

# DAC Peer Review

# PORTUGAL

Development Assistance Committee



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

## ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.



*This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.*

© OECD (2006)

No reproduction, copy, transmission or translation of this publication may be made without written permission. Applications should be sent to OECD Publishing: [rights@oecd.org](mailto:rights@oecd.org) or by fax (+33-1) 45 24 13 91. Permission to photocopy a portion of this work should be addressed to the Centre Français d'exploitation du droit de Copie, 20 rue des Grands-Augustins, 75006 Paris, France ([contact@cfcopies.com](mailto:contact@cfcopies.com)).

## The Peer Review Process

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

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

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

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Ireland and Spain for the Peer Review on 19 April 2006.

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

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

## ACRONYMS

ACPs	African, Caribbean and Pacific countries
APAD*	Portuguese Agency for Development Support
AfDB	African Development Bank
AsDB	Asian Development Bank
BSS	Basic social infrastructure and services
CECA	Committee for European Community Affairs
CIC*	Inter-Ministerial Commission for Co-operation
CPLP*	Community of Portuguese-speaking Countries ( <i>Comunidade de Países de Língua Portuguesa</i> )
CSOs	Civil Society Organisations
DAC	Development Assistance Committee (OECD)
EC	European Commission
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Commission for West Africa
EU	European Union
FAO	Food and Agriculture Organisation (UN)
GCAP	Global Call for Action Against Poverty
GDP	Gross domestic product
GHD	Good Humanitarian Donorship
GNI	Gross national income
IPC	Institute for Portuguese Co-operation
ICPs	Indicative Co-operation Programmes
ICRC	International Committee of the Red Cross
ICTSD	International Centre for Trade and Sustainable Development
IFIs	International finance institutions
IFRC	International Federation of Red Cross and Red Crescent Societies
IISS	(Portuguese) Institute for International Strategic Studies
ILO	International Labor Organisation
IPAD*	Portuguese Institute for Development Support ( <i>Instituto Português de Apoio ao Desenvolvimento</i> )
LDCs	Least developed countries
MDBs	Multilateral Development Banks
MDGs	Millennium Development Goals
MLSS	Ministry of Labour and Social Solidarity
MOE	Ministry of Education
MSTHE	Ministry of Science, Technology and Higher Education

NAPMs	National Association of Portuguese Municipalities
NGOs	Non-governmental organisations
ODA	Official development assistance
OLICs	Other Low-Income Countries
PALOPS*	Portuguese-speaking African countries
RDBs	Regional development banks
SADC	South African Development Community
TC	Technical co-operation
UNDP	United Nations Development Programme
UNFP	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WTO	World Trade Organisation
*	Denotes acronym in original language

---

**Signs used:**

EUR	Euro
USD	United States dollar
()	Secretariat estimate in whole or part
-	Nil
0.0	Negligible
..	Not available
...	Not available separately but included in total
n.a.	Not applicable

Slight discrepancies in totals are due to rounding

---

**Annual average exchange rate (EUR per USD)**

<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
1.1166	1.061	0.8851	08049

## Portugal's Aid at a Glance

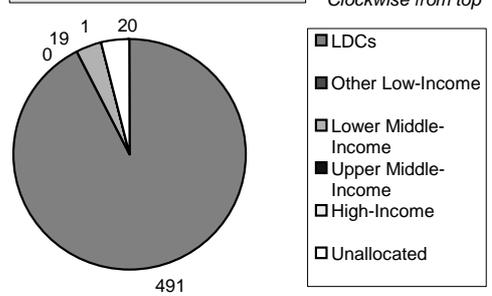
### PORTUGAL

*Gross Bilateral ODA, 2003-04 average, unless otherwise shown*

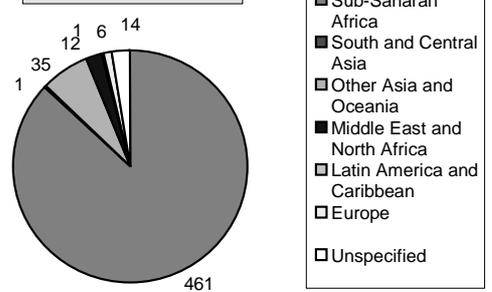
Net ODA	2003	2004	Change 2003/04
Current (USD m)	320	1 031	222.6%
Constant (2003 USD m)	320	921	188.3%
In Euro (million)	283	830	193.4%
ODA/GNI	0.22%	0.63%	
Bilateral share	57%	85%	
<b>Net Official Aid (OA)</b>			
Current (USD m)	51	62	21.7%

Top Ten Recipients of Gross ODA/OA (USD million)	
1 Angola	367
2 Cape Verde	39
3 Timor-Leste	34
4 Mozambique	22
5 Sao Tome & Principe	12
6 Iraq	12
7 Guinea-Bissau	10
8 Bosnia and Herzegovina	4
9 Sierra Leone	3
10 Congo, Dem. Rep.	1

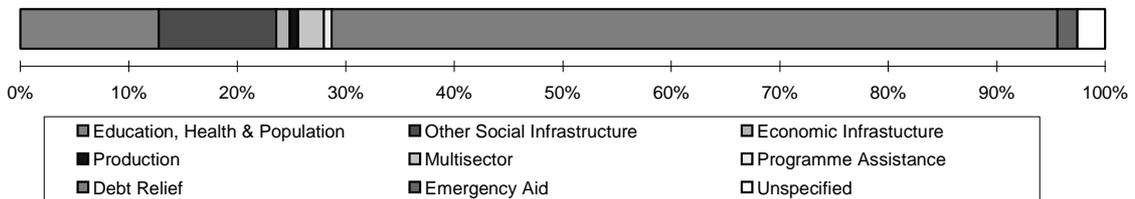
**By Income Group (USD m)**



**By Region (USD m)**



**By Sector**



## Table of contents

<b>DAC's Main Findings and Recommendations</b> .....	11
<b>Secretariat Report</b> .....	21

### *Chapter 1*

#### *Overall Framework and New Orientations*

Strategic foundations and new orientations .....	21
An encouraging new agenda emphasising poverty reduction .....	21
A new institution to make Portuguese aid more efficient .....	22
The principles and objectives of Portuguese development co-operation .....	22
The need for sectoral guidance.....	23
Portugal in the multilateral system.....	23
Portugal's ambition warrants a framework for co-operation.....	24
Encouraging the community of Portuguese-speaking countries to discuss strategic issues.	25
Portugal's approach to fragile states.....	25
Implementing the aid effectiveness agenda.....	25
Public opinion and information .....	26
Future considerations .....	27

### *Chapter 2*

#### **ODA Volume, Channels and Allocation**

Meeting international commitments on aid volume.....	29
Portugal's bilateral aid .....	30
Bilateral aid is concentrated geographically .....	30
... but is declining .....	30
Portugal's commitments to the MDGs are not sufficiently reflected in actual disbursements .....	31
Technical co-operation expenditures are significant.....	31
Other sectoral and thematic disbursements .....	32
Support to civil society organisation has been low .....	33
Decentralised co-operation is modest.....	33
The primacy of debt relief in recent years .....	34
Portugal's multilateral aid.....	34
A marked preference for European aid .....	34
Portuguese approach to multilateral institutions could be more strategic .....	35
Future considerations .....	36

