugal has participated and followed up on discussion on Untied Aid at various international fora, and has supported amendments made to the 2001 Recommendation, at the *High Level Meeting* of 15 March 2006.

In January 2006, the IPAD put in place a routine procedure to gather information on all projects being put out to tender, thereby facilitating the process of notifying all such to the DAC-OECD.

In 2006, the percentage of Portuguese untied aid represented 61% of its Total Gross ODA (see Table 4). As concerns percentage of tied aid, it decreased by some 7% when compared to 2005, which indicates the country has made an effort to comply with the recommendations of the DAC. This type of assistance corresponds, in the main, to the provision of funding for small projects, selected on a case by case basis and in accordance with their specific features.

Table 4. value of Tied Aid in Portuguese ODA, 2006 *

GROSS ODA	€ million					
	Grants	%	Loans	%	TOTAL	%
a) Untied Aid	43	79	0	0	43	61
b) Partially untied Aid	0	0	14	91	14	20
c) Tied Aid	11	21	1	9	13	18
TOTAL	54	100	16	100	70	100

* Excludes technical cooperation and administration costs.

- a) Untied aid- development aid translating into direct acquisition or import of goods and services, for which purpose a tender is open for all OECD countries and all aid beneficiary countries.
- b) Partially untied aid- development aid translating into direct acquisition or import of goods and services, for which purpose a tender is open to the donor country and all aid beneficiary countries.
- c) Tied aid development aid translating into direct acquisition or import of goods and services, for which purpose a tender is open only to the donor country, or the donor country and specific beneficiary countries.

4. Portuguese Cooperation Priorities

4.1 Geographical Priorities

In conformance to the guidelines defined under its *Strategic Vision for Portuguese Cooperation* paper, the geographical concentration principle becomes a key route whereby to make Portuguese Cooperation more effective. Accordingly, all Portugal's commitments towards Portuguese-speaking countries, being its priority geographical intervention area, have been renewed.

In effect, PALOP countries and East Timor remain Portugal's privileged destinations for intervention, naturally arising out of their common history. Historical and cultural links have led to the formation of an institutional and juridical framework in those partner countries which is very similar to Portugal's equivalent systems, which features, in turn, enhance the role Portugal can play by capitalising on its competitive advantages vis-à-vis other donor countries – namely, a common language and history – adding to the fact that those features are present not only on a geographical basis but on a sectoral basis too.

On a par with Portugal's bilateral relations with each of those countries, Portugal has also determined that particular incentives should be given to South-South cooperation, meaning that the relations between say Brazil and PALOP countries, for instance, should also be promoted, together with relations within the scope of the Community of Portuguese-speaking Countries (CPLP). Portugal believes that it should also pay particular attention to the regional context within which each of its bilateral partner countries is inserted, since such areas may also become important destinations for Portuguese Cooperation¹⁴.

4.2 Sectoral Priorities

The constraints impacting on Portuguese Cooperation, both in terms of resources and skills, are of fundamental importance in the selection of its sectoral areas of intervention, and, therefore, rationalising priorities has become one of the main concerns of the country's cooperation system over the last few years.

¹⁴ *Strategic Vision for Portugal's Development Cooperation*, MNE, issued by the IPAD, February 2006, page 25

The objective of its sectoral concentration policy is to increase the effectiveness of the aid it grants and to prevent a wide dispersion and multiplicity of small interventions of reduced impact and visibility. Therefore, this objective requires strict selection of the sectors it targets for intervention, and sector selection is based on two key criteria: addressing a partner country's most pressing needs, as identified in their own national development strategic plans; and building on Portuguese Cooperation's specific value-adding features.

The factors that give Portugal such an advantage are mostly underpinned by the common language it shares with its partner countries and its historical knowledge, which factors, in turn, favour Portugal's concentration in the areas of **education** and **training, health** and **institutional building**, which extend from reinforcing the partner State's administrative wherewithal to the promotion of good governance practices in partner countries.

4.3 Cross-cutting Issues

- *Fragile States*

International guidelines with regard to harmonisation, alignment, and ownership by beneficiary countries concerning their own development pay special attention to the so-called **Fragile States**. To that end, the *Fragile States Group* is conducting an exercise aiming to identify *Principles for Good Intervention in Fragile States*, in order to bring those countries into the Harmonisation and Alignment exercise through assistance that is specifically adapted to weak governance capacity contexts. Within the scope of that exercise, Portugal offered its services as a facilitator for Guinea-Bissau, in 2005.

Portugal, represented by IPAD, attended and participated in a workshop of the DAC/OECD Fragile States Group (June, Paris), where a status report on the exercises being conducted with nine pilot countries was presented. That initiative was followed up by a seminar convening the pilot exercise facilitators together with representatives from the DAC/OECD, the United Nations Development Program (UNDP), the World Bank, and the IMF, plus representatives from a few countries which are being the object of those exercises, namely Yemen and Guinea-Bissau. The seminar provided for fruitful discussions and for clarification on divergent interpretations of the 12 principles that have been agreed upon.

As concerns Portugal's action as a facilitator in the *Pilot Exercise for Guinea-Bissau on the Application of the Principles for Good International Engagement in Fragile States*, a study was conducted to assess the position in that country with regard to each of the aforementioned twelve

principles, for which purpose Guinean (government and civil society) role payers and the main donors already involved with that country were consulted.

The schedule for implementing those principles was validated by the Guinean Government in October 2006, and Phase I of the Facilitation Exercise was finalised during the following month, following the convening of a *Seminar on the Application of the 12 Principles* taking place in Bissau. The main objective of that seminar was to debate the relevance and the implementation of the principles for effective international intervention in Fragile States where Guinea-Bissau was specifically concerned, in order to thereby improve the scope of action of the international donor community. The conclusions of that seminar were that there is a basic need for that country to achieve political stability, include safety reform within a broader reform framework, promote the role of its private sector, empower its institutions, as well as for the need for appropriation of the development process by the Guinean authorities, and for harmonisation of donor procedures and alignment with the *DENARP – National Strategic Plan for the Reduction of Poverty* development strategies, inter alia.

- *Fight against Poverty and Sustainable Development*

The fight against poverty and the sustainable development promotion are at the forefront of Portuguese Cooperation. Those two key criteria govern the majority of the actions being taken by its various role players. However, and in that regard, we highlight a number of actions being conducted by Portugal's Ministry for Labour and Social Solidarity, which strategy has been oriented along two priority directions: the fight against poverty and the fight against social exclusion and institutional building.

In the light of a belief that all-encompassing action is the most effective way in which to intervene, the projects being developed within the scope of the fight against poverty are aimed at the most vulnerable sectors of the population, as identified by the partner countries themselves, and in accordance with the real living conditions experienced by those people (women, the elderly, children, and the youth). The aim of those projects is to foster social integration by improving living conditions and, of necessity, environmental conditions; to promote the provision or improvement of safety and hygiene conditions, at home and in the workplace; to assist with professional guidance and training; and to enhance the provision of educational and social and cultural facilities.

In addition, resort to the use of Micro-credit is fostered, in order to enable not only the development of basic sanitation projects and the improvement of housing conditions, but also the launch and implementation of small businesses, within a rationale of creating self-employment mechanisms

that are conducive to enhance the self esteem and improve the well-being of the populations involved.

In turn, institutional building action aims at enhancing the ability of the country's institutions by financing the acquisition of the materials and equipment they require for purposes of improving their operations: by giving them technical support and legal advisory services, and by assisting them in enhancing the scope and effectiveness of their own social protection networks; and by training their managerial personnel.

The overall goal is to assist in the empowerment of their institutions so that the partner country's institutions may, in turn, perform their roles more effectively in supporting the educational and socio-cultural development of their population.

- *Gender equality*

Gender equality has also been identified as a priority for Portuguese Cooperation. Strategic operational guidelines have already been compiled in that regard, which are currently being finalised.

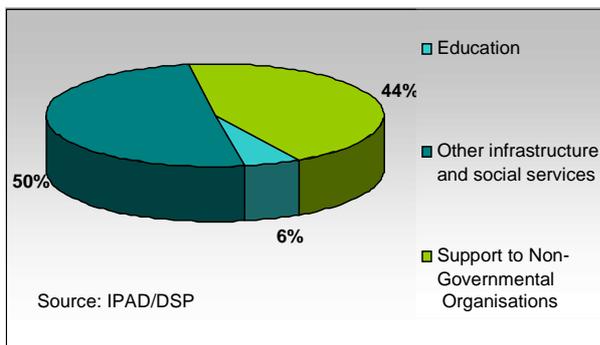
Portugal has been attending the annual meetings of experts from the EU's member states on Gender Equality and Development, as promoted by the European Commission, having participated in the production of a paper titled "Gender Equality and Women Empowerment in the Development Cooperation", which is included in the current programming cycle.

As concerns development cooperation, gender equality may well become the central focus of a particular intervention, but this particular theme becomes more often a "cross-cutting" feature of various programs and projects, i.e., it is taken into consideration as a specific objective, and, consequently, materialises into specific activities and produces social intervention results which can be adequately measured.

This perspective has been progressively incorporated in some of Portuguese Cooperation programs and projects, and especially in social services projects and NGO assistance projects (see Graph 1.). Some progress indicators on concrete interventions are already available.

Gender equality is viewed not only as a fundamental human right but also as a matter of social justice, and as being inextricably linked to sustainable development and to the reduction of poverty. Interventions must focus on issues such as the empowerment of women with regard to

Graph 1. Sectoral distribution of Portuguese Bilateral ODA as regards gender



their political and economic rights, and on promoting action that goes beyond the social sectors to encompass other areas such as economic growth, trade, migration, the environment and infrastructure, governance, agriculture, Fragile States, peace, and reconstruction. The systematic inclusion of this theme in political dialogue is also a priority.

- *Environment*

Environmental protection and the sustainable management of natural resources are certainly a priority area for Portuguese Cooperation. The “*Strategic Vision for Portuguese Cooperation*” paper specifically identifies environmental protection and the sustainable management of natural resources as a sectoral priority. That paper states clearly that environmental protection and land management policy are essential components for ensuring minimum quality in the population’s standard of living, given their direct impact on public health and on the fight against poverty. In that context, Portuguese Cooperation has brought all its knowledge to bear on the fostering of sustainable management of natural resources, and of water resources and the preservation of biodiversity, in particular, in developing countries.

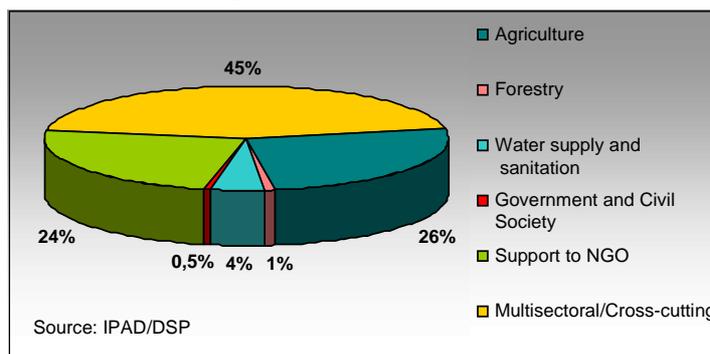
As concerns **environmental protection**, Portuguese Cooperation has included both multilateral and bilateral action. As concerns multilateral action, Portugal has contributed for the instruments and funds of the main international Conventions and Protection Funds, which, in some instances, are accounted for as official development assistance, as is namely the case of the Global Environment Facility (GEF), the Montreal Protocol to the Vienna Convention on the Protection of the Ozone Layer, the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Environment Programme (UNEP), the Convention for International Trade in Endangered Species (“CITES”) of Wild Fauna and Flora, the United Nations Convention to Combat Desertification (UNCCD), the Convention on Biological Diversity (CBD), and the Convention of the International Union for the Conservation of Nature and Natural Resources (IUCN).

In 2006, and through its Ministry of the Environment, Land Planning, and Regional Development, Portugal granted financial assistance for the convening of regional workshops in Latin America and

in Africa in the context of the working program on adaptation, under the United Nations Framework Convention on Climate Change.

As concerns bilateral action in environmental protection, and as stated in the Indicative Cooperation Programs signed with various partner countries, Portuguese Cooperation has been largely focusing on water supply and sanitation services, climate change, and institutional building. The sectoral distribution of this type of aid in 2006 is depicted in Graph 2..

**Graph 2. Sectoral distribution of Bilateral Portuguese ODA
With regard to Environment Protection**



In 2006, Portugal implemented the following actions:

- Continuation of the implementation of the Climate and Sea Conditions Information System to support Sustainable Development in Cape Verde and Sao Tome and Principe. The importance of this project has led the Government of Guinea-Bissau to request the supply of a similar system for that country.
- Start of a project aiming to Quantify Stored Carbon and Carbon Sink Capacity of the Forest Cover of Guinea-Bissau and to also train technical personnel of that country in the methodology and technology utilised for the purpose.
- Still concerning climate change, Portugal continued to fund the attendance by one member each of the National Delegations of Cape Verde, Guinea-Bissau, Mozambique, and Sao Tome and Principe of the meetings of the Subsidiary Bodies of the United Nations Framework Convention on Climate Change.
- A project was launched to train Environmental Inspectors in Cape Verde, with the objective of empowering Cape Verde's Directorate-General for the Environment with a team of trained Environmental Inspectors.
- Portugal has also funded the attendance of representatives from the Ministries of the Environment of Cape Verde, Guinea-Bissau, Mozambique, Sao Tome and Principe, and East Timor of the 3rd Ministerial Meeting of Environment Ministers of CPLP, which convened in Brasília.