### *Chapter 3*

#### **Poverty Reduction and Special Themes**

Portugal and poverty reduction.....	37
The need for operational clarity and for measuring impact.....	37
What about gender?.....	38

Assisting the rural poor .....	38
Education .....	39
Articulating an educational vision linked to poverty alleviation.....	39
Adopting a systemic approach to human and institutional capacity .....	41
Portugal's involvement in the DAC Fragile States Initiative.....	42
Portugal's response to Timor-Leste as a fragile state.....	43
Future considerations .....	43

#### *Chapter 4*

#### **Policy Coherence for Development**

International background on policy coherence for development .....	47
Strengthening policy coherence within the Portuguese administration .....	48
High level political commitment and an effective consultation mechanism .....	48
Opportunities and challenges for Portugal.....	49
Addressing the concerns of poor countries .....	49
Acting within the European Union to support African countries.....	49
Future considerations .....	50

#### *Chapter 5*

#### **Organisation and Management Systems**

Organisation.....	51
Strategic guidance and oversight.....	51
A central role for IPAD .....	52
The challenges of maintaining an efficient Portuguese aid system .....	55
The challenge of multi-year programming .....	55
The co-ordination challenge.....	55
The human resource challenge .....	56
The challenge of fostering a culture of results .....	57
The challenge of reaching out to NGOs.....	58
Other important actors of Portuguese development co-operation.....	59
The Ministry of Finance.....	59
The Ministry of Science, Technology and Higher Education .....	60
The Ministry of Labour and Social Solidarity.....	61
The Ministry of Education .....	61
The Camões Institute.....	61
Future considerations .....	62

#### *Chapter 6*

#### **Country Operations**

Country context.....	63
Timor-Leste and Portugal: A very special relationship.....	63
Portugal's development assistance in the field .....	64
The process of country programming and reporting: input oriented and transaction heavy .....	64
Addressing the human resource dilemma .....	67
Addressing the challenge of capacity development and local ownership.....	67
The difficulty of implementing aid effectiveness in the field.....	68
Future considerations .....	70

### *List of Annexes*

Annex A Portugal's support to humanitarian aid .....	71
Annex B OECD/DAC Standard Suite of Tables .....	75
Annex C The 2001 DAC Peer Review and Portugal's Achievements .....	83
Description of Key Terms .....	85
Bibliography .....	87

### *List of Tables*

Table 1. Share of total bilateral aid going to Portugal's priority countries from 2001 to 2004 .....	30
Table 2. Portugal's action related to poor countries' debt.....	34
Table B.1. Total financial flows.....	75
Table B.2. ODA by main categories .....	76
Table B.3. Bilateral ODA allocable by region and income group .....	77
Table B.4. Main Recipients of bilateral ODA.....	78
Table B.5. Bilateral ODA by major purposes .....	79
Table B.6. Comparative aid performance.....	80

### *Figures*

Organisational Chart 1. Ministry of Foreign Affairs .....	51
Organisational Chart 2. IPAD.....	53
Figure 1. Share of development co-operation budget by ministry (2003) .....	54
Figure 2. Share of development co-operation budget by ministry (2004) .....	54
Graph B.1. Net ODA from DAC countries in 2004 (preliminary data) .....	81

### *Boxes*

Box 1. Decentralised co-operation in Cape Verde.....	33
Box 2. Teaching the Portuguese language: Portugal's role in Timor-Leste .....	39
Box 3. Tibar's National Centre of Employment and Vocational Training.....	42
Box 4. Applying the DAC's Principles for Good International Engagement in Fragile States to Portuguese Assistance to Timor-Leste .....	45
Box 5. Policy coherence for development in the European Union.....	47
Box 6. Sugar and Mozambique.....	50
Box 7. UN presence in Timor-Leste .....	64
Box 8. Portugal's country programme in Timor-Leste .....	66
Box 9. The Group of Reconstruction Studies for Timor-Leste (GERTIL).....	68
Box 10. Joint donor efforts in Timor-Leste .....	69



## DAC'S MAIN FINDINGS AND RECOMMENDATIONS

### Overall framework and new orientations

#### *The challenge of implementing the poverty reduction agenda*

Portuguese development co-operation has undergone several institutional and policy changes since the last Peer Review. The Portuguese Institute for Development Support (IPAD) was created in 2003 as the central planning, supervisory and co-ordinating body for Portuguese aid. As part of the Ministry of Foreign Affairs, IPAD co-ordinates Portugal's aid programme, which involves multiple actors including over 15 different ministries, 308 municipal governments as well as universities and other public institutions. In November 2005, the Council of Ministers approved the new strategy for development co-operation entitled "A strategic vision for Portuguese co-operation". The strategy cites commitment to the Millennium Development Goals (MDGs) as one of the five guiding principles of Portuguese development co-operation while maintaining the geographic focus on the Portuguese-speaking countries of Africa ("the PALOPs") and Timor-Leste, in south-east Asia.

The new strategy is a welcome step forward. However, Portugal faces significant implementation challenges to reorient its programme accordingly. Commitments to increase official development assistance (ODA) in line with the MDGs and strengthen the poverty focus of the programme will require a strategic review of current ODA allocations. Operationalising these commitments will also require specific steps to reinforce the integration of poverty reduction throughout Portugal's development programme and mobilise key actors around the poverty goals. Given that IPAD requires a cadre of development specialists and considering the fragmentation of Portuguese aid and the reliance on line ministries' expertise, these issues create significant management, co-ordination and coherence challenges.

#### *Policy and sectoral guidance is needed*

Portugal's sectoral and thematic priorities are linked to applying its stated comparative advantages (*e.g.* language, culture and similar legal and institutional frameworks) in its priority countries. Priority sectors encompass education, good governance, participation and democracy; sustainable development and the fight against poverty. A clearer integration of the MDGs into these priorities, accompanied by appropriate institutional arrangements and guidelines, is needed to ensure that poverty reduction is the key objective pursued. Sectoral guidelines should be based on needs assessments and be flexible enough to adapt to each country's situation. They should describe in concrete terms the integration and use of Portuguese co-operation channels and instruments, including multilateral co-operation, with the ultimate objective of more coherent planning and programming around the strategic priorities of Portugal's aid programme. With time, it will be easier for Portugal to develop performance criteria linked to the relevant planning processes conducted at country level.

Nine of the top ten recipients of Portuguese aid, including five out of six priority countries, are considered to be fragile or conflict-affected states. Portugal has not articulated a global policy on conflict prevention, peace building and fragile states. However it can be commended for sustaining its engagement in its priority countries over the very long term and for making considerable efforts to

respond to issues of fragility in Timor-Leste. While the new strategy provides some insights into how Portugal should approach fragile states, a more deliberate action-oriented agenda on how to tackle issues of insecurity, violent conflict and state fragility should be elaborated. Such an agenda could be the subject of a dialogue within the Community of Portuguese-speaking countries. The DAC *Principles for Good International Engagement in Fragile States* and the lessons learned from piloting the principles could provide useful background material. The DAC Guidelines on *Helping Prevent Violent Conflict* as well as DAC Guidance on *Security System Reform and Good Governance* could also be used. Portugal's experience in Timor-Leste would be valuable in this respect.

Portugal's desire to be an active player in the decision-making processes of multilateral institutions requires a careful mix of financial contributions, quality of representation and positioning on substance. A framework for co-operating with key multilateral agencies, using selectivity criteria to help monitor their performance, could be elaborated. Whenever possible, Portugal is encouraged to work jointly with other donors on this and other issues linked to aid effectiveness.