Climate change integrates the Portuguese Cooperation sectoral priorities strategy as concerns support for sustainable development, in particular. This theme will be separately handled by the IPAD through an operational strategy or action plan addressing environment preservation, which paper is at finalisation stage.

In May 2006, Portugal, represented by the IPAD, attended the 24th sessions of the Subsidiary Bodies of the *United Nations Framework Convention on Climate Change* (UNFCCC) and submitted strategic recommendations on the mainstreaming of climate change initiatives when defining cooperation planning instruments, in support of the project cycle under the Clean Development Mechanism (CDM) to be applied at beneficiary countries, and to also render operational other empowerment options for mitigation of climate change.

As concerns Portugal's Multilateral Cooperation, the IPAD attended the meetings of the Lusophone Network for Climate Change (RELAC), by fostering the identification of empowerment needs, and it has submitted proposals on sectoral policies for inclusion in the CPLP's Indicative Cooperation Plan for 2007-08, namely by proposing a strengthening of the capacity of Designate National Authorities and UNFCCC Focal Points and the entering into alliances for the purpose of funding CDM projects.

As concerns inter-ministry coordination, the IPAD supported Portugal's participation in the Commission for Climate Change, namely for the purpose of defining the statutes of the Portuguese Carbon Fund.

Another Portuguese initiative concerning environmental protection that deserves highlight is the fact that the country has followed up on developments concerning the **EU-Water Supply Facility**. Portugal has been involved with this initiative since September 2004, and it has been an active participant at the meetings of the Informal Working group which has been meeting about every two months on the issue.

In tandem with the above, the IPAD has kept potential interested parties informed by various means (namely by forwarding information, holding informal meetings, etc.).

Portuguese Cooperation has also been involved in this process as a potential co-sponsor of projects submitted, namely the "Water Retention and Respective Infrastructure for the Supply of Water to the Kuanza Sul – Angola Population" Project, which has since been approved.

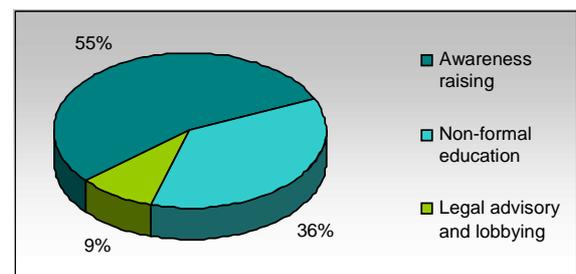
Such involvement is framed within the context of one of Portuguese Cooperation Sectoral Priorities, which focus on environmental protection and sustainable management of natural resources, and of water resources in particular, with a view to reach MDG targets by using, whenever feasible, innovative sources of financing development .

- *Development Awareness*

The *Strategic Vision for Portuguese Cooperation* paper gives also particular attention to Development Awareness, considering that it is a key vehicle for promoting the type of “*solidarity and justice values and attitudes that must characterise a responsible global citizenship*”¹⁵.

By recognising the critical importance of the role of Development Awareness in the adoption of a strategy that might be conducive to successfully raise the awareness of the Portuguese population to development issues, the creation of a separate funding facility to finance projects of this nature was agreed upon with the Portuguese Development NGO Platform, and a number of projects of this nature has already been submitted in 2006. Concerning such applications, of the 70 projects submitted, 11 projects were approved, involving 8 Development NGOs and a disbursement of €532,896 in funding.

Graph 3. Sectoral distribution of Education for Development projects supported by the IPAD (2006)



Source: IPAD/DASC
Processing: IPAD/DSP

4.4 Humanitarian Aid

Humanitarian Aid is, by definition, each and every action which might contribute to promptly and effectively alleviate the impact of a variety of catastrophic events on the population directly affected by such catastrophes. The *Strategic Vision for Portuguese Cooperation* paper draws attention to the increasing complexity of the large number of conflict situations and humanitarian crises arising¹⁶, and demanding increasingly fast and effective response either from donors or from civil society.

¹⁵ *Strategic Vision for Portugal's Development Cooperation* , MNE, issued by the IPAD, February 2006, page 45

¹⁶ *Strategic Vision for Portugal's Development Cooperation* , MNE, issued by the IPAD, February 2006, page 46

Given great urgency, an *Inter-institutional Plan of Action* was issued in 2006 which defines a variety of agreements to be entered into with various public agents, in order that the rendering of humanitarian aid can be provided in an effective and concerted manner. An *Application of Humanitarian Donorship Principles and Good Practices Plan* was also issued, within the context of the *Good Humanitarian Donorship* initiative

As concerns the specific aid given, it was based on the defined priorities and on the international appeals received, namely appeals from the United Nations (see Table 5). As concerns multilateral efforts, Portugal contributed to the *CERF – Central Emergency Response Fund*, within the context of United Nations' initiatives, with a €200,000 disbursement.

Table 5. Sectoral and geographical distribution of aid granted in 2006

Sector	Region/Country	Scope	Units: Euro
Emergency response			
Assistance and material support services	Algeria	Emergency and humanitarian aid to Algeria	73,188
	Guinea-Bissau	Contribution to the Emergency Plan of WHO for Western Africa (vaccination)	44,000
		Pro Dignitate (NGO) – Supply of containers	5,957
	Indonesia	Emergency assistance following the 2004 tsunami – Assisting with reconstruction of the health care network in cooperation with OIKOS (NGO)	291,000
	Sudan	Contribution to the UNHCR's appeal for aid to the Sudan (Darfur crisis) 2006	1,000,000
	East Timor	Medical assistance to the population of the Oe-cusse Enclave (AMI / WMA)	7,595
Humanitarian crisis – Supply of antibiotics and blood serum		14,007	
		INDE (NGO) – Humanitarian crisis – Assisting internal refugees	2,019
Sub-Total			1,437,766
Coordinating assistance; Safety and support services	Other developing countries Not specified	Annual contribution to the UN's CERF - Central Emergency Response Fund	200,000
	Lebanon	MCDA (Military and Civil Defence Assets) appeal no. 1 of OCHA – Office for the Coordination of Humanitarian Affairs of the United Nations	200,000
Sub-total			400,000
Total Emergency response			1,837,766
Assistance for Reconstruction and Rehabilitation			
Assistance for Reconstruction and Rehabilitation	Indonesia	Rehabilitation of a clinic and construction of a technical medicine school in Lamno and construction of a set of schools also in Lamno	1,500,000
	Iraq	Maintenance of peace in Iraq and supporting the reconstruction effort - Izsfor stabilisation force	117,789
		NTM - I NATO Training Mission in Iraq	204,808
	Sri Lanka	Tsunami – Construction of a school, rehabilitation of a hospital, basic assistance to Burgher families	959,276
	Myanmar	Tsunami – Rehabilitation of schools (UNICEF)	50,000
	Maldives	Tsunami – Rehabilitation of a College supporting the agricultural sector	300,000
	Malaysia	Tsunami – Construction of residences for the elderly in Kuala Muda	331,800
	Seychelles	Tsunami – De-silting of coastal facilities	150,000
	Thailand	Tsunami – Construction of a shelter for children in Mueang	140,472
Total Assistance for Reconstruction and Rehabilitation			3,754,145
Total Humanitarian Aid			5,591,911

Source: IPAD/DSP

The IPAD was also the coordinating entity of Portugal's humanitarian aid to Lebanon, by availing a C-130 from the Portuguese Air Force to fly 40 tons of emergency supplies under the *World Emergency Food Supply*, from a storage facility in Brindisi (Italy) to Beirut.

4.5 Supporting Civil Society

Assisting Civil Society is yet another priority for Portuguese Cooperation. The emergence of a strong civil society is an important component in the building and development of a democracy, while keeping alive a society's awareness of issues such as the fight against poverty and gender inequality and free access to education represents an on-going challenge.

The importance given to civil society as a cooperation partner of the Portuguese State is abundantly recognised in the new guidelines. That paper states clearly that it recognises the “*value-added of civil society as a serie of associations, private enterprises and other bodies of a non-governmental, independent and autonomous nature, which together constitute a privileged space for the exercising of an active and responsible citizenship*”¹⁷.

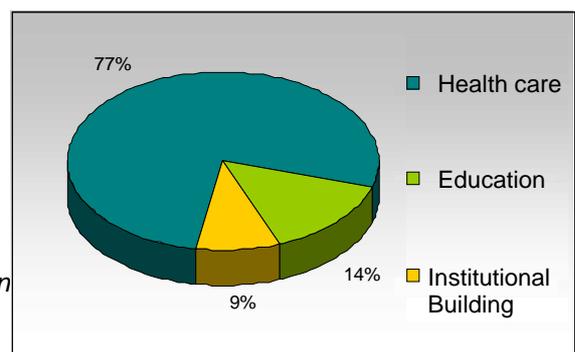
- *Non-Governmental Development Organisations*

Non-Governmental Development Organisations (NGDO's) have become an increasingly important development aid partner, which is amply evidenced by the growing number of projects involving such organisations being supported by the IPAD. This agency's support to NGDO's covers a variety of areas and namely the following development cooperation priorities: poverty reduction, training and education, reinforcing institutional building, and promoting economic activity. As concerns geographical criteria, priority is given to projects being developed in Portuguese-speaking countries.

In 2006, the rules and criteria applicable to development projects submitted by NGDO's, which had been in place since 2001, were the object of another round of amendments done in partnership with the Portuguese Development NGO Platform, with a view to enhance exactness and clarity in the formulation and submission of projects. In this way, and in addition to a review of the existing rules and criteria, new procedures were introduced calling for additional documentation, namely the submission of reports on project execution and project evaluation.

During the first half of 2006, the first Extraordinary Funding Facility for Guinea-Bissau, amounting to €1 million, was announced. Under that facility, 28

Graph 4. Sectoral distribution of the Extraordinary Funding Facility for Guinea-Bissau

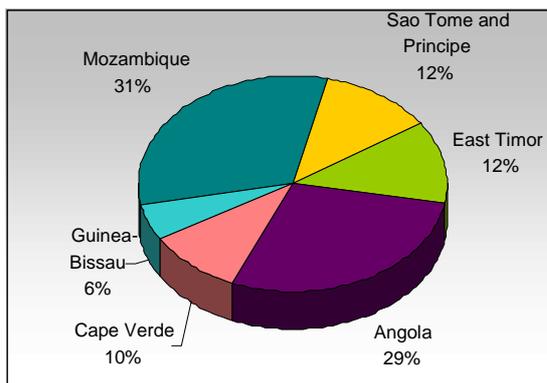


¹⁷ *Strategic Vision for Portugal's Development Cooperation* page 43

projects were submitted by 17 NGDO's and an Immigrants Association. Following careful analysis in conformance to the established criteria and subject to funding availability, 8 projects from 7 NGOD's were selected, totalling €0.988 million. In terms of sectoral distribution, the projects approved under the aforementioned facility focused on health care (77%), education (14%), and institutional building (9%).

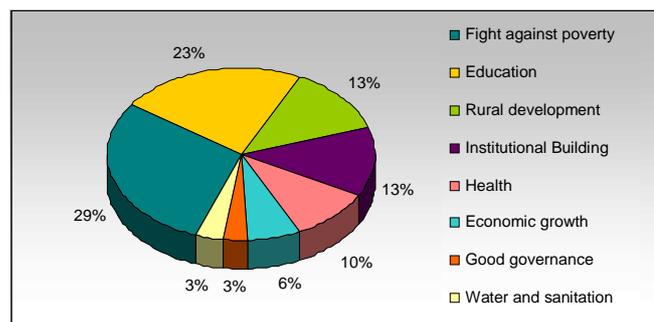
In March, the 107 entities registered with the IPAD as an NGOD were advised of the opening of a *Development Projects Funding Facility for NGDO's*, providing total funding of €2.8 million. Under that facility, 91 projects totalling €24.4 million were submitted by 37 NGDO's, requesting the IPAD assistance to the tune of €9.8 million. Following careful analysis in conformance to the established criteria and subject to the funding availability, 31 projects submitted by 17 NGDO's involving total funding of €2.8 million were selected. The geographical and sectoral distribution of those projects is depicted in Graphs 5 and 6.

Graph 5. Geographical distribution of NGDO development projects funded in 2006



Source: IPAD/DASC
Processing: IPAD/DSP

Graph 6. Sectoral distribution of NGDO development projects funded in 2006



Source: IPAD/DASC
Processing: IPAD/DSP

As concerns disbursements for assistance to NGDO projects, 91 requests for reimbursement were analysed, reporting to 73 projects which were co-financed between 2003 and 2005.

Under the provisions of Decree-Law no. 13/2004 concerning reimbursements for funding granted to development projects submitted by NGDO's, between 2003 and 2004 such projects were financially executed to a rate of 89% of the scheduled funding, which represented an increase of 10% when compared to 2003, and of 32% when compared to 2004.

On development projects approved in 2005, the rate of financial execution reached 85% of the scheduled funding, while projects approved in 2006 reached a rate of financial execution of 80% of the scheduled funding, taking into account the applicability of the a new legal framework. ED projects for 2005 were financially executed to a rate of 81% of the scheduled funding.

- *Portuguese Municipalities*

In 2005, the IPAD entered into an partnership agreement with the National Association of Portuguese Municipalities (hereinafter referred to as “ANMP”), which sets out the regulations governing the submission of applications by Municipalities, and their analysis, approval, and monitoring, together with a draft funding contract.

During last year, 77 applications were analysed under this Partnership Agreement signed by the IPAD and the ANMP and a proposal for an amendment to the regulations and criteria set out in the aforementioned agreement was also considered. Within the framework of this partnership, 9 applications were analysed concerning various types of development projects none of which, however, materialised, for lack of funding.