### ***Fostering public support***

Portugal has made some improvements in response to the 2001 DAC Recommendations as concerns the dissemination of development co-operation information. The campaign "*Pobreza Zero*" which is part of the world-wide alliance "Global Call for Action Against Poverty", received great support in Portugal and coverage of the PALOPs is prominent in the media. A welcome feature of Portugal's new strategy for development co-operation is to make education for development a key priority and to include it in school curricula. Such efforts are necessary as the public debate on development co-operation in Portugal and public knowledge of development results are limited. A communication strategy, to be implemented by IPAD with adequate funding, would foster greater understanding of, and public support for, development co-operation.

### ***Recommendations***

- Building on the parameters of the new strategy for development co-operation, Portugal should develop and implement a multi-year, results-based action plan and adjust its policies and practices to reflect the poverty focus throughout its development programme. It should adopt a systematic and consistent approach to poverty reduction based on poverty needs assessments and integrating the gender equality dimension.
- Portugal is encouraged to develop sectoral guidelines based on needs assessments. These guidelines should be flexible enough to adapt to each country situation.
- Portugal should prepare a multilateral strategy based on specific allocation criteria. The strategy should identify priority issues of concern to Portugal and be linked to the bilateral aid programme.
- Linking Portuguese experience in immediate post-conflict transition periods with other experiences in fragile states could provide helpful lessons. A global policy on fragile states supported by policy and operational work specifically devoted to conflict prevention and peace building, could also add considerable value.
- IPAD should elaborate and implement a communication strategy to foster greater understanding of, and public support for, development co-operation.

## **Aid volume and distribution**

### ***Fulfilling commitments made at international level***

The Portuguese government has associated itself with the European Union (EU)'s collective undertaking to attain a 0.33% ODA/gross national income (GNI) target in 2006, 0.51% by 2010 and 0.7% by 2015. The preliminary report on Portugal's ODA for 2005 gives an ODA/GNI of 0.21% (USD 367 million). Meeting the ODA level of 0.33% of GNI by 2006, as agreed at the Barcelona Summit in the context of the Monterrey Conference, appears unlikely at this stage. At the end of 2005, the government's budget deficit exceeded 6% of gross domestic product (GDP). While it is expected to narrow over 2006-07 and real GDP growth will gain momentum, the Portuguese economy is nevertheless likely to lag behind average growth in the euro area.

The government intends to make a serious effort to reach the target of 0.51% by 2010. This commitment is welcome given Portugal's overall tight fiscal situation and the need to balance the national budget in a context of economic difficulties. In the light of actions taken by most DAC members to reconsider and increase their ODA commitments and targets, a higher level of ODA/GNI would be consistent with international trends and with the poverty reduction and other development objectives which Portugal has set for itself.

### ***Aid allocation may need to be reviewed in the light of the new strategy***

Portugal concentrates on a handful of very poor countries, with a high proportion of bilateral ODA going to sub-Saharan Africa. Of the top ten recipients of Portuguese bilateral aid in 2003-04, eight were least developed countries (LDCs). In terms of aid modalities, debt relief and technical co-operation (TC) dominate Portuguese co-operation, with TC representing approximately 32% of total gross disbursements on average between 2000 and 2004. By contrast, projects and programme aid represented only 2% of gross bilateral disbursements, compared to 16% for the Development Assistance Committee (DAC) members in 2004.

Assistance to basic social infrastructure and services (BSS) was not a strategic choice of Portuguese co-operation between 1999 and 2004. Support to BSS fluctuated between 2.5% and 2.8% during that period (compared to 4.2% in 1990). Activities in key cross-cutting areas for poverty reduction, such as gender equality, are not recorded in Portugal's statistical returns to the DAC, and there are no policy guidelines on the integration of gender in development. By contrast, allocations to governance related projects show the relative weight given to this priority topic, with average gross disbursements representing USD 37 million or 20% of bilateral disbursements (discounting debt forgiveness in 2004), a considerable increase compared to levels recorded throughout the 1990s. Aid to and through non-governmental organisation (NGOs) has been negligible since the 1990s.

Education absorbs a major share of technical co-operation in the form of imputed student costs and scholarships. In 2003, imputed student costs represented 32% of TC disbursements and scholarships 5%. Bringing foreign students to Portugal to study is costly in absolute terms and the opportunity costs in terms of developmental gains foregone are high. Considering Portugal's partner countries' needs in education at all levels, the questionable development benefits of scholarships and the well documented negative effect of brain drain on poor countries' development, the Portuguese authorities should carefully reflect on how education can be addressed from a systemic and development-oriented perspective. Analysing needs in the education systems of the priority countries and addressing them in the context of national education strategies would be important steps which Portugal should take in collaboration with the governments and donors concerned.

## ***Recommendations***

- Portugal needs to scale up its ODA to implement its MDG commitments by 2010. This will require transfers of new money to its partner countries. An ODA growth implementation plan with a specific time-frame should be elaborated, focusing on resource mobilisation and allocation to activities that have a clear poverty orientation.
- Portugal should review sectoral aid allocations and choice of modalities with a view to strengthening the poverty focus and impact of its development co-operation programme. It should make a special effort to clearly integrate a gender dimension and avoid supply-driven approaches.
- Portugal should carefully consider the risks inherent in bringing students from partner countries to study in Portugal in terms of brain drain versus development gains. It should broaden its approach to education, linking it more closely to the objective of poverty reduction, building institutional capacity at all levels.

## **Promoting policy coherence**

### ***High-level commitment is needed***

Portugal should endorse policy coherence for development as a government objective in the context of the action plan linked to the new strategy for development co-operation. A high-level communication linking policy coherence and poverty reduction could be issued. The role that institutions like the Council of Ministers for Co-operation and/or IPAD might play should also be clarified. The Institute should be strengthened in terms of analytical capacity and human resources with a view to substantially improving policy coherence and line ministries should commit to supporting IPAD's enhanced functions in this regard.

### ***Addressing the concerns of poor countries***

Portugal complies with the 2001 DAC Recommendation on Untying ODA to LDCs and can be commended for having joined the recent consensus to eliminate the coverage thresholds of the Recommendation. This move is unlikely to result in a large increase in untying of Portuguese aid, however, as a significant proportion is disbursed in the form of TC, which is outside the scope of the Recommendation. While Portugal's efforts to follow DAC Good Procurement Practices for ODA in respect of local procurement is acknowledged, priority should be given to further untying TC and to ensuring that future disbursements via the new financial institution for private sector support will not be tied.

Portugal is one of a small number of DAC members hesitant to broaden the DAC Recommendation on Untying to include only other low-income countries (OLICs). A number of progress reports on the implementation of the Recommendation show that since 2001, the volume of ODA to LDCs has increased significantly, as has the share of total ODA to LDCs. These developments suggest that extending the Recommendation to OLICs is unlikely to result in aid diversion to countries or projects not currently covered. While burden-sharing is important to make further progress on untying, Portugal is encouraged to join DAC efforts to move the untying agenda forward.

Portugal participates in and is bound by EU policies. With increased expertise it could play a greater advocacy role on behalf of its priority countries to ensure that issues of concern to them receive adequate attention in Brussels.