Other Activities and Supports

As concerns other activities and assistance granted, work was put into an investigation and justification of the creation and operation of a *Development Cooperation Forum*, within the context of rendering Portuguese Cooperation strategy operational.

It is also important to highlight that a subsidy was granted for purposes of making the Portuguese Platform of the NGO for Development operational, while co-funding was granted to a project entitled “Raising Awareness for Humanitarian and Emergency Aid”.

5. Portuguese ODA Modalities, Stakeholders, Volume and Distribution

5.3 ODA Modalities

Portugal channels most of its bilateral ODA through two major categories of assistance: technical cooperation and investment projects (see Table 6).

Technical cooperation (TC) continues to be the most significant vehicle being employed by Portugal, accounting for €93 million and having a weight of 55% in total Portuguese ODA, in 2006.

Among the various sectors of activity where technical cooperation projects were developed, two sectors – *Education, Government and Civil Society, and Other Social Infrastructure and Services* were of particular relevance. The importance of TC for those sectors is associated to Portugal's strong commitment to the educational sector, training, and institutional building as the primary cornerstones of development cooperation policies, since it considers that those are key areas for successfully fostering the development of sustainable development processes and for effective processes of appropriation of democratic consolidation in partner countries.

Table 6. ODA 2006 - Net Disbursements, Thousands €

MAIN TYPES OF AID	Technical Cooperation	%	Investment Projects	%	PROGRAMME ASSISTANCE			%	Other	%	TOTAL
					Sector PA and other, including commodities and supplies	Budget Support					
TOTAL	93.327	55	26.591	16	6.718	4	503	0	41.195	24	168.334
110 - EDUCATION	42.034		8.060		1.919				198		52.211
120 - HEALTH	1.309		27		427				6.506		8.269
130 - POPULATION POLICIES/PROGRAMMES AND REPRODUCTIVE HEALTH	6								0		6
140 - WATER SUPPLY AND SANITATION	230		196						73		499
150 - GOVERNMENT AND CIVIL SOCIETY	25.022				407				10.024		35.453
160 - OTHER SOCIAL INFRASTRUCTURE AND SERVICES	14.420		748						581		15.749
210 - TRANSPORT AND STORAGE	943		15.014						994		16.951
220 - COMMUNICATIONS	1.420		1.390								2.810
230 - ENERGY											0
240 - BANKING AND FINANCIAL SERVICES	378										378
250 - BUSINESS AND OTHER SERVICES	85								265		350
311 - AGRICULTURE	747		419								1.166
312 - FORESTRY	38										38
313 - FISHING	26										26
321 - INDUSTRY	138										138
322 - MINERAL RESOURCES AND MINING	94										94
323 - CONSTRUCTION	361		571						5		937
331 - TRADE POLICIES AND REGULATIONS	43										43
332 - TOURISM	162										162
400 - MULTISECTOR/CROSS-CUTTING	5.871		166		3.984				1.498		11.519
500 - COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE					-19		503				484
600 - ACTION RELATING TO DEBT									-1.555		-1.555
700 - HUMANITARIAN AID									5.592		5.592
910 - ADMINISTRATIVE COST OF DONORS									10.203		10.203
920 - SUPPORT TO NGOs									5.946		5.946
930 - REFUGEES IN DONOR COUNTRIES									194		194
998 - UNALLOCATED/UNSPECIFIED									671		671

As concerns *investment projects*, the sectors which benefited the most from this category of assistance were *Education* – including construction and rehabilitation of schools and training centres and provision of school equipment to Angola, Guinea-Bissau, Mozambique, East Timor, and Cambodia, for instance – and *Transport and Storage*– where we highlight the projects for the Construction of the Praia Ring Road and the Rehabilitation of the Praia/São Domingos Road, in Cape Verde, which objective was to enhance the roadways infrastructure of that country.

Debt rescheduling and forgiveness and budget support deserve equal highlight for being among the main categories of Portuguese ODA.

Portugal's general policy on **actions related to debt** has consisted on the implementation of various debt rescheduling operations under the Paris Club framework or through bilateral agreements, and subject to terms and conditions which are defined as a function of the level of domestic income and indebtedness of the debtor country. As concerns low-income countries which are heavily indebted (HIPC's), and in addition to very favourable rescheduling terms and conditions, Portugal has considered the granting of additional assistance via foreign debt reduction, such as schemes for debt-to-investment conversion while safeguarding the monetary and budgetary implications thereof for the debtor countries. In addition, debt forgiveness (further and above the minima established by the Paris Club) and the granting of assistance for payment of multilateral debt have also been considered.

As concerns **budget support**, Portugal's assistance in beneficiary countries normally arise from commitments undertaken in meetings with donor countries and it is submitted to good performance in terms of governance.

In 2006, a disbursement in favour of East Timor in respect of the 1st tranche of USD0.5 million under a commitment of a total of USD1.5 million in direct budget support (Phase 2) deserves highlight. The disbursement of the 3rd tranche of USD5 million for the World Bank trust fund, out of a total commitment of USD20 million, is also of note. In addition, we highlight that an amount of USD1 million in aid was disbursed to Guinea-Bissau, under a commitment given by Portugal at the November round table talks.

5.4 Official Executors

Given its decentralised ODA model, Portuguese Cooperation is spread among a variety of role players, including its Central, Regional, and Local Administration, its Universities, and NGDO's, inter alia. Among all those players, sectoral Ministries are the executors that provide the highest contributions to total Portuguese ODA funding, averaging a weight of approximately 99% of total ODA funding, over the last five years (see Table 7).

Table 7. Distribution of Portuguese ODA per funding entity (2002-2006)

Entity	Units: Euros					Average of the Last 5 years
	2002	2003	2004	2005	2006	
Ministries	341,086,944	281,095,623	825,621,507	298,504,356	313,526,142	99.00%
Portuguese Parliament	-	-	410,064	305,724	269,173	0.05%
Banks	873,335	685,298	415,230	711,463	580,637	0.16%
Municipalities	-	911,411	3,328,897	3,740,315	1,229,084	0.44%
Regional Governments	5,500	-	-	-	4,014	0.00%
Courts	-	82,855	75,323	126,442	9,150	0.01%
Universities and Technical Colleges	328,895	75,059	39,510	38,031	156,200	0.03%
Total ODA	342,294,674	282,850,246	829,890,531	303,426,331	315,774,400	100.00

Source: IPAD/DSP

Among sectoral Ministries, the Ministry of Finance (with about 48% of total Portuguese ODA, in 2006), the Ministry of Foreign Affairs (financing 22% of total ODA for the year under analysis), and the Ministry of Science, Technology, and Higher Education (10% of total ODA, in 2006) deserve highlight based on the level of their weight in total ODA funding – (see Table 8). The weight of the Ministry of Finance is justified on account of the fact that that Ministry is responsible for funding

Table 8. Sectoral Ministries: main funding suppliers to Portuguese ODA for 2002-2006

Sectoral Ministries	Funding					Average of 5 years (%)
	2002	2003	2004	2005	2006	
Ministry of Internal Administration	2,517,785	11,437,653	12,951,393	5,439,249	12,643,495	2%
Ministry of Science, Technology, and Higher Education	6,629,191	45,850,280	31,246,510	30,934,838	30,369,478	7%
Ministry of National Defence	236,515	972,566	13,106,531	11,268,465	16,177,369	2%
Ministry of Finance	148,430,656	120,119,013	683,072,160	145,488,409	152,679,593	60%
Ministry of Foreign Affairs	151,159,433	77,579,777	62,137,615	71,846,957	69,787,178	21%
Ministry of Labour and Social Solidarity	12,790,246	12,816,768	12,611,992	12,815,664	12,166,372	3%
Other	19,323,118	12,319,566	10,495,306	20,710,774	19,702,657	4%
Total of Ministries	341,086,944	281,095,623	825,621,507	298,504,356	313,526,142	99.31%
Total ODA	342,294,674	282,850,246	829,890,531	303,426,331	315,774,400	100%

Source: IPAD/DSP

most of the interventions given its status and role as the country's supervisor of budgetary stability, as well as its role with respect to foreign debt management and multilateral aid. As concerns the Ministry of Foreign Affairs, we highlight the fact that this Ministry is responsible for Portuguese Cooperation Policy and that it integrates the IPAD, which is Portuguese Cooperation agency. It contributed with 16% of total ODA funding, in 2006. As concerns the weight of the Ministry of Science, Technology, and Higher Education it owes, to a large extent, to the fact that it accounts for expenditure incurred with students from developing countries attending Portuguese universities under Special Access to Higher Education agreements.

The Ministries of Internal Administration and of National Defence deserve highlight as well for having increased their funding contributions over the last five years, mostly on account of the Portugal's contributions to international peace efforts. Lastly, the Ministry of Labour and Social Solidarity has maintained a stable level in ODA funding since 2002, demonstrating its steadfastness in contributing to cooperation actions.

5.1 Total Official and Private Sector Flows in 2006

When compared with 2005, Portugal's total cooperation flows recorded a negative variance in total funding, which reached a total of €530 million, in 2006 (see Table 9).

Table 9. Total Funding Effort of Portuguese Cooperation (2002-2006)

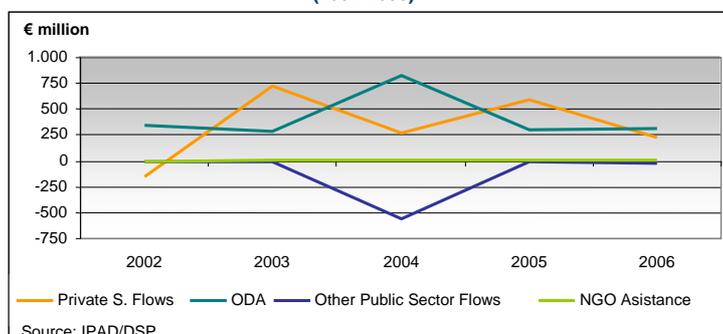
	(Euro million)							
	ODA/GDI * %	ODA	Growth %	Other Public Sector flows	Private Sector flows	Grants from NGOs	TOTAL	GROWTH %
2002	0.27	342.30	14%	-1.49	-158.91	n.a.	181.90	-91%
2003	0.22	282.87	-17%	-1.60	728.46	3.51	1,013.07	457%
2004	0.63	829.89	193%	-557.39	269.47	2.16	546.06	-46%
2005	0.21	303.43	-63%	-2.20	586.00	5.22	891.82	63%
2006	0.21	315.77	4%	-16.16	228.10	2.85	530.60	-41%

Source: IPAD/DSP

The decrease in total funding was chiefly attributable to a fall of about €358 million in Private Sector Flows¹⁸, on the one hand, in tandem with a decrease in Other Public Sector Flows, which contribution decreased from € (2) million, in 2005, to € (16) million, in 2006. Another decrease of note was recorded in grants by NGOD's, which contribution decreased from about €5 million, in 2005, to €2.8 million, in 2006. Conversely, ODA flows recorded positive growth in the region of 4%, when compared to 2005.

Since 2002, Private Sector Flows have recorded the largest variances (see Graph 7), which is mostly a result of fluctuation in Portugal's private direct investment flows to PALOP countries and East Timor. Grants by NGO's have remained relatively constant, while the main absolute variance, both with respect to ODA and to Other Public Sector Flows, took place in 2004, being a direct consequence of the rescheduling of Angolan foreign debt.

Table 7. Trends in Portuguese Cooperation's Total Funding Effort (2002-2006)

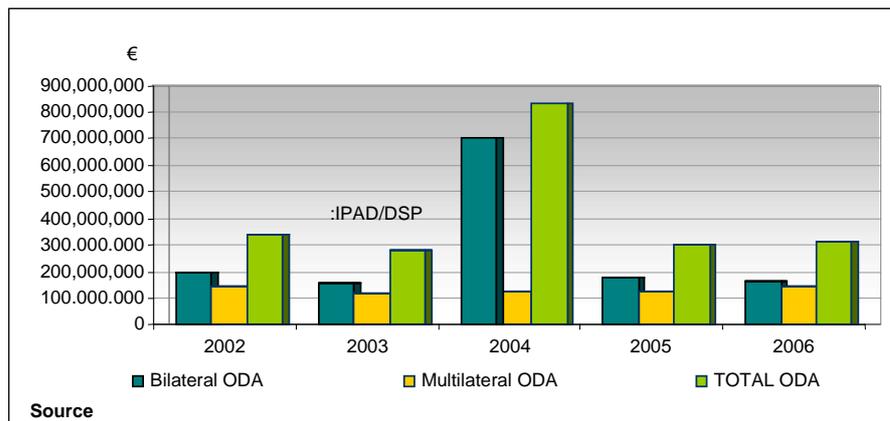


¹⁸ Private Sector Flows include Private Direct Investment and Export Credits.

5.2 General Trends in Portuguese ODA

In 2006, Portugal disbursed a total of €315 million in ODA, remaining very much on a par with the average level of disbursements over the last five years (being €300 million). 2004 was an exceptional year as a direct consequence of the rescheduling of Angolan foreign debt (to the tune of €562 million), causing the value of ODA to skyrocket that year.

Graph 8. Trends in Portuguese ODA (2002-2006)



Taking total ODA into consideration, the ODA to GNI ratio reached 0.21%, which figure fell short of allowing Portugal to meet its commitment to reach an ODA/GNI ratio of 0.33%, for 2006. To a large extent, the difficulty in honouring that commitment owed to the fact that Portugal's Government has been fully committed to budgetary control and to achieve a major reduction in the country's public deficit, in order for the country to conform to regulations set out under the EU's Growth and Stability Pact.