### ***Recommendations***

- Portugal is encouraged to endorse policy coherence for development at the highest political level and to clarify the role that the Council of Ministers for Co-operation might play to promote it across government ministries. This would provide a solid foundation for efforts aimed at ensuring that the concerns of partner countries are taken into account in the formulation of development co-operation and other national policies.
- Portugal is encouraged to further untie its aid and to ensure that disbursements via the new financial institution for private sector support will not be tied.
- Portugal could consider developing its capacity to advocate within the EU on behalf of its partner countries.

### **Aid management and implementation**

#### ***Adopting multi-year programming***

To co-ordinate the various entities involved in Portugal's development co-operation, IPAD set up a planning system that centralises and processes the financial information provided by all public entities and private bodies. The system reconciles Portugal's policy orientations with the triennial country programming cycle leading to the elaboration of country-specific indicative co-operation programmes (ICPs) which constitute the strategic document for Portuguese co-operation in each priority country. ICPs are prepared every three years by IPAD in collaboration with embassy staff. Specific projects for each priority country are identified and entered into annual co-operation plans which are negotiated yearly at different levels within the Portuguese administration.

The planning system has improved the transparency of the financial process and provides a consolidated, though still incomplete, view of financial commitments. However, it is not optimal for partner countries nor for other actors within Portuguese development co-operation as it does not facilitate longer-term commitments. Secondly, the system concentrates on inputs only and is generally not adapted to the requirements of the aid effectiveness agenda calling for harmonised donor practices, aid predictability and attention to results. One particular practical constraint is that all projects not completed in the first year have to be re-authorised by the Ministry of Finance following detailed discussions. Thirdly, despite the fact that IPAD takes the lead in the formal country planning process, a multiplicity of less formal processes bring a wide array of actors from line ministries in Portugal into direct contact with their counterparts in the partner country in a way that leads to fragmented programme development. Finally, the process generates high administrative and managerial costs at the expense of strategic, monitoring and other field-related activities.

While IPAD is commended for the considerable efforts it has already made to strengthen the planning and programming of the Portuguese aid system, the government is strongly encouraged to adopt a multi-year programming framework and to engage in methodological innovations that should result in a better linkage between development objectives, inputs, outputs and results. Additionally, the value added derived from the involvement of line ministries in planning and programming should be weighed against the advantages of bringing all planning and programming activities together under IPAD.

### ***Increasing IPAD's technical development co-operation expertise***

IPAD manages Portugal's development co-operation programme with a staff of 169. The Institute is not represented at country level and few staff combines the field experience and technical development background necessary to deal with the complex challenges facing Portugal's development co-operation programme. To increase the effectiveness of co-ordination, management and oversight of aid interventions and to consolidate a more strategic view, IPAD needs to shift from an administrative approach towards a more strategic and development co-operation-oriented culture with appropriate technical development expertise. This requirement is evident at headquarters but also at country level, where the shortage of development co-operation personnel is an impediment to the effective monitoring of Portuguese interventions. A strong role for senior advisors in priority countries would help to resolve this as well as encourage synergies between the different strands of work carried out by the various actors of Portuguese co-operation. It would also contribute to institutionalising the dialogue with other donors, including in the context of the implementation of the aid effectiveness agenda.

### ***Fostering a culture of results***

The creation of an evaluation division within IPAD and the elaboration of an evaluation strategy and action programme are welcome initiatives since the last peer review. The institutional location of the division, though, limits the development of a systematic and strategic approach to the preparation of the evaluation programme as well as feedback and follow-up phases. Finding capable and independent Portuguese-speaking evaluators and dealing with administrative obstacles to attracting international evaluators still present difficulties. Furthermore, evaluation results still need to shape policy-making and programming choices. As the co-ordination function of the Inter-Ministerial Commission for Co-operation (CIC) is strengthened, it may be desirable for this body to have a role in the formulation of the evaluation work plan and in assessing the resources (staff and budget) needed to implement an effective evaluation programme across the entire Portuguese development co-operation system. It would also be important to strengthen capacity to undertake evaluations at field level.

### ***Reaching out to NGOs***

Non-governmental organisations (NGOs) play a marginal role in Portuguese development co-operation despite recent steps to involve them more. The Portuguese government should consider broadening its dialogue with NGOs to include systematic consultations on country programming, ways of achieving the MDGs in the context of increased ODA and the aid effectiveness agenda. Portuguese NGOs might also be encouraged to work more with local NGOs in Portugal's priority countries as a means of strengthening the capacity of civil society in partner countries.

### ***Progressing on the aid effectiveness agenda***

Portugal signed the 2005 Paris Declaration on Aid Effectiveness and participates in international debates regarding the monitoring of its implementation. Consequently, the current Portuguese Action Plan on Harmonisation and Alignment which precedes the Paris Declaration, needs to be updated. At a minimum the plan could specify the time frame for achieving its objectives and identify the responsibilities of the public administration entities involved in development co-operation.

The new strategy for Portuguese co-operation calls for strengthening political and strategic control over development co-operation using the CIC. It appears that the Commission has not functioned well enough as an institutionalised mechanism for co-ordinating development co-operation policy. Meetings have essentially taken place on an *ad hoc* basis and have not focused on issues of a

strategic nature. The Portuguese authorities are encouraged to reflect on the most effective way to set up a systematic and formalised framework for inter-ministerial exchanges going beyond information sharing and to give IPAD sufficient resources to support the CIC.

At partner country level, Portugal faces the challenge of developing a common vision and operational framework for collaborating with other donors. Portuguese embassies are not sufficiently empowered with resources and authority to make decisions closer to field realities and to collaborate more actively with other donors, including in the context of the aid effectiveness agenda. As it stands now, Portuguese co-operation is aligned with the national poverty reduction strategies and/or development plans of its six priority countries and is mainly project-based. Portugal's participation in sector and budget support is constrained by its budget planning and programming process and limited aid management presence in the field. Real progress in reorienting Portugal's development co-operation in line with the new strategy ultimately depends on its ability to decentralise some decision making authority and human resources to the country level; increase the predictability of aid disbursements and adopt new aid delivery mechanisms as appropriate. A comprehensive approach to monitoring, evaluating and managing for results also needs to be developed.

### ***Developing capacities locally and fostering ownership***

Portugal uses language teaching and training as key instruments for building institutional and human capacities in its priority countries. It makes considerable efforts to train teachers in order to expand the teaching, in Portuguese, of the various disciplines at all stages of the education cycle, from primary school through higher university. While language is an important tool for identity building within society, as is the case in Timor-Leste, the objective of language proficiency may be eclipsing broader capacity objectives, for example in the policy and enabling environment. Sustainability issues (e.g. recurrent costs, local involvement and ownership, handover or exit strategies) should be addressed and systematic monitoring and evaluation ensured. Focusing efforts on upgrading the language skills of individuals without tackling the weakness of the organisations and systems in which they work also can undermine local capacity or, at best, results in minimal impact. In this sense, language should be seen as an instrument for fostering development.

Portugal should take a close look at its approach to capacity development and assess the long-term impact and value for money of current interventions. A strategic approach towards upgrading key public institutions, and working collaboratively with other donors and partner governments to assess sector-wide needs and design appropriate capacity development programmes to address them, is encouraged. Such programmes should incorporate mechanisms to measure the development impact of capacity and institution building efforts. The Portuguese authorities should also concern themselves with retaining and building on existing capacities and make use of the partner country diaspora to the extent possible.

### ***Recommendations***

- As is called for in the aid effectiveness agenda, Portugal should adopt multi-year programming to increase aid predictability for partner countries and Portuguese implementing agents.
- To increase aid effectiveness, IPAD should be given overall control of the bilateral aid budget. To reduce transaction costs, it should also have the authority to manage the annual carry forward of unspent funds.

- The Portuguese authorities should delegate greater authority to the embassies and strengthen them with additional human resources. They should experiment with sector-wide and programme approaches as well as forms of delegated partnership, working jointly with other donors whenever possible.
- IPAD should shift from an administrative to a more strategic and development-oriented culture. This means acquiring additional technical development expertise and expanding training activities to cover substantive development-related themes.
- Portugal should continue to strengthen its evaluation culture across the board, building on progress already achieved within IPAD's Evaluation Division as well as targeting line ministries.
- The Portuguese authorities should facilitate constructive dialogue with civil society organisations extending beyond the funding relationship to allow for a sharing of experience in areas of mutual interest.
- Language instruction is a necessary but not a sufficient condition for strengthening human and institutional capacities. The Portuguese authorities are encouraged to adopt a more strategic approach to the use of technical co-operation for capacity and institution building, based on an assessment of needs in the sectors in which they are most active and working jointly with other donors to the extent feasible.

### **Humanitarian aid**

Portugal endorsed the “Principles and Good Practice of Humanitarian Donorship” (GHD) in 2006 but an overall strategy for its humanitarian aid remains to be put in place. At present, Portuguese humanitarian aid is provided chiefly in kind or via civil society organisations. For some emergencies contributions are channelled through international NGOs and multilateral organisations. Portugal's humanitarian response operates largely on a case-by-case basis, with no stated preference for working with United Nations organisations, nor for contributing to the core costs of the global humanitarian aid system. On average, annual disbursements for emergency and humanitarian aid have been slightly below 2% of ODA.

A small unit within IPAD co-ordinates humanitarian aid and is also responsible for relations with NGOs. There are no technical specialists in humanitarian aid serving in this unit. IPAD is expected to mobilise other government ministries' contributions to emergency situations as appropriate. Neither humanitarian decisions nor funds are delegated to embassies in the field, however, these may have an advisory role.

Portugal's new strategy for development co-operation does not suggest a higher profile or larger role for Portugal in humanitarian aid. However, it acknowledges the need for Portugal to play its part in the international effort to provide a timely and adequate humanitarian response. It also notes the significance of recovery and transition to sustainable livelihoods and mentions the importance of co-ordination among the various actors in humanitarian response, notably the United Nations and the European Commission. Also cited are prevention measures and early warning mechanisms.

### *Recommendations*

- Given the vulnerability of its major partner countries to natural and conflict-related emergencies, Portugal should develop a policy for its humanitarian aid to guide its response to future situations. Such policy should ensure consistency with the endorsed “Principles and Good Practice of Humanitarian Donorship” and address the need for investments in disaster preparedness and mitigation.
- Within a growing ODA budget, Portugal should also consider further increasing its allocations to humanitarian aid, including prevention and preparedness, emergency response and recovery and reconstruction in line with GHD and a needs-based approach. It should also ensure that staff with appropriate technical expertise and experience are assigned to the organisational unit responsible for humanitarian aid.



## SECRETARIAT REPORT

### CHAPTER 1

#### OVERALL FRAMEWORK AND NEW ORIENTATIONS

##### Strategic foundations and new orientations

##### *An encouraging new agenda emphasising poverty reduction*

Since the last Peer Review (OECD, 2001)<sup>1</sup> Portuguese development co-operation has undergone several policy and institutional changes. One significant step taken by Portugal is the adoption by the Council of Ministers in November 2005 of a new strategy for development co-operation entitled “A strategic vision for Portuguese co-operation”.<sup>2</sup> The new strategy updates the previous one approved in 1999, entitled “Portuguese cooperation in the threshold of the 21<sup>st</sup> century – Strategy Paper”. Although the new strategy is not radically different from its predecessor, it introduces important innovations for Portuguese development co-operation in light of the evolving international context:

- The Millennium Development Goals (MDGs) are now one of the five guiding principles of Portuguese development co-operation. The Portuguese government has aligned itself with the European Commission’s commitment to attain a level of Official Development Assistance (ODA) equal to 0.33% of Gross National Income (GNI) by 2006, *i.e.* 0.51% by 2010 and 0.7% by 2015.
- Bilateral and multilateral programmes will be more systematically integrated using multi-bi approaches, and pooling arrangements with multilateral organisations will be encouraged. Portuguese aid mechanisms and instruments will also be adapted to contribute more effectively to international debates on development-related issues, and civil society initiatives will be stimulated.
- Inter-ministerial co-operation and policy coherence will be intensified. To increase collaboration between the many actors involved in Portuguese development co-operation, a number of new mechanisms will be put in place (*e.g.* co-operation clusters and a forum for development co-operation as a vehicle for dialogue with civil society).
- Financial planning and programming and the monitoring and evaluation of Portuguese co-operation will be strengthened to increase the coherence of the aid programme and the focus on results.

---

1. *DAC Peer Review of Portugal*, Pre-print of the DAC Journal, Vol. 2, No. 2, OECD, Paris.

2. At the time of the drafting of this report the strategy was available in Portuguese only.

- A new financial institution under the responsibility of the Ministry of Foreign Affairs, the Ministry of Finance and the Ministry of Economy and Innovation will be created specifically to support the private sector, targeting least developed countries (LDCs) and Portuguese investors. The agency will leverage some development co-operation financing and focus on export credit, capital risk and credit guarantees.
- Communication on development co-operation, both in priority countries and in Portugal, will be scaled up.

### *A new institution to make Portuguese aid more efficient*

In 2003, the Portuguese government consolidated institutional responsibilities in development co-operation by merging the former Institute for Portuguese Co-operation (IPC) and the Portuguese Agency for Development Support (APAD) in charge of private sector operations. As the central planning, supervising and co-ordinating body for Portuguese development co-operation, the Portuguese Institute for Development Support (IPAD) has responsibility for improving both the effectiveness and internal coherence of Portuguese aid but needs to be strengthened to fulfil its important and multifaceted mandate (Chapter 5). The evolution of IPAD's role over time and the way in which the new financial instrument translates into concrete gains for Portuguese partner countries merit close monitoring.

While the new strategy is undoubtedly a step in the right direction, Portugal faces significant implementation challenges to reorient its programme accordingly. Welcome commitments to increase ODA in line with the MDGs and strengthen the poverty focus of the programme will require a strategic review of current ODA allocations (Chapter 2) as well as specific steps to mobilise the Portuguese actors involved in development co-operation around the poverty goals. A clearer integration of the MDGs into the sectoral priorities of Portuguese co-operation, accompanied by appropriate institutional arrangements and policy guidelines, is also needed to ensure that poverty reduction is the key objective pursued. Finally, in the absence of sufficient technical development capacity in IPAD, the fragmentation of Portuguese aid and the reliance on line ministries expertise could constrain any strategic reorientation of the programme and create significant co-ordination and coherence challenges.

### *The principles and objectives of Portuguese development co-operation*

The new strategy was elaborated by the State Secretary for Foreign Affairs and Co-operation following consultations with a number of line ministries and civil society organisations. It was approved by the Council of Ministers but did not need to be approved by the Portuguese parliament.