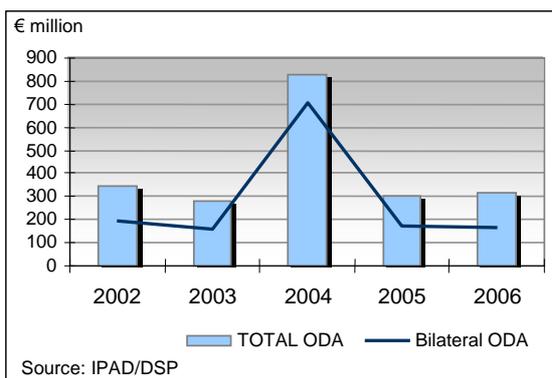
Nevertheless, and despite the fact that the country failed to reach the target of 0.33% ODA/GDI ratio, Portugal still managed to increase its ODA by about €12 million (see Table 10).

Table 10. Trends in Portuguese ODA (2002-2006)

Year	€ thousands	
	ODA	ODA/GNI
2002	342,295	0.27
2003	282,873	0.22
2004	829,891	0.63
2005	303,426	0.21
2006	315,774	0.21

Fonte: IPAD/DSP

Graph 9. Weight of Bilateral ODA in Portugal's Total ODA (2002-2006)

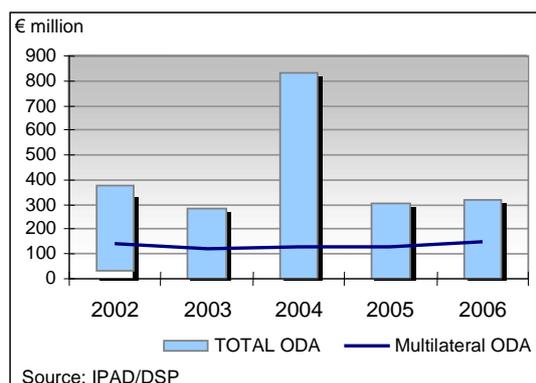


Source: IPAD/DSP

Portugal's bilateral ODA amounted to €168 million in 2006, representing 53% of Portuguese Total ODA. The relative weight of bilateral ODA when compared to multilateral ODA has been decreasing since 2002, although it still accounts for over 50% of Total ODA (see Graph 9).

In 2006, there was an increase in multilateral ODA, and its weight in Total ODA increased by 5 percentage points when compared to 2005 (see Graph 10). The fluctuation in the volume of multilateral ODA over the last five years has mostly a consequence of fluctuation in the value of contributions to Regional Development Banks.

Graph 10. Weight of Multilateral ODA in Total Portuguese ODA (2002-2006)



5.5 Bilateral Aid

In essence, Portugal's bilateral aid is framed within its 3-year (Indicative Cooperation Programs – PIC) and annual (Annual Cooperation Programs – PAC) cooperation programs, which programs are signed with each partner country on an individual basis. In 2006, the following programs were running in progress:

Table 11. Cooperation Programs in progress, in 2006

Partner Country	PIC		PAC		
	Three-year period	Funding ceiling	Date of signature	Funding ceiling	Priority goals
Angola	2004-2006	42,000,000	15/02/2006	21,465,135	Institutional Building; Education; Health Care; Agriculture; Food Safety and Natural Resources; Social Integration and Promotion of Job Creation.
Cape Verde	2005-2007	55,000,000	21/03/2006	15,999,999	H.R. Skills Training and Technical Empowerment; Assistance to Provision of Basic Infrastructure, Land Management and Urban Rehabilitation and Renewal; Social Services and Solidarity; Macro-economic Stability Assistance
Guinea-Bissau	2005-2007	42,406,626	30/06/2006	10,250,382	Education; Health Care; Institutional Building (Good Governance).
Mozambique	2004-2006	42,000,000	02/11/2005	19,231,821	Education/Culture; Good Governance; Water and Natural Resources; Social and Community Development; Rural Development.
Sao Tome and Principe	2005-2007	41,000,000	02/03/2006	10,599,944	Sustainable Development and Fight Against Poverty; Good Governance, Participation, and Democracy.
East Timor	2004-2006	50,000,000	18/01/2006	26,915,357	Education and Supporting the Re-introduction of the Portuguese Language; Good Governance and Institutional Building; Supporting Economic and Social Devel..
Total	PIC	272,406,626	PAC	104,462,639	

Source: IPAD/DSP

In conformance to the IPAD's programmed activities, **sectoral concentration** was one of the key criteria in the elaboration of the Annual Cooperation Programs (PAC) for 2006 and of the Indicative Cooperation Programs (PIC) for 2007-2010. The identification of priority areas for intervention was also the result of a process of consultation and negotiation involving both the authorities of partner countries and Portugal's sectoral Ministries.

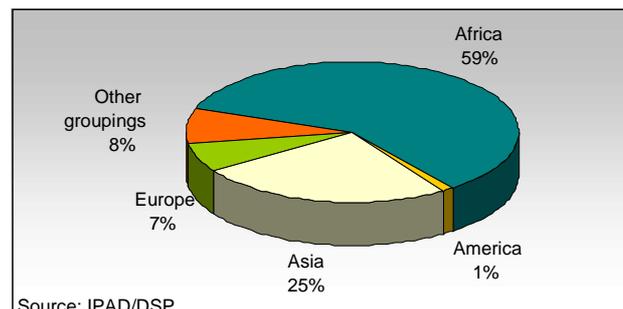
In tandem with the above, **geographic concentration** in Portuguese Cooperation effort stood out as another main objective under the cycle of projects reported to last year. The creation of Development Cooperation Clusters received new impetus with a number of initiatives to foster their introduction in Angola (in a location to be defined), Cape Verde (in Santiago Island), Mozambique (in Island of Mozambique) and East Timor (in the Ermera District).

The definition and implementation of Clusters conforms to the country's development cooperation strategy guidelines for the next four years, namely: (i) Concentration in priority areas; (ii) Incorporation of cross-cutting issues; (iii) Geographical decentralisation of development cooperation; (iv) Coordination and complementarity with other donors; (v) Increased integration of actions under multilateral projects; (vi) Increased participation by civil society and the private sector.

a) Geographical Distribution

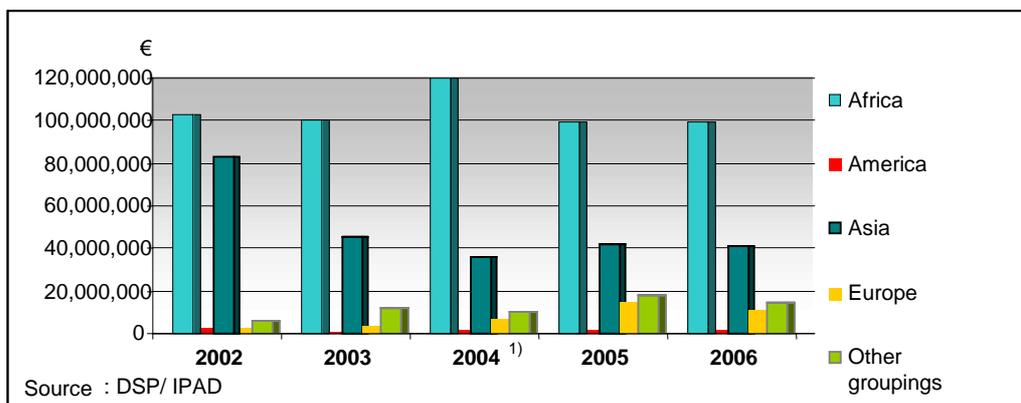
Geographically, bilateral ODA is mostly allocated to the African continent, especially to PALOP countries, which represented 56% of the total destinations of Portugal's bilateral ODA, in 2006. Following the African continent (which received 59% of Portugal's total bilateral ODA, in 2006) and Asia (being 25%

Graph 11. Geographical distribution of Portuguese Bilateral ODA



of total bilateral ODA, in 2006), Portugal's bilateral ODA has been concentrating on the developing countries of Europe (being 7% of total bilateral ODA, in 2006). In fact, this trend in the geographical distribution of Portugal's bilateral ODA has been a regular feature, as evidenced by Graph 12.

Graph 12. Geographical distribution of Portuguese Bilateral ODA 2002-2006

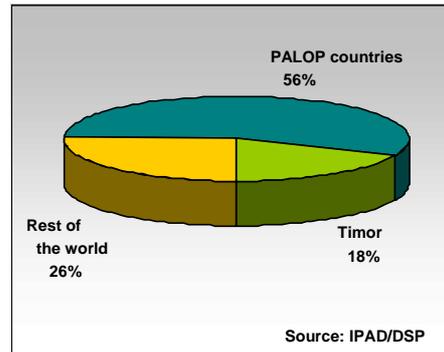


¹⁾ In 2004, the value of Portuguese bilateral ODA to Africa amounted to €647 million, due to an extraordinary debt rescheduling operation concerning Angolan foreign debt.

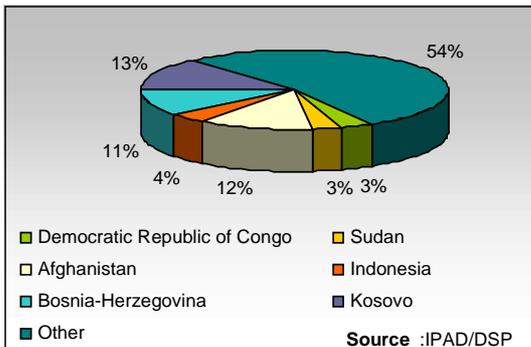
In conformance to Portugal's geographical development cooperation priorities, the majority of bilateral ODA for 2006 was allocated to PALOP countries and East Timor, as had also been the case in prior years (see Graph 13).

As concerns the remaining beneficiaries of Portuguese aid in 2006 (representing about 26% of total bilateral ODA), we highlight the countries depicted in Graph 14.

Graph 13. Weight of PALOP countries and East Timor in Total Bilateral ODA in 2006



Graph 14. Distribution of Portuguese Bilateral ODA among Other countries (2006)



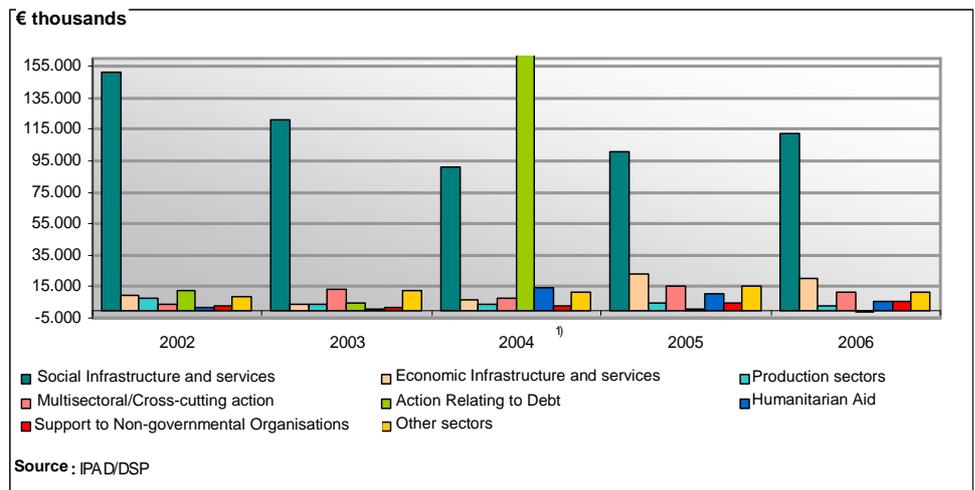
In the case of Afghanistan, the Democratic Republic of Congo, and the Kosovo, the majority of the ODA destined for those countries was channelled through Peace-keeping Missions; as concerns Bosnia-Herzegovina, Portugal contributed not only to

the European Mission in that country but provided assistance to its *Railways Sector* as well; as concerns the Sudan, the majority of the ODA granted was in response to UNHCR appeals; lastly, and as concerns Indonesia, Portugal's ODA was taken mostly the form of Reconstruction and Rehabilitation Assistance.

b) Sectoral Distribution

In conformance to Portugal's sectoral development cooperation priorities, as discussed under Paragraph 4.2, its bilateral ODA has tended to markedly concentrate in the

Graph 15. Trends in the sectoral distribution of Portuguese Bilateral ODA 2002 - 2006



1) In 2004, Debt-related action amounted to €564 million, as a result of an extraordinary debt rescheduling operation involving Angolan foreign debt

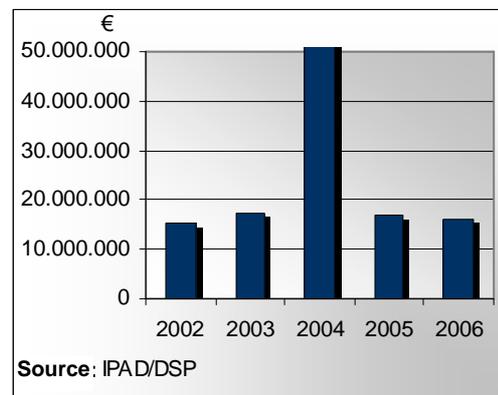
Social Infrastructure and Services sectors (see Graph 15), since this grouping includes Education (31% of total bilateral ODA, in 2006) and assistance to Government and Civil Society (31% of total bilateral ODA, in 2006).

When compared to 2005, increased funding to the *Government and Civil Society*, *Communications*, and *Support to NGOs* sectors, in 2006, deserves highlight, hand in hand with decreased funding to the *Other Social Infrastructure and Services*, *Transport and Warehousing*, and *Humanitarian Aid* sectors.

c) Main Bilateral Partners

1. Angola is one of Portugal's Main Bilateral Partners. In 2006, Portuguese bilateral ODA for that country amounted to €15.9 million, remaining on a par with average disbursements since 2002 – excluding 2004, during which year an extraordinary debt rescheduling operation involving Angolan foreign debt caused its ODA to increase exponentially (see Graph 16).