According to the new strategy, Portuguese development co-operation reflects Portugal's foreign policy in at least three different ways. First, the development and economic integration of the countries with which Portugal has strong historic, linguistic and cultural ties linked to a shared colonial past. Those are the Lusophone countries of Africa (*i.e.* Angola, Cape Verde, Guinea-Bissau, Mozambique, São Tomé and Príncipe [the PALOPs]) and Timor-Leste in South East Asia. Second, the promotion of the Portuguese language in those countries, in particular through support to basic education and literacy. Third, Portugal's capacity to influence the decision-making processes of world institutions. As will be seen throughout this report, those features are remarkably present in Portuguese development co-operation.

The new strategy for Portuguese development co-operation states that Portugal will continue to concentrate on the above countries. The strategy rests on five guiding principles and the multiple

sectoral priorities attached. The principles are: i) commitment to the MDGs, which now constitute the framework within which Portuguese co-operation will operate; ii) support to human security (recognising the political-security-development nexus), in particular in fragile states or in countries in a post-conflict situation; iii) support to education and training; iv) sustainable economic and social development; and v) active involvement in international debates in support of the internationally agreed objectives. Although human rights are not amongst the five guiding principles of Portuguese co-operation, they constitute an important element of the mission of Portuguese co-operation, which involves "... contributing to a better and more stable world, particularly in Lusophone countries, characterized by economic and social development, the consolidation of peace, democracy, human rights and the rule of law" (Government of Portugal, 2005a).

### ***The need for sectoral guidance***

Portugal's sectoral and thematic priorities are linked to achieving the MDGs in priority countries as well as applying Portugal's stated comparative advantages (*e.g.* language, culture and similar legal and institutional frameworks). They cover good governance, participation and democracy as reflected in the DAC Guidelines on *Participatory Development and Governance*. Within this framework Portugal will strengthen public administrations, the judicial system, public financial management, the rule of law, electoral systems, democratisation processes and civil society capacity. The second priority, namely sustainable development and the fight against poverty, covers education (the key sector of Portuguese co-operation), health, rural development, environmental protection and the sustainable use of natural resources, economic growth and the private sector. Education for development constitutes the third priority of the new strategy.

Portuguese co-operation will focus on no more than three or four priority topics in each country in an effort to limit sectoral dispersion. Whereas the geographic focus of Portuguese development co-operation clearly rests with the Portuguese speaking countries, other countries with which Portugal has historical ties – Indonesia, Morocco, Senegal or South Africa, will be supported albeit with modest amounts. Humanitarian programmes (Annex A) will remain modest.

The government's new development co-operation strategy has generated some expectations for guidance as to its implementation. With strengthened technical development capacity in IPAD, strategic guidelines for Portugal's priority sectors could be developed. They should be flexible enough to adapt to each country situation and describe in concrete terms the integration and use of Portuguese co-operation channels and instruments, including multilateral co-operation, with the ultimate objective of more coherent planning and programming around the strategic priorities of the Portuguese aid programme. With time, it will then be easier to develop some performance criteria linked to the relevant planning processes conducted at country level.

### **Portugal in the multilateral system**

Traditionally Portugal sees multilateral aid as a complement to bilateral aid and a way not only to strengthen Portugal's integration within the international system supporting development co-operation, but also to respond to major international challenges such as poverty, disease, environmental degradation, human rights violations, human security and the transition from conflict to development. The new strategy advocates Portugal's involvement in multilateral debates to advance the strategic interests of Portuguese foreign policy and to contribute to the elaboration of international strategies. Strengthening the Portuguese-speaking countries' position within the international community is another important element of the strategy.

Portugal's multilateral engagement is beginning to be felt at different levels. Within the DAC, Portugal's decision to facilitate a pilot exercise in Guinea Bissau on the "Principles for Good International Engagement in Fragile States (Draft)" (Chapter 3) and to share lessons with the donor community on its experience there is very much valued. Portugal is also a staunch supporter of the partnership between Europe and Africa. As will be seen in Chapter 2, it has always channelled the largest share of its multilateral aid to the European Union, participating actively in the negotiations leading to the Lomé and Cotonou Agreements and in the debates taking place in the context of Europe-Africa relations. The authorities are currently working closely with third parties such as the European Centre for Development Policy Management (ECDPM), based in Maastricht, and the Portuguese Institute for International Strategic Studies (IISS) in the context of European Union-African, Caribbean Pacific Countries (EU-ACPs) relations.

### ***Portugal's ambition warrants a framework for co-operation***

The new strategy on development co-operation fixes Portugal's general orientations on multilateral aid and introduces some innovations as well. The geographic focus continues to be the PALOPs when it comes to dealing with good governance, regional integration and border conflicts. Within the United Nations, the United Nations Development Programme (UNDP), the High Commissioner for Refugees (UNHCR), the Population Fund (UNFP), the Children's Fund (UNICEF), the Food and Agriculture Organisation (FAO), the World Trade Organisation (WTO) and the International Labour Organisation (ILO) are strategic partners.

Multilateral agencies are supported to the extent that they address the priorities contained in Portugal's strategy for development co-operation. Other criteria are decided on a case-by-case basis. Portugal intends to promote a leadership role for the United Nations, including the creation of a Peace-Building Commission under a mandate from, and in collaboration with, the Security Council. It will also encourage greater coherence and efficacy within the EU for dealing with security and development issues and supports the EU's enhanced collaboration with the UN in this respect (IPAD, 2004).

Portugal intends to participate actively in OECD's discussions linked to its sector and thematic orientations. As Portuguese presence in the DAC working parties and networks has been uneven in the past mostly due to the lack of specialised staff, this is a welcome announcement. Donor discussions in DAC working parties and networks on themes such as governance, poverty, conflict, peace and development and capacity building, which are amongst Portugal's strategic priorities, should be of benefit to IPAD with a view to sharing lessons and learning from a collective experience.

Portugal's Ministry of Foreign Affairs intends to expand its presence and capacity in the International Finance Institutions (IFIs) and the Regional Development Banks (RDBs) in close co-ordination with the Ministry of Finance. In 2002 Portugal became a member of the Asian Development Bank (AsDB) and the Inter-American Investment Corporation of the Inter-American Development Bank promoting private sector development in Latin America and the Caribbean. Portugal's share in both agencies is small but significant for expanding its presence in Latin America. The authorities are also considering increasing relations with the African Union, the South African Development Community (SADC) and the Economic Commission for West Africa (ECOWAS), including on peace and security-related issues.

In order to increase the visibility of Portuguese presence as well as its influence in the decision-making processes of multilateral institutions, Portugal may wish to elaborate a detailed framework for co-operating with those agencies, with some selectivity criteria (Chapter 2). The authorities could assess the level and quality of the human resources needed: i) to strengthen the

process of gathering information at country level in preparation for boardroom discussions; ii) to participate in consultations related to the preparation of country strategies of key multilateral agencies; and iii) to provide systematic feedback to IPAD and the Ministry of Finance on these agencies' performance. Finally, some mechanisms for disseminating good practice coming from the multilaterals throughout the Portuguese development co-operation should be envisaged. Influencing the multilaterals, including the Multilateral Development Banks (MDBs), requires a careful mix of financial contributions, quality of representation and positioning on substance. Portugal should carefully think through how it could proceed in this respect.