Graph 16. Bilateral ODA to Angola 2002 - 2006



In 2004, the exceptionally high value of ODA (being €576 million) resulted from a debt rescheduling operation

On a sectoral basis, we highlight the large weight of *Social Infrastructure and Services* (80.5% of totals, in sectoral terms), with *Education* being the area which received the largest amount of assistance (€7.9 million), mostly in the form of funding of School Equipment and Training, Primary Education, and Higher Education initiatives. As concerns the *Government and Civil Society* sector, we highlight an increase in disbursements to the Conflict, Peace-keeping, and Safety missions, mostly in the form of Technical and Policing Cooperation Projects. As concerns the *Other Social Infrastructure and Services* sector, we highlight that Portugal's contributions in the social services area, integrating social and community development projects in various areas of that country, were of particular relevance.

Table 12. PORTUGUESE BILATERAL ODA BY SECTOR OF DESTINATION - ANGOLA
2002 - 2006

SECTOR OF DESTINATION	2002	%	2003	%	2004	%	2005	%	2006	%
100 I - SOCIAL INFRASTRUCTURE AND SERVICES	12.356.630	80,6	15.320.249	88,8	9.815.913	1,7	13.113.122	77,9	12.878.925	80,5
110 EDUCATION	5.111.015	33,4	10.096.047	58,5	6.314.434	1,1	8.345.892	49,6	7.970.033	49,8
120 HEALTH	1.047.354	6,8	257.736	1,5	133.910	0,0	375.029	2,2	743.627	4,6
130 POPULATION AND REPRODUCTIVE HEALTH									5.696	0,0
140 WATER SUPPLY AND SANITATION	10.004	0,1			178.479	0,0	929.863	5,5		
150 GOVERNMENT AND CIVIL SOCIETY	1.717.384	11,2	1.809.871	10,5	655.288	0,1	703.915	4,2	1.926.823	12,0
160 OTHER SOCIAL SERVICES	4.470.873	29,2	3.156.595	18,3	2.533.802	0,4	2.758.423	16,4	2.232.746	14,0
200 II - ECONOMIC INFRASTRUCTURE AND SERVICES	1.082.532	7,1	414.284	2,4	1.323.523	0,2	826.908	4,9	311.929	1,9
210 TRANSPORT AND STORAGE	135.514	0,9	1.898	0,0	3.122	0,0	1.500	0,0	3.010	
220 COMMUNICATIONS	119.114	0,8	36.199	0,2	318.685	0,1			271.456	1,7
230 ENERGY	549.392	3,6	269.896	1,6	909.460	0,2	788.426	4,7		
240 BANKING AND FINANCIAL SERVICES	89.808	0,6	47.140	0,3	30.569	0,0	36.982	0,2	37.463	0,2
250 BUSINESS AND OTHER SERVICES	188.704	1,2	59.151	0,3	61.687	0,0				
300 III - PRODUCTION SECTORS	251.143	1,6	242.252	1,4	325.702	0,1	631.094	3,7	559.616	3,5
310 AGRICULTURE, FORESTRY AND FISHING	170.864	1,1	140.891	0,8	97.633	0,0	227.664	1,4	186.098	1,2
311 AGRICULTURE	168.239	1,1	107.704	0,6	73.771	0,0	203.802	1,2	169.517	1,1
312 FORESTRY			33.187	0,2	23.862	0,0	23.862	0,1	16.581	0,1
313 FISHING	2.625	0,0								
320 INDUSTRY, MINING AND CONSTRUCTION	59.688	0,4	88.861	0,5	202.304	0,0	396.030	2,4	371.518	2,3
321 INDUSTRY	59.688	0,4			32.136	0,0	835	0,0		
322 MINING			4.369	0,0			38.630	0,2	5.476	0,0
323 CONSTRUCTION			84.492	0,5	170.168	0,0	356.565	2,1	366.042	2,3
330 TRADE AND TOURISM	20.591	0,1	12.500	0,1	25.765	0,0	7.400	0,0	2.000	0,0
331 TRADE	9.000	0,1	12.500	0,1	25.765	0,0	7.400	0,0	2.000	0,0
332 TOURISM	11.591	0,1								
400 IV - MULTISECTOR / CROSS-CUTTING	219.278	1,4	660.847	3,8	882.186	0,2	575.957	3,4	610.090	3,8
500 V - COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE										
600 VI - ACTION RELATING TO DEBT					561.708.319	97,5				
700 VII - HUMANITARIAN AID	497.876	3,2	188.836	1,1	826.631	0,1	455.267	2,7		
910 VIII - ADMINISTRATIVE COST OF DONORS	32.351	0,2	107.391	0,6	100.768	0,0	139.528	0,8	44.126	0,3
920 IX - SUPPORT TO NGOs	855.546	5,6	167.555	1,0	908.889	0,2	1.094.387	6,5	1.588.163	9,9
930 X - REFUGEES IN DONOR COUNTRIES									3.529	0,0
998 XI - UNALLOCATED/UNSPECIFIED	29.366	0,2	148.021	0,9						
TOTAL BILATERAL	15.324.722	100,0	17.249.435	100,0	575.891.931	100,0	16.836.263	100,0	15.996.378	100,0

Source: IPAD/DSP

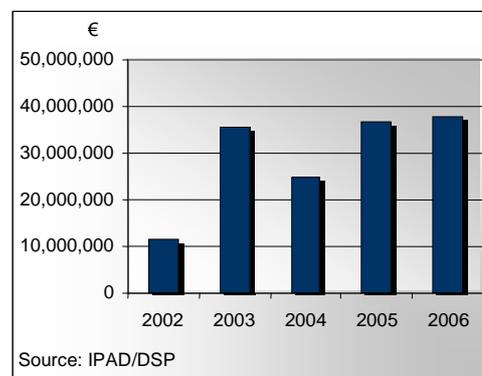
In 2004 the exceptionally high value of ODA was due to debt rescheduling operations (totalling €562 million)

An increase in funding to the Support to Non-governmental Organisations sector was also of note, with this item representing close to 10% of total bilateral ODA to Angola, in 2006.

2. On a par with the previous year, **Cape Verde** was the main beneficiary of Portuguese bilateral ODA in 2006, benefiting from disbursements of about €37.6 million, with the rising trend in assistance to Cape Verde since 2004 remaining in place (see Graph 17).

The two sectors benefiting from the largest amount of bilateral aid were *Social Infrastructure and Services* (representing 66% of total bilateral ODA to that country) and *Economic Infrastructure and Services* (representing about 39.5% of total bilateral ODA to Cape Verde) – see Table 13. Between these two areas, the Education sector (with €19 million), in the first instance, and the Transport and Storage sector (with €13.6 million), in the second instance, deserve highlight. As concerns Education, the largest share was taken by aid for secondary education, where a Secondary Education Development Aid Program continued to be implemented, and for higher education.

Graph 17. Bilateral ODA to Cape Verde (2002-2006)



As concerns the *Transport and Storage* sector, the country's roadways infrastructure took the largest share of Portugal's bilateral aid, with particular emphasis on the *Construction of the Praia Ring Road and Rehabilitation of the Praia/S. Domingos Road* projects.

Table 13. PORTUGUESE BILATERAL ODA BY SECTOR OF DESTINATION - CAPE VERDE
2002 - 2006

SECTOR OF DESTINATION	2002	%	2003	%	2004 *	%	2005	%	2006	%
100 I - SOCIAL INFRASTRUCTURE AND SERVICES	9.070.050	78,5	34.764.061	97,6	25.995.844	104,9	26.301.736	72,1	24.983.394	66,3
110 EDUCATION	3.852.619	33,3	29.685.460	83,4	18.990.872	76,7	19.929.292	54,6	19.289.320	51,2
120 HEALTH	1.368.934	11,8	2.208.751	6,2	1.816.154	7,3	2.553.668	7,0	1.852.217	4,9
130 POPULATION AND REPRODUCTIVE HEALTH					85.010	0,3	87.181	0,2	750	0,0
140 WATER SUPPLY AND SANITATION	9.976	0,1	10.000	0,0	1.008.000	4,1	7.750	0,0		0,0
150 GOVERNMENT AND CIVIL SOCIETY	356.030	3,1	638.130	1,8	1.527.653	6,2	924.729	2,5	1.198.898	3,2
160 OTHER SOCIAL SERVICES	3.482.491	30,1	2.221.720	6,2	2.568.155	10,4	2.799.116	7,7	2.642.209	7,0
200 II - ECONOMIC INFRASTRUCTURE AND SERVICES	650.095	5,6	113.206	0,3	-77.529	-0,3	12.375.611	33,9	14.882.553	39,5
210 TRANSPORT AND STORAGE	156.934	1,4	-196.832	-0,6	-205.770	-0,8	11.976.299	32,8	13.664.376	36,3
220 COMMUNICATIONS	3.731	0,0	55.249	0,2	24.082	0,1	314.052	0,9	1.133.222	3,0
230 ENERGY	221.132	1,9	37.050	0,1						0,0
240 BANKING AND FINANCIAL SERVICES	125.124	1,1	102.372	0,3	104.159	0,4	85.260	0,2	84.955	0,2
250 BUSINESS AND OTHER SERVICES	143.174	1,2	115.367	0,3						0,0
300 III - PRODUCTION SECTORS	290.471	2,5	346.113	1,0	188.925	0,8	237.183	0,6	227.144	0,6
310 AGRICULTURE, FORESTRY AND FISHING	148.044	1,3	73.671	0,2	15.245	0,1	114.206	0,3	86.803	0,2
311 AGRICULTURE	148.044	1,3	58.581	0,2	15.245	0,1	111.363	0,3	60.972	0,2
312 FORESTRY										0,0
313 FISHING			15.090	0,0			2.843	0,0	25.831	0,1
320 INDUSTRY, MINING AND CONSTRUCTION	29.986	0,3	196.174	0,6	140.075	0,6	72.851	0,2	37.774	0,1
321 INDUSTRY					15.370	0,1	1.220	0,0		0,0
322 MINING	29.986	0,3	196.174	0,6	124.705	0,5	71.631	0,2	37.774	0,1
323 CONSTRUCTION										0,0
330 TRADE AND TOURISM	112.441	1,0	76.268	0,2	33.605	0,1	50.126	0,1	102.567	0,3
331 TRADE					11.303	0,0	44.713	0,1	40.285	0,1
332 TOURISM	112.441	1,0	76.268	0,2	22.302	0,1	5.413	0,0	62.282	0,2
400 IV - MULTISECTOR / CROSS-CUTTING	486.891	4,2	605.318	1,7	1.034.126	4,2	1.025.167	2,8	980.681	2,6
500 V - COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE					-1.120.000	-4,5	-2.239.204	-6,1	-2.239.204	-5,9
600 VI - ACTION RELATING TO DEBT	806.666	7,0	-500.391	-1,4	-1.506.748	-6,1	-1.572.375	-4,3	-1.555.458	-4,1
700 VII - HUMANITARIAN AID					5.000	0,0	64.279	0,2		0,0
910 VIII - ADMINISTRATIVE COST OF DONORS	25.991	0,2	153.747	0,4	118.403	0,5	109.049	0,3	93.021	0,2
920 IX - SUPPORT TO NGOs	76.335	0,7	4.000	0,0	112.624	0,5	164.697	0,5	261.969	0,7
930 X - REFUGEES IN DONOR COUNTRIES										0,0
998 XI - UNALLOCATED/UNSPECIFIED	147.875	1,3	125.316	0,4	21.122	0,1	32.730	0,1	53.921	0,1
TOTAL BILATERAL	11.554.374	100,0	35.611.370	100,0	24.771.767	100,0	36.498.873	100,0	37.688.021	100,0

Source: IPAD/DSP

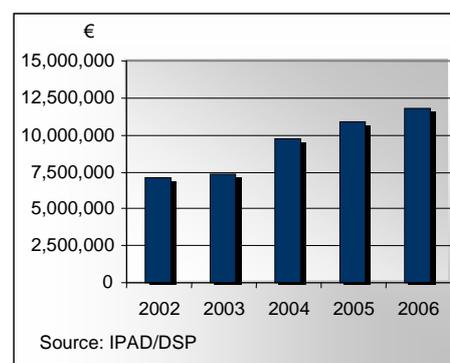
* 2004 - The amount of the component "Infrastructure and Social Service" (Code 100) is larger than Total ODA, representing a weight of 104.94%. Since ODA is measured in terms of flows the amounts of the loans paid by Cape Verde to Portugal are deducted (negative values in lines V and VI), thus causing one particular sector to be larger than total ODA.

The negative values reflected in ODA to Cape Verde result from payment to Portugal of loans granted as budget aid, in addition to debt rescheduling of loans to finance the country's public deficit.

As a final remark, we highlight that this country's PAC 2006 introduced notable innovation in addressing the challenges being faced by Cape Verde, namely with regard to its reclassification as a Medium Income Country and its special status in the EU, which have deserved Portugal's support, and will continue to do so.

3. In 2006, Portugal's bilateral ODA to **Guinea-Bissau** increased slightly, and the value of its assistance has been consolidating since 2002 (see Graph 18). The amount of aid disbursements on this beneficiary reached €11.7 million, in 2006.

Graph 18. Bilateral ODA to Guinea-Bissau (2002-2006)



The majority of Portugal's aid was channelled to the *Social Infrastructure and Services* area, which received about 72% of Portugal's total bilateral ODA to

Guinea-Bissau – (see Table 14). Within this sector, aid for Education (with €3.3 million), Health (with €2.9 million) and Other Social Infrastructure and Services (with €1.7 million) deserve highlight. In concrete, most of Portugal's bilateral aid went to higher education, medical services, and social services projects.

2006 was a hallmark year as concerns donor country commitments to the Government of Guinea-Bissau. Following on the agreements negotiated at round table talks with donor countries in November 2006, Portugal disbursed USD1 million in budget aid to Guinea. In addition, an extraordinary funding facility was put in place to fund NGOs on specific projects for implementation in Guinea-Bissau, which is a key form of support to a country which has been classified by the DAC/OECD as an “orphan”¹⁹.

Table 14. PORTUGUESE BILATERAL ODA BY SECTOR OF DESTINATION - GUINEA-BISSAU
2002 - 2006

SECTOR OF DESTINATION	2002	%	2003	%	2004	%	2005	%	2006	%
100 I - SOCIAL INFRASTRUTURE AND SERVICES	5.890.509	83,5	5.715.834	78,3	7.067.461	72,4	7.893.460	72,6	8.467.639	72,0
110 EDUCATION	2.877.019	40,8	2.732.212	37,4	3.212.892	32,9	3.083.103	28,4	3.392.739	28,8
120 HEALTH	1.785.943	25,3	1.515.817	20,8	2.215.297	22,7	2.305.346	21,2	2.988.297	25,4
130 POPULATION AND REPRODUCTIVE HEALTH					35.905	0,4		0,0		0,0
140 WATER SUPPLY AND SANITATION	12.571	0,2			52.370	0,5	117.495	1,1	99.725	0,8
150 GOVERNMENT AND CIVIL SOCIETY	163.751	2,3	1.347.181	18,4	704.432	7,2	858.492	7,9	192.865	1,6
160 OTHER SOCIAL SERVICES	1.051.225	14,9	120.624	1,7	846.565	8,7	1.529.024	14,1	1.794.013	15,3
200 II - ECONOMIC INFRASTRUTURE AND SERVICES	137.140	1,9	148.490	2,0	385.425	3,9	80.076	0,7	233.271	2,0
210 TRANSPORT AND STORAGE	2.961	0,0	13.287	0,2	2.500	0,0	500	0,0	10.581	0,1
220 COMMUNICATIONS			92.205	1,3	357.295	3,7	79.576	0,7	107.695	0,9
230 ENERGY										0,0
240 BANKING AND FINANCIAL SERVICES										0,0
250 BUSINESS AND OTHER SERVICES	134.179	1,9	42.998	0,6	25.630	0,3		0,0	114.995	1,0
300 III - PRODUCTION SECTORS	355.357	5,0	301.938	4,1	414.130	4,2	393.599	3,6	97.800	0,8
310 AGRICULTURE, FORESTRY AND FISHING	353.204	5,0	301.938	4,1	352.130	3,6	393.599	3,6	93.922	0,8
311 AGRICULTURE	353.204	5,0	301.938	4,1	344.054	3,5	393.599	3,6	93.922	0,8
312 FORESTRY										0,0
313 FISHING					8.076	0,1		0,0		0,0
320 INDUSTRY, MINING AND CONSTRUCTION	0	0,0	0	0,0	62.000	0,6	0	0,0	3.878	0,0
321 INDUSTRY					62.000	0,6			3.878	0,0
322 MINING										0,0
323 CONSTRUCTION										0,0
330 TRADE AND TOURISM	2.153	0,0	0	0,0	0	0,0	0	0,0	0	0,0
331 TRADE										0,0
332 TOURISM	2.153	0,0								0,0
400 IV - MULTISECTOR / CROSS-CUTTING	265.838	3,8	449.590	6,2	475.603	4,9	322.709	3,0	615.816	5,2
500 V - COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE									759.532	6,5
600 VI - ACTION RELATING TO DEBT										0,0
700 VII - HUMANITARIAN AID	9.151	0,1	133.808	1,8	718.547	7,4	1.404.341	12,9	49.957	0,4
910 VIII - ADMINISTRATIVE COST OF DONORS	7.667	0,1	554.490	7,6	198.102	2,0	152.470	1,4	313.234	2,7
920 IX - SUPPORT TO NGOs	384.895	5,5			507.354	5,2	590.288	5,4	1.219.485	10,4
930 X - REFUGEES IN DONOR COUNTRIES									4.705	0,0
998 XI - UNALLOCATED/UNSPECIFIED							37.521	0,3		0,0
TOTAL BILATERAL	7.050.557	100,0	7.304.150	100,0	9.766.622	100,0	10.874.464	100,0	11.761.439	100,0

Source: IPAD/DSP

4. In 2006, bilateral ODA to **Mozambique** amounted to €17 million, remaining on a par with average annual flows since 2003 (see Graph 19).

¹⁹ Orphan Countries are states suffering from a shortage of donors active on the field, as far as development aid is concerned. Such shortages may owe to the political, economic and social instability conditions which often characterise such countries, for instance, which lead donor countries to withdraw their assistance on account of the poor results being obtained.

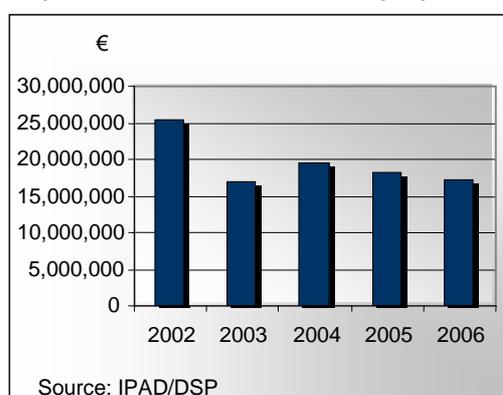
Table 15. PORTUGUESE BILATERAL ODA BY SECTOR OF DESTINATION - MOZAMBIQUE
2002 - 2006

SECTOR OF DESTINATION	2002	%	2003	%	2004	%	2005	%	2006	%
100 I - SOCIAL INFRASTRUCTURE AND SERVICES	12.473.178	49,2	10.543.950	62,3	10.563.825	54,1	11.381.561	62,7	13.314.902	77,1
110 EDUCATION	7.293.743	28,8	4.989.276	29,5	4.310.516	22,1	6.165.989	34,0	7.271.306	42,1
120 HEALTH	559.199	2,2	468.870	2,8	563.916	2,9	614.327	3,4	591.490	3,4
130 POPULATION AND REPRODUCTIVE HEALTH										
140 WATER SUPPLY AND SANITATION	33.121	0,1			353.496	1,8	155.539	0,9	361.330	2,1
150 GOVERNMENT AND CIVIL SOCIETY	266.451	1,1	2.191.891	13,0	1.001.591	5,1	1.038.099	5,7	1.845.501	10,7
160 OTHER SOCIAL SERVICES	4.320.664	17,0	2.893.913	17,1	4.334.306	22,2	3.407.607	18,8	3.245.276	18,8
200 II - ECONOMIC INFRASTRUCTURE AND SERVICES	438.560	1,7	172.412	1,0	634.323	3,3	208.383	1,1	388.918	2,3
210 TRANSPORT AND STORAGE	89.552	0,4	27.362	0,2	60.537	0,3	14.361	0,1	42.287	0,2
220 COMMUNICATIONS	40.137	0,2	35.400	0,2	400.269	2,1	124.007	0,7	287.769	1,7
230 ENERGY	23.827	0,1								
240 BANKING AND FINANCIAL SERVICES	16.516	0,1	77.039	0,5	20.935	0,1	70.015	0,4	58.862	0,3
250 BUSINESS AND OTHER SERVICES	268.528	1,1	32.611	0,2	152.582	0,8				
300 III - PRODUCTION SECTORS	2.159.845	8,5	525.099	3,1	306.375	1,6	274.439	1,5	136.301	0,8
310 AGRICULTURE, FORESTRY AND FISHING	1.948.696	7,7	448.052	2,6	199.635	1,0	89.627	0,5	6.856	0,0
311 AGRICULTURE	1.932.416	7,6	426.013	2,5	182.235	0,9	66.177	0,4	6.856	0,0
312 FORESTRY	16.280	0,1	22.039	0,1	17.400	0,1	17.400	0,1		
313 FISHING							6.050	0,0		
320 INDUSTRY, MINING AND CONSTRUCTION	77.355	0,3	77.047	0,5	70.335	0,4	184.812	1,0	98.205	0,6
321 INDUSTRY	77.355	0,3	29.147	0,2	41.500	0,2	14.358	0,1	87.799	0,5
322 MINING			47.900	0,3	28.835	0,1	131.410	0,7	10.406	0,1
323 CONSTRUCTION							39.044	0,2		
330 TRADE AND TOURISM	133.794	0,5	0	0,0	36.405	0,2	0	0,0	31.240	0,2
331 TRADE					1.867	0,0			600	0,0
332 TOURISM	133.794	0,5			34.538	0,2			30.640	0,2
400 IV - MULTISECTOR / CROSS-CUTTING	970.918	3,8	586.715	3,5	1.295.764	6,6	913.298	5,0	1.084.043	6,3
500 V - COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE					1.253.657	6,4	1.176.932	6,5	1.188.778	6,9
600 VI - ACTION RELATING TO DEBT	8.492.293	33,5	4.765.908	28,2	4.334.387	22,2	2.353.455	13,0		
700 VII - HUMANITARIAN AID	99.813	0,4			258.236	1,3	300.000	1,7		
910 VIII - ADMINISTRATIVE COST OF DONORS	25.445	0,1	245.228	1,4	176.525	0,9	167.665	0,9	72.560	0,4
920 IX - SUPPORT TO NGOs	680.506	2,7	70.490	0,4	693.191	3,6	1.374.309	7,6	1.030.506	6,0
930 X - REFUGEES IN DONOR COUNTRIES										
998 XI - UNALLOCATED/UNSPECIFIED	26.812	0,1	9.965	0,1					52.056	0,3
TOTAL BILATERAL	25.367.370	100,0	16.919.767	100,0	19.516.283	100,0	18.150.042	100,0	17.268.064	100,0

Source: IPAD/DSP

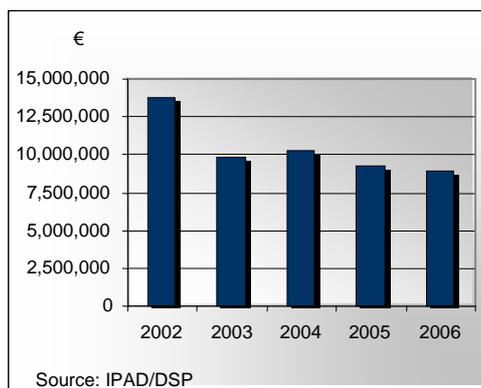
As concerns its sectoral distribution, and once more in tandem with the typical features of Portuguese Cooperation, the *Social Infrastructure and Services* sector benefited the most from the assistance granted (being 77% of the total) – see Table 15. In this regard, the highlight goes to the following sectors: *Education* – namely secondary education (with €4 million) and tertiary education (with €2.8 million) – followed by *Government and Civil society* – especially in the form of aid to the country's management and reform of social security systems, which technical and monitoring cooperation program benefited from €1.3 million – and by *Other Social Infrastructure and Services* – in which sector aid to the country's social services reached an amount of over €2 million.

Graph 19. Bilateral ODA to Mozambique (2002-2006)



Of equal importance under Portuguese Cooperation grants to Mozambique is the provision of direct budget support to that country under the G19 assistance program, which reached close to €1.2 million, in 2006.

Graph 20. Bilateral ODA to S. Tome and Principe (2002-2006)



5. Throughout the last few years, Portugal has been the main donor contributing to the development of **S. Tome and Principe**. In 2006, Portuguese bilateral ODA to this country reached €8.9 million (see Graph 20).

In terms of sectoral distribution, the amounts disbursed remained concentrated on *Social Infrastructure and Services* (73% of total), especially with regard to *Education* (39% of total) – namely destined for secondary and higher education projects – and on *Health* (20% of total), which sectors have been considered as a priority for bilateral development cooperation in S. Tome and Principe. On the other hand, *Economic Infrastructure and Services* recorded an increase when compared with 2005 (see Table 16).