### ***Encouraging the community of Portuguese-speaking countries to discuss strategic issues***

One way of strengthening the Portuguese speaking countries' position within the international community is to strengthen relations between Brazil, the PALOPs and Timor-Leste using the forum provided by the Community of Portuguese Speaking Countries (CPLP) whose headquarters are in Lisbon. The promotion of the Portuguese language and influence has always been an important Portuguese objective in the context of the CPLP. However, in the absence of a strategic focus within the Community, Portugal's activities have been limited mostly to the financing of meetings between member countries. To date, the organisation has little capacity to work as an aid delivery agency even though a number of projects emphasising Lusophone-to-Lusophone support have been suggested by IPAD. The Portuguese authorities should take the opportunity of the CPLP's tenth anniversary in 2006 to assess its accomplishments over the last decade and engage in a strategic discussion on how to address challenges related, *e.g.* to peace and security, the MDGs and regional co-operation.

### ***Portugal's approach to fragile states***

Nine out of ten of Portugal's partner countries and five out of six priority countries are characterised as "fragile states" by the DAC. Portugal can be commended for sustaining its engagement with these over the very long term. Portuguese development co-operation's new strategy emphasises that the nature of the problems facing fragile states calls for a concerted multilateral and bilateral response and supports the reform of defence structures and providing advice in the elaboration of a defence policy. The reorganisation of the armed forces, military training and the adoption of a code of good conduct respectful of international law, human rights and international humanitarian law are also stressed. Portugal will support partner countries' participation in regional organisations to help raise fragile states' peacekeeping and humanitarian aid capacity. A more thorough treatment of fragile states, with a focus on Timor-Leste, is found in Chapter 3.

### ***Implementing the aid effectiveness agenda***

In March 2005 Portugal signed the "Paris Declaration on Aid Effectiveness", as did 90 other countries, international organisations and NGOs. Portugal participates in the DAC Working Party on Aid Effectiveness and was also a member of the EU's Ad-hoc Group on Harmonisation. Portuguese co-operation is founded on the assumption that co-ordination and harmonisation will "... only be effective if the partner country itself leads the co-ordination of development assistance" (IPAD, 2005a). Portugal's approach is to work with other members of the EU and the EC, using developing partners' national poverty reduction strategies as the common framework.

The Ministry of Foreign Affairs prepared a preliminary internal plan on Harmonisation and alignment (H&A) in 2003 listing a number of activities on harmonisation, including the dissemination of the DAC Guidelines on *Harmonising Donor Practices for Effective Aid Delivery*. The internal plan was followed in February 2005 by an Action Plan, now available on IPAD's web site. The aim of the Action Plan is to "pursue a range of actions for implementation by Portuguese co-operation, and

thereby ensure that Portugal plays its part in making aid more effective and thus contributing to the achievement of the Millennium Development Goals” (IPAD, 2005b). Although the Plan is encouraging, it cannot be considered as an operational instrument. The document should at least specify the time frame for achieving its objectives, identify the responsibilities of the public administration entities involved in development co-operation and specify IPAD’s role. There is no reference to the 12 indicators contained in the Paris Declaration. At the time of finalising this analysis, the Plan was being updated to incorporate commitments contained in the Declaration as well as the objectives of the new strategy for development co-operation.

The new strategy for development co-operation advocates strong multilateral engagement and donor co-ordination but provides no particular guidance on how Portugal might address the Paris Declaration other than integrating bilateral and multilateral programmes and pooling funds with other donors. In this connection IPAD will manage those processes either: i) through direct financing of multilateral projects (*e.g.* using UNDP, ILO and UNESCO Trust Funds), whenever those add value to development interventions; and/or ii) earmarking. The strategy notes that both mechanisms should be developed but should not pre-empt other financing mechanisms.

Portugal’s development co-operation is increasingly aligned with the national development strategy and/or poverty strategies of its priority countries. Despite some notable efforts to collaborate with other donors, *e.g.* in Mozambique and Timor-Leste (Chapter 6), there is much scope for Portugal to contribute more actively to joint activities and to evaluate its organisational and management approach to development co-operation, with a view to building capacities internally to address the international agenda more effectively (Chapters 5 and 6).

### **Public opinion and information**

There is strong parliamentary consensus regarding the government’s new strategy for development co-operation and the need to raise aid volumes to meet the MDGs. Yet, pressure to show results has not been very strong in Portugal compared to other DAC member countries. With respect to public opinion, a welcome new feature of the strategy is to raise education for development as a key priority: “It is of utmost importance to create knowledge and sensitise Portuguese public opinion on international co-operation as well as on active participation in a global citizenship” (Government of Portugal, 2005a). Government officials seem eager to increase the constituency for development co-operation, particularly among the younger generation which does not have the same cultural, historical or emotional links to the Portuguese-speaking countries as its predecessors. The new strategy mentions the importance of including development education in school curricula, with a significant role for the Ministry of Education to play, which is encouraging.

Portugal made improvements in response to the recommendations made by the DAC in 2001, particularly as concerns the dissemination of development co-operation information. Several Portuguese non-governmental organisations (NGOs) are now deeply engaged in promoting development education in Portugal. In July 2005, the campaign “Pobreza Zero”<sup>3</sup> - which is part of the worldwide alliance “Global Call for Action Against Poverty (GCAP)” was initiated. The campaign is co-ordinated by OIKOS, a major Portuguese NGO. It is committed to fighting poverty and promoting the MDGs. It received great support in Portugal following the publication of an open letter to the government in a Portuguese leading newspaper.

Media coverage of the PALOPs is prominent in Portugal. Throughout 2005, in collaboration with IPAD the daily *Jornal de Notícias* issued a series of special reports on Portuguese development

---

3. “Zero Poverty”.

co-operation focusing essentially on those countries. Most of IPAD's activities are published on its website (increasingly in both Portuguese and English), including projects, evaluations and general information on Portuguese development co-operation. Focal points within each of IPAD's departments serve as the website main correspondents. IPAD's Information and Documentation Centre, which includes a library and a historical archive going back to 1936, is open to the public.

IPAD finances seminars, films, specific documentation and prizes for academic publications. The number of university courses focusing on development-related issues is increasing and for the first time in 2005, IPAD co-financed development education projects. The institute reviewed 30 applications from 22 different NGOs and supported 10 at a total cost of EUR 374 140. The winners focus on North-South relations, MDGs, fair trade, international solidarity and development co-operation. Finally, IPAD, ECDPM and IISS have entered into a special partnership to disseminate information in Portugal and in the PALOPs on European development co-operation policies. From 1998 to 2005 the partners organised a number of seminars in Portuguese universities and public institutes, giving participants the possibility to learn more about Portuguese and European aid.

Nevertheless, there is still a lack of information regarding the level of public support for development co-operation. In December 2005, a survey on public opinion carried out by the Portuguese NGO Platform and the University of Aveiro concluded that more than half of the interviewees were unaware of Portuguese development co-operation, with 85% considering it as unimportant. Reports published by the OECD (2003) and the European Commission (2005) show that the implementation of development education strategies and other initiatives is slow in Portugal and the public debate on development co-operation still limited. Since Portugal has declared its intention to promote a debate on African development issues, including EU-ACPs relations, it should start thinking strategically on how this will be done. It should elaborate and fund a communications policy, to be implemented by IPAD.