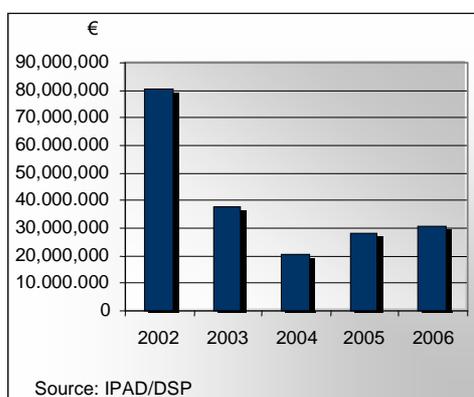
Table 16. PORTUGUESE BILATERAL ODA BY SECTOR OF DESTINATION - S. TOME AND PRINCIPE
2002 - 2006

SECTOR OF DESTINATION	2002	%	2003	%	2004	%	2005	%	2006	%
100 I - SOCIAL INFRASTRUCTURE AND SERVICES	8.790.937	63,7	7.728.724	78,4	7.883.819	76,5	6.685.381	72,5	6.521.240	72,8
110 EDUCATION	2.346.345	17,0	2.805.608	28,5	2.542.764	24,7	2.625.177	28,5	3.478.719	38,9
120 HEALTH	3.584.006	26,0	2.533.755	25,7	2.884.207	28,0	2.020.706	21,9	1.794.399	20,0
130 POPULATION AND REPRODUCTIVE HEALTH										
140 WATER SUPPLY AND SANITATION	26.518	0,2								
150 GOVERNMENT AND CIVIL SOCIETY	191.556	1,4	762.806	7,7	751.709	7,3	616.642	6,7	681.201	7,6
160 OTHER SOCIAL SERVICES	2.642.512	19,1	1.626.555	16,5	1.705.139	16,6	1.422.856	15,4	566.921	6,3
200 II - ECONOMIC INFRASTRUCTURE AND SERVICES	1.167.500	8,5	1.046.962	10,6	1.281.714	12,4	1.177.221	12,8	1.384.256	15,5
210 TRANSPORT AND STORAGE	7.716	0,1	733.284	7,4	784.572	7,6	797.031	8,6	1.082.156	12,1
220 COMMUNICATIONS			56.957	0,6	247.226	2,4	54.379	0,6	101.494	1,1
230 ENERGY	809.238	5,9	2.529	0,0	46.808	0,5	137.530	1,5		
240 BANKING AND FINANCIAL SERVICES	22.720	0,2	22.004	0,2	2.615	0,0	18.830	0,2	21.344	0,2
250 BUSINESS AND OTHER SERVICES	327.826	2,4	232.188	2,4	200.493	1,9	169.451	1,8	179.262	2,0
300 III - PRODUCTION SECTORS	428.746	3,1	94.518	1,0	103.086	1,0	117.997	1,3	123.921	1,4
310 AGRICULTURE, FORESTRY AND FISHING	183.894	1,3	63.685	0,6	53.661	0,5	45.736	0,5	46.977	0,5
311 AGRICULTURE	183.894	1,3	63.685	0,6	53.661	0,5	45.736	0,5	25.318	0,3
312 FORESTRY									21.659	0,2
313 FISHING										
320 INDUSTRY, MINING AND CONSTRUCTION	67.030	0,5	30.833	0,3	38.091	0,4	27.838	0,3	7.381	0,1
321 INDUSTRY					10.260	0,1			7.381	0,1
322 MINING	67.030	0,5	30.833	0,3	27.831	0,3	27.838	0,3		
323 CONSTRUCTION										
330 TRADE AND TOURISM	177.822	1,3	0	0,0	11.334	0,1	44.423	0,5	69.563	0,8
331 TRADE										
332 TOURISM	177.822	1,3			11.334	0,1	44.423	0,5	69.563	0,8
400 IV - MULTISECTOR / CROSS-CUTTING	30.601	0,2	300.373	3,0	578.933	5,6	345.599	3,7	426.984	4,8
500 V - COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE	46.153	0,3			-9.667	-0,1			-19.334	-0,2
600 VI - ACTION RELATING TO DEBT	3.031.294	22,0	406.230	4,1						
700 VII - HUMANITARIAN AID							43.182	0,5		
910 VIII - ADMINISTRATIVE COST OF DONORS	5.212	0,0	169.991	1,7	114.200	1,1	109.686	1,2	78.540	0,9
920 IX - SUPPORT TO NGOS	174.897	1,3	104.320	1,1	347.192	3,4	745.389	8,1	406.676	4,5
930 X - REFUGEES IN DONOR COUNTRIES										
998 XI - UNALLOCATED/UNSPECIFIED	130.578	0,9	5.023	0,1					30.000	0,3
TOTAL BILATERAL	13.805.918	100,0	9.856.141	100,0	10.299.277	100,0	9.224.455	100,0	8.952.283	100,0

Source: IPAD/DSP

6. Since independence, East Timor has also been an important bilateral partner for Portuguese Cooperation. In 2006, ODA to this country exceeded €30 million, and it has remained on an upward trend since 2004²⁰ (see Graph 21).

Graph 21. Bilateral ODA to East Timor (2002-2006)



This amount was mostly allocated to the *Social Infrastructure and Services* sector (68% of total), where the Education (26% of total) and Government and Civil society (34% of total) areas took the largest share. In the first instance, this follows a rationale of providing teacher training, involving primary and tertiary education. As concerns the Government and Civil society area, Portugal's assistance under the United Nations Integrated Mission in Timor-Leste (UNMIT) and the various programs and projects

addressing institutional building in areas such as justice or finance deserve highlight.

By analysing the statistical data, it can be established that both the trend in the value of bilateral ODA as well as its sectoral distribution mirror three distinct phases in Portuguese Cooperation effort in East Timor: during a first stage, emergency and humanitarian aid was the predominant form of assistance, with aid to the reconstruction effort and development aid progressively and successively gaining predominance thereafter (see Table 17).

Table 17. PORTUGUESE BILATERAL ODA BY SECTOR OF DESTINATION - TIMOR LESTE
2002 - 2006

SECTOR OF DESTINATION	2002		2003		2004		2005		2006	
	Value	%								
100 I - SOCIAL INFRASTRUCTURE AND SERVICES	71.959.831	89,4	23.767.045	62,9	13.367.281	65,0	12.679.572	45,4	20.903.908	68,1
110 EDUCATION	10.515.967	13,1	4.687.209	12,4	5.819.752	28,3	8.168.847	29,3	7.924.617	25,8
120 HEALTH	64.284	0,1	135.261	0,4	80.107	0,4	144.035	0,5	122.856	0,4
130 POPULATION AND REPRODUCTIVE HEALTH										
140 WATER SUPPLY AND SANITATION			87.683	0,2	150.516	0,7	754.052	2,7	33.410	0,1
150 GOVERNMENT AND CIVIL SOCIETY	59.882.658	74,4	15.554.419	41,2	5.817.802	28,3	965.726	3,5	10.463.526	34,1
160 OTHER SOCIAL SERVICES	1.496.922	1,9	3.302.473	8,7	1.499.104	7,3	2.646.912	9,5	2.359.499	7,7
200 II - ECONOMIC INFRASTRUCTURE AND SERVICES	2.516.111	3,1	679.847	1,8	1.038.658	5,0	430.126	1,5	1.517.900	4,9
210 TRANSPORT AND STORAGE	1.376.060	1,7	3.825	0,0			136.290	0,5	743.324	2,4
220 COMMUNICATIONS	743.663	0,9	425.998	1,1	260.836	1,3	173.259	0,6	731.077	2,4
230 ENERGY										
240 BANKING AND FINANCIAL SERVICES	396.388	0,5	250.024	0,7	130.268	0,6	120.577	0,4	43.499	0,1
250 BUSINESS AND OTHER SERVICES					647.554	3,1				
300 III - PRODUCTION SECTORS	1.984.018	2,5	635.834	1,7	1.105.322	5,4	1.857.626	6,7	1.081.315	3,5
310 AGRICULTURE, FORESTRY AND FISHING	596.800	0,7	393.962	1,0	473.744	2,3	699.388	2,5	510.600	1,7
311 AGRICULTURE	596.052	0,7	393.962	1,0	452.870	2,2	678.510	2,4	510.600	1,7
312 FORESTRY					20.874	0,1	20.878	0,1		
313 FISHING	748	0,0								
320 INDUSTRY, MINING AND CONSTRUCTION	1.210.905	1,5	241.872	0,6	617.150	3,0	1.158.238	4,2	570.715	1,9
321 INDUSTRY							124.920	0,4		
322 MINING	87.580	0,1	35.137	0,1						
323 CONSTRUCTION	1.123.325	1,4	206.735	0,5	617.150	3,0	1.033.318	3,7	570.715	1,9
330 TRADE AND TOURISM	176.313	0,2	0	0,0	14.428	0,1	0	0,0	0	0,0
331 TRADE					8.636	0,0				
332 TOURISM	176.313	0,2			5.792	0,0				
400 IV - MULTISECTOR / CROSS-CUTTING	1.514.087	1,9	8.627.420	22,8	1.390.080	6,8	8.932.266	32,0	5.259.404	17,1
500 V - COMMODITY AID AND GENERAL PROGRAMME ASSISTANCE			2.655.102	7,0	2.414.700	11,7	2.413.800	8,6	793.451	2,6
600 VI - ACTION RELATING TO DEBT										
700 VII - HUMANITARIAN AID	74.778	0,1	17.765	0,0			14.489	0,1	23.621	0,1
910 VIII - ADMINISTRATIVE COST OF DONORS	1.880.735	2,3	827.144	2,2	1.059.174	5,1	1.071.426	3,8	436.631	1,4
920 IX - SUPPORT TO NGOs	555.792	0,7	571.078	1,5	192.716	0,9	507.500	1,8	657.480	2,1
930 X - REFUGEES IN DONOR COUNTRIES										
998 XI - UNALLOCATED/UNSPECIFIED										
TOTAL BILATERAL	80.485.352	100,0	37.781.235	100,0	20.567.931	100,0	27.906.805	100,0	30.673.710	100,0

Source: IPAD/DSP

²⁰ Between 2002 and 2004, there was a fall in bilateral ODA to East Timor on account of a decrease in Portugal's contributions to the United Nations' humanitarian aid and peace-keeping missions in that territory.

5.6 Multilateral Aid

a) General Guidelines on Multilateral Aid

The aforementioned hierarchy in geographical and sectoral priorities for bilateral aid applies to the multilateral framework as well. It must also be noted that a rigid distinction between bilateral and multilateral cooperation no longer makes much sense, and therefore, and in essence, what is required are increased means to strengthen bilateral cooperation and to put it on a par with the country's multilateral aid efforts.

To that end, the IPAD has been promoting a practice of **Bilateral and Multilateral complementarity** by, for instance, actively participating in various multilateral development institutions, as is the case with its involvement with UNDP programs (namely projects involving the Justice sector and the Democratic Governance Thematic Trust Fund), and the World Bank's programs in East Timor (Trust Fund For East Timor and Budget Support).

b) Distribution and Trends in Portuguese Multilateral ODA

The contributions of Portugal via multilateral aid worked out at an average of 32% of its total ODA between 2002 and 2006. In 2004, Portuguese multilateral ODA fell to 15% of its total ODA, which was a result of the exponential rise in bilateral ODA to Angola.

Table 18. Trends in the breakdown between Bilateral and Multilateral ODA 2002 – 2006

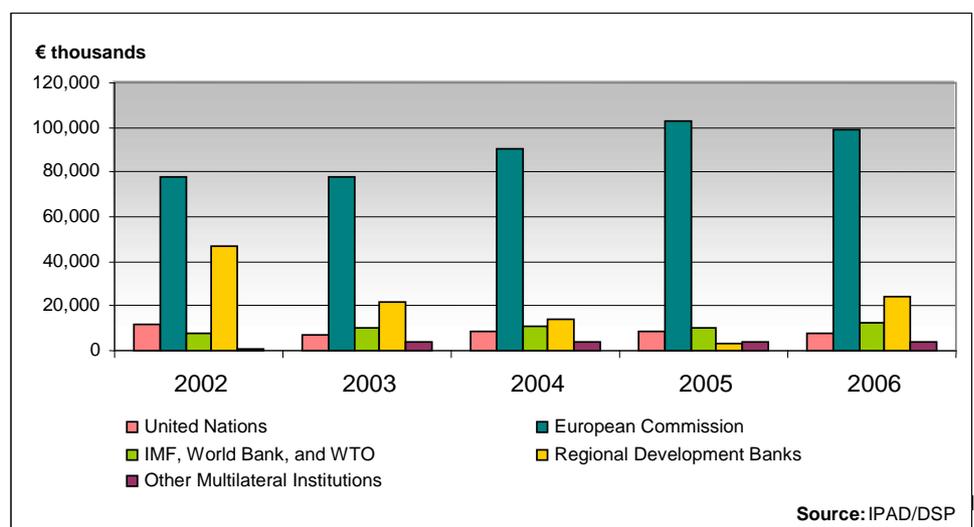
€ thousands

	2002	%	2003	%	2004	%	2005	%	2006	%
Bilateral ODA	197,443	58	161,494	57	702,446	85	175,644	58	168,333	53
Multilateral ODA	144,852	42	121,379	43	127,445	15	127,782	42	147,441	47
TOTAL ODA	342,295	100	282,873	100	829,891	100	303,426	100	315,774	100

Source : IPAD/DSP

Graph 22. Distribution of Portuguese Multilateral ODA 2002-2006

The major share of Portuguese multilateral aid is being channelled to the European Union via contributions to the European Development Fund (EDF), which funds



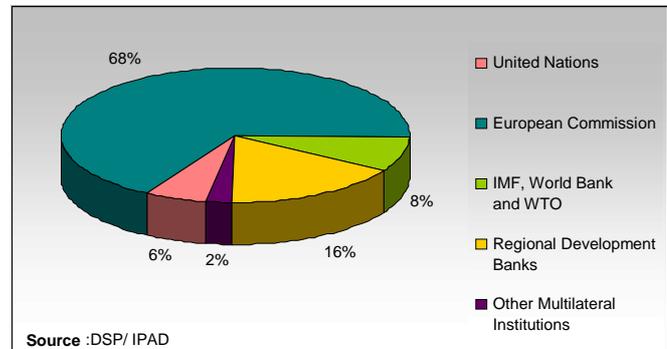
EU aid to ACP countries (African, Caribbean, and Pacific states), and to the European Commission's development aid budget, which funds aid to development countries not covered under the EDF.

In 2006, the EU received about 68% of the total amount of Portuguese Multilateral ODA, while contributions to Regional Development Banks increased.

Contributions to the United Nations and the International Monetary Fund (IMF), the

World Bank, and the World Trade Organisation (WTO) remained very much on a par with their average value over the last 5 years, being around €8.5 million for the UN, and about €10.2 million for the IMF, World Bank, and WTO.

Graph 23. Distribution of Multilateral ODA in 2006



c) International Financial Institutions

In 2006. Portugal's participation in International Financial Institutions represented a budgetary effort of about €55.1 million for the country, as a result of its commitments for contributions and participation, and including its equity holdings in the various institutions involved. It is to be noted that during negotiations on the building of funding resources taking place during 2006, Portugal continued to uphold the general principle that the funding shares allocated to each country participating in those institutions should be fairly and equitably determined, based on the relative weight of each nation's respective economy in the world economy and each country's ability to fund such efforts.

About 91% of the above mentioned amount was allocated to concessional funding, of which contributions to the European Development Fund are of particular relevance, as detailed below.

As concerns the World Bank Group, Portugal did issue any further promissory notes or effected payments in 2006, whether to the International Bank for Reconstruction and Development (IBRD), or to the International Finance Corporation (IFC), or even to the World Bank's Multilateral Investment Guarantee Agency (MIGA).

As concerns the International Development Association (IDA), Portugal funded a number of operations involving the redemption of promissory notes under that institution's resource replenishment efforts, namely in respect of the IDA-13 and IDA-14 replenishments, and in the amount of €4.7 million and €4.3 million, respectively, making a total of €9 million. Still with regard to

the IDA, a promissory note for €10.4 million was issued in lieu of funding for the first instalment of Portugal's contribution to the IDA's Fourteenth Replenishment of Resources (IDA-14). Another promissory note for €1 million was also issued within the scope of HIPC debt relief, which was fully redeemed during 2006.

Portugal also participates in the Global Environment Facility (GEF), having effected redemptions of €38,243 with respect to the GEF-1 replenishment, €588,000 with respect to the GEF-2 replenishment, and €712,725 with respect to the GEF-3 replenishment, totalling €1.3 million for 2006, on this account.

As concerns the Regional Development Banks and Funds, and following on negotiations for the African Development Bank (ADB)'s 5th general increase in capital, Portugal was allocated €24.52 million in capital subscriptions for 2006, and effected settlement of its 7th and 8th annual instalments, amounting to €184,723. The first of five instalments in the amount of €82,420 each, with respect to the subscription of ADB 330 shares, was also settled.

As concerns the African Development Fund, the country redeemed a total of €8.3 million in respect of promissory notes issued under the Fund's Seventh (ADF-VII), Eighth (ADF-VIII), Ninth (ADF-IX), and Tenth (ADF X) Replenishments of Resources. In 2006, two other promissory notes were also issued under the Tenth Replenishment of Resources, totalling €15.4 million. An amount of €339,729 was also paid to the ADF with respect to Portugal's contribution to the Multilateral Debt Relief Initiative (MDRI).

As concerns the Inter-American Development Bank Group (IDB), the country redeemed €217,579 in funding for the Multilateral Investment Fund (MIF), which Fund aims to assist private sector development in the form of concessional funding, namely with regard to the development of micro-businesses in Latin American and Caribbean countries.

Still concerning the IDB, and subsequent to Portugal joining the Inter-American Investment Corporation ("IIC") in 2002, which is the Group's institution charged with promoting private sector development in Latin American and Caribbean countries by funding small and medium private enterprises, it paid an amount of €176,408 to that institution in 2006, with respect to the realisation of its 6th subscription of share capital.

As concerns Portugal's participation in the European Bank for Reconstruction and Development (EBRD)'s first capital increase, the country redeemed promissory notes to the value of €567,000, in 2006

As concerns the Asian Development Bank (AsDB), payments to that bank amounted to a total of €1 million, reported to the last redemption of promissory notes in respect of a subscription of share capital.

As concerns the Asian Development Fund (AsDF), the country settled a total of €7 million, reported to partial redemptions of promissory notes issued under its ADF-VII, ADF-VIII, and ADF-IX Replenishments. As concerns the ADF-IX Replenishment, an additional two promissory notes were issued for a total amount of €8.2 million.

As concerns the International Fund for Agricultural Development (IFAD), a total of €259,650 were redeemed with respect to the third and last promissory note issued under its 6th Replenishment of Resources.

As concerns Community contributions, it is important to note the country's €24.3 million contribution to the European Development Fund (EDF), while €1.5 million were disbursed as a contribution to the Funding Facility managed by the European Investment Bank (EIB).

In addition, Portugal contributed to the EIB with an additional amount of €500,000, for purposes of funding the Trust Fund of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). In 2006, an amount of €46.682 was also disbursed, being a settlement for Portugal's share of its membership in the Latin American Centre for Development Administration (CLAD).

c) Multilateral Cooperation

As concerns multilateral cooperation, Portugal attended various *international fora* and followed up on the workings of various international organisations, being often represented by IPAD, highlights as follows:

Concerning the United Nations:

- Portugal submitted its report concerning the implementation of the *Action Plan for Least Developed Countries (LDC)*. Integrated in the process of preparing the Mid-term Review on the implementation of the 2001-2010 Action Plan, Portugal attended an *ad-hoc* meeting of experts (May, Geneva), where a survey on Cape Verde was presented. Portugal was also represented at a High-level Meeting for the Mid-term Review (September, New York).

- The IPAD attended a meeting of the Consulting Board of the UNDP/UNFPA (June, Geneva) where UNDP and UNFPA Programs were approved for Mozambique and S. Tome and Principe.
- Portugal attended a meeting of the United Nations High-Level Panel on System-Wide Coherence (November, Helsinki) to debate the EU's preliminary position on the recommendations proposed on the Report of the High-Level Panel on System Wide Coherence concerning the development, humanitarian aid, and environmental protection areas.

Concerning the *Global Fund to Fight Tuberculosis, AIDS, and Malaria*:

- The IPAD attended the 13th Meeting of the Board of Directors (April, Geneva), where the launch of Round 6 was approved, whereby developing countries may submit proposals for project funding in this area.
- Portugal was also represented at the 14th Meeting of the Board of Directors of the Fund (Guatemala City, 30 Oct. to 3 Nov.), which approved the 2nd Voluntary Replenishment of Resources for a period of 3 years (2008-2010), which commitments donor countries will be discussing in two meetings to take place during March and September, 2007.

Concerning the *DAC/OECD*:

- The IPAD attended two meetings of the Committee, which attendance is normally provided by representatives of the Portuguese Mission at the OECD. Given a dearth of human resources together with clashing agendas for various other OECD Committee meetings, the IPAD represented Portugal at that Committee's 845th (January) and 847th (March) Meetings.
- In conjunction with Portugal's Ministry of the Environment, Land Planning, and Regional Development, the IPAD prepared Portugal's submissions and representation at a Joint Ministerial Meeting of the Environment Policy Committee (EPOC) and the Development Assistance Committee (DAC) (April, Paris). Two documents were approved at that meeting: *a Common Action Framework* and a *Declaration on the Integration of Climate change in Development Cooperation Aid*.
- The IPAD represented Portugal at a High-Level Meeting of the DAC (April, Paris) as well, with the IPAD's Chairman heading the Portuguese national delegation to that meeting. Among the main issues being discussed, we highlight the new architecture being envisaged for International Aid to Fragile States and a Scaling Up in Development Aid.
- The IPAD attended a meeting of the Conflict Prevention and Development Cooperation Working Group (February, Paris). The main issues being debated at that meeting focused on a mid-term review of the 2005-2006 Working Program of the Global Facilitating Network



for Security Sector Reform, the priority areas for 2007-2008, and a discussion on the work of the UN's Peacebuilding Commission.

- The IPAD attended a joint meeting of the Fragile States Group (7th Meeting) and Conflict Prevention and Development Cooperation Working Group (10th Meeting), in October. The main issues being debated at those meetings focused on the following items: the final report on Whole Government Approaches in Fragile States (FS); findings and recommendations of the preliminary report on the pilot exercises on principles for effective international intervention in FS and future implementation of the action program; institutional building; aid distribution to FS; allocation of funds to FS; cooperation between the DAC and the Peacebuilding Commission of the United Nations; Early warning, preventive action and collective response issues; Review and approval of the working program for 2007-2008.
- The IPAD also represented Portugal at the DAC/ OECD Senior Level Meeting (December, Paris). The main issues being addressed were as follows: scaling up of development aid and related challenges; implementation of the Paris Declaration; the challenges of Security Sector Reform; an agenda for collective action on the fight against corruption.
- The IPAD attended a meeting of the Global Development Forum (December, Paris), which preceded the DAC/ OECD Senior Level Meeting, where Aid Effectiveness in the Health Sector and Global Programs were discussed, together with the Paris Agenda.

Concerning the OECD Development Centre (DC/OECD):

- The IPAD followed up on the discussions held within the DAC/OECD, and namely on the Working Program for the 2007/2008 two-year period.
- The IPAD convened a session for presentation of the Portuguese version of the *African Economic Outlook* publication on 19 October, at the Fundação Cidade de Lisboa, which was attended by the Director of the OECD Development Centre, SENEK, and IPAD's management board, and which translation was financed via the voluntary contribution to the OECD Development Centre.
- The IPAD coordinated the launch of the *African Economic Outlook* publication in Angola (on 7 November) and Mozambique (on 13 November), together with Portugal's diplomatic representatives in those countries and the OECD Development Centre.

Concerning the Iberian-American Conference:

- In April, under the chairmanship of Uruguay, the first of the Conference's three meetings took place, with the IPAD's presence as the Portuguese Cooperation focal point .
- The main theme of the 2006 Annual Summit was *Migrations and Development* and the meeting compiled and approved a new *Operating Manual of the Bariloche Arrangement*,

and rationalised existing development cooperation programs, thereby allowing for optimisation and reduction in the number of programs.

- The IPAD attended the First Meeting of Heads of Iberian-American Cooperation, in preparation of the Annual Summit of Heads of State and Heads of Government (April, Punta del Leste – Uruguay).
- Portugal took advantage of the Second Meeting of Heads of Iberian-American Cooperation to announce the granting, through the IPAD, of 15 training grants for high-level officers of Iberian-American countries to attend a High-Level Public Administration Course (CADAP) – international course, to be ministered at Portugal's Instituto Nacional de Administração (a National Administration Agency), valued at 100,000 Euros.
- The IPAD assisted the Portuguese Embassy of Lima in preparing Portugal's representation at the 25th Meeting of the Ruling Council of the *Indigenous Fund*, on the following matters:
 - a. the creation of an Intercultural Indigenous University
 - b. articulation with the national education programs of beneficiary countries;
 - c. discussion of the Operating Plan 2006;
 - d. a review of the General Secretariat for Iberian-American Countries (SEGIB);
 - e. and the perspectives for the Iberian-American Community going forward;

Concerning *African Partnerships*:

As a focal point for the **New Partnership for Africa's Development (NEPAD)**, the IPAD continued to follow up on the process of its materialisation, having discussions with all relevant entities (EU, UN, DAC/OECD) and contributed to the preparatory works for Portugal's participation at the *Africa Partnership Forum (APF)*, at which meetings Personal Representatives from G8/NEPAD and other partners in African development meet. In 2006, the APF convened twice, in Maputo (4-5 May) and Moscow (25-26 October). An *APF Support Unit* was established through the offices of the OECD, which is tasked to prepare and follow up on the meetings of the Forum, in cooperation with the Secretariat of NEPAD. Through the IPAD, Portugal contributed with €150,000 for funding the aforementioned Unit for a period of 3 years, which funding is fully provided by voluntary contributions from donors represented at the APF.

d) European Union Cooperation

Following the signature of the **Revised Cotonou Agreement** and a European Council Decision of December 2005 concerning its respective funding, the IPAD was an active participant at discussions held by the Council, as concerns the following issues:

- the Internal Agreement on the policies and procedures to be adopted for execution of the Revised Cotonou Agreement – signed by Member States on 10 April;
- the Funding Protocol to be attached to the Revised Cotonou Agreement – agreed with ACP countries at the 31st Session of the ACP-EU Council of Ministers (June, Papua New Guinea);
- the Internal Financial Agreement on managing aid granted by the Community under the 10th EDF – to be signed and ratified by the Member States, in the meantime;
- preparation of the Programming under the 10th EDF – which was initiated in February 2006 and should be completed by the second half of 2007.

As concerns **EU - Africa relations**, we highlight our participation in discussions on the implementation of the *EU Strategy for Africa* and the design and future funding of the *Peace Facility for Africa*, based on the results of a mid-term review of that mechanism, as submitted by the Commission. The IPAD followed up on preparatory works for the EU - Africa Summit, which will be taking place in Lisbon, during the second half of 2007.

In addition, the IPAD followed up on the following activities within the scope of Community initiatives:

- Discussions on the EU Strategy for the Caribbean countries (as approved at the General Affairs and External Relations Council (GAERC) of April, and the EU Strategy for the Pacific countries.
- Developments under regular political dialogue between the ACP countries and the EU, and more specifically the 31st Session of the ACP-EU Council of Ministers (June, Papua New Guinea), as well as the 11th and 12th Sessions of the ACP-EU Joint Parliamentary Assembly (Vienna, June, and Bridgetown, November).
- Preparatory works for Portuguese participation at the SADC Advisory Conference (April, Namibia), which approved a declaration on the objectives, principles, priority areas, and dialogue structures which shall govern the relations between the organisation and its international partners.
- Signature of a Fifth Cooperation Agreement with the International Institute for Strategic Studies (IISS) and the European Centre for Development Policy Management (ECDPM), applying for the period 2006-2007. The financial commitment undertaken by the IPAD amounted to €162,000, made up of two annual contributions of €81,000 each. The Fifth Cooperation Agreement envisages the development of new activities oriented towards supporting the IPAD, in the context of preparing and conducting the Portuguese Presidency of the EU during the second half of 2007.