Portuguese citizens need information about development issues generally and on the results of Portuguese development efforts. In this connection the strategy briefly states that indicators should be developed for measuring impact, as well as norms and procedures to monitor activities from the time they are planned until they are evaluated. The Portuguese authorities are encouraged to follow this through with the appropriate directives and tools, and to make known Portugal's contributions to global poverty reduction.

### **Future considerations**

- The Portuguese authorities should take up the challenge of developing and implementing a multi-year, results-based action plan building on the parameters of the new strategy for development co-operation.
- Based on the priorities presented in the new strategy and with increased technical development expertise, Portugal should develop sectoral guidelines making a strong link with the MDGs. The guidelines should be linked to the systematic elaboration of sector assessments at country level. Key actors, including the NGO Platform, should be included in this work.
- Portugal should give consideration to elaborating a multilateral strategy on the basis of specific allocation criteria and work with other donors in the search for multilateral aid effectiveness.

- IPAD should elaborate a communication strategy to foster greater understanding of - and public support for - development co-operation, and maintain adequate funding for development education projects and other development-related activities.
- The government's harmonisation plan needs to be updated to become operational.

## CHAPTER 2

### ODA VOLUME, CHANNELS AND ALLOCATION

#### Meeting international commitments on aid volume

The Portuguese government has associated itself with the European Union's collective undertaking to attain a 0.33% ODA/GNI target in 2006, 0.51% by 2010<sup>4</sup> and 0.7% by 2015. In 2002, the Portuguese authorities committed to the first target and in the XVIIth government's programme entitled "Portugal in Europe and the World", the ODA/GNI target of 0.45% is mentioned as a goal to be reached in 2009 (Government of Portugal, 2005b). The new strategy for development co-operation also reiterates Portugal's engagement towards meeting the MDGs. Parliament is fully supportive of the authorities in this respect.

Meeting the ODA level of 0.33% of GNI by 2006 agreed at the Barcelona Summit - in the context of the Monterrey Conference - appears unlikely at this stage, however. At the end of 2005, the government's budget deficit reached 6.8% of Gross Domestic Product (GDP) due, among other things, to high social expenditure (OECD Observer, 2005). The deficit is expected to narrow somewhat over 2006-07 and real GDP growth should gain momentum, although it is likely to lag behind average growth in the euro area. Assuming there is an improvement in the economic situation, the government is prepared to make a marked effort to reach the target of 0.51% by 2010.

Portugal's ODA/GNI ratio has remained fairly constant since the last Peer Review – 0.25% on average between 1999 and 2003 – dropping to 0.22% that year following a peak of 0.27% in 2002 (Table B.1). The merger of IPC and APAD to create IPAD (with a resulting negative impact on the rate of disbursements), combined with strict control of the public deficit and budget consolidation to comply with the EU Stability and Growth Pact, resulted in a fall in ODA in 2003 (IPAD, 2004). A reduction in Portugal's contribution to Timor-Leste and the difficulty of implementing ongoing programmes in the PALOPs also explain the slump. In 2003, total net disbursements represented USD 320 million compared to USD 396 million in 2002.

In 2004, bilateral ODA increased to USD 1 031 million or 0.63% of GNI. The spectacular increase (over 188% in 2003-04) was due to the rescheduling of the Republic of Angola's debt (USD 698 million). As a result, Portugal had the 16th largest ODA programme among the 22 DAC member countries that year, ranking in 6th position in terms of ODA/GNI. However, when discounting the debt rescheduling operation, ODA flows in 2004 amounted to USD 333 million. This represents 0.20% of GNI, less than the previous two years. Thus the reality of Portuguese aid shows that the increase in 2004 has not led to any flows of new money to developing countries.

---

4. On 24 May 2005, based on a proposal for the European Commission, the European Council established the new intermediate collective target of 0.51% of GNI in order to reach 0.7% by 2015. By fixing the ODA collective target at that level, the EU wants to ensure additional funding of EUR 20 billion as from that date. At least half of this additional funding will be dedicated to Africa.

Once all the stages of the scheduled debt reduction process are over, Portugal needs to find alternative ways of increasing ODA levels to meet MDG commitments. Mobilising and programming new financial resources and deciding how they will be used are real challenges which the Portuguese authorities have to address. They are strongly encouraged to back up the new strategy for development co-operation with innovative schemes for additional development funding dedicated to poverty reduction. The establishment of a technical working group to look at new sources of financing is an important step in this context.

## Portugal's bilateral aid

### *Bilateral aid is concentrated geographically ...*

Portugal is to be commended for its concentration on a handful of very poor countries. Of the top ten recipients of Portuguese bilateral aid in 2003-04, nine can be considered to be fragile states or conflict-affected countries and eight were LDCs. LDCs received a total of USD 491 million (current USD) or 94.5% of gross disbursements during that period, which is well above the DAC average of 33% in 2004 (Table B.3). However, 67% of gross bilateral ODA in 2004 is accounted for by debt rescheduling to Angola. According to the new strategy on development co-operation, Portugal intends to support other countries with which it has historical ties – Indonesia, Morocco, Senegal and South Africa - albeit with modest amounts.

Language, the depth of Portugal's cultural and historical ties with its former colonies, as well as similar institutional arrangements continue to condition Portugal's geographic allocation. These characteristics also allow Portugal to base its programmes on the priorities of the partner countries, which is very positive in terms of alignment. As Portugal's five priority countries are concentrated in sub-Saharan Africa, the proportion of bilateral ODA going to that region is high: 66% in 2003 and 94% in 2004 compared to 34% for the DAC in 2004. Other ODA recipients (Bosnia and Herzegovina, Brazil, Iraq, Macedonia and ex-Yugoslavia) received only minimal amounts in 2003-04 (less than 5%). Timor-Leste stands out as the largest single beneficiary of Portuguese bilateral ODA between 2001 and 2003, as can be seen from the table below.

**Table 1. Share of total bilateral aid going to Portugal's priority countries from 2001 to 2004**

	2001	2002	2003	2004
<b>TOTAL</b>	<b>84.4</b>	<b>77.9</b>	<b>77.3</b>	<b>94.1</b>
Angola	6.5	7.8	10.7	82
Cape Verde	12.6	5.9	22.1	3.5
Guinea Bissau	7.3	3.6	4.5	1.4
Mozambique	18.7	12.8	10.5	2.8
São Tomé and Príncipe	7.7	7.0	6.1	1.5
Timor-Leste	31.6	40.8	23.4	2.9

Source: Memorandum of the Portuguese government, 2005.

### *... but is declining*

Portuguese bilateral aid has been declining from 78% of total ODA in 2000 to 68% in 2001, 58% in 2002, and 57% in 2003. Its share was 85% in 2004 due to debt rescheduling (Table B.2). With the exception of 2004, the bulk of bilateral aid consists of grants. Reductions in bilateral ODA have been

compensated to some extent by increases in multilateral ODA during the same period, especially towards the European Union.

In terms of focus, Portugal plans to maintain its strategic concentration on the PALOPs and Timor-Leste over the long term. The government is encouraged to collaborate actively with other donors towards the implementation of the aid effectiveness agenda in those countries (Chapter 6) and to identify the sectors in which Portugal may play a leadership role.

### ***Portugal's commitments to the MDGs are not sufficiently reflected in actual disbursements***

Assistance to basic social infrastructure and services (BSS) which includes, *inter alia*, basic education, basic health, population, HIV/AIDs, water and sanitation, was not a strategic choice of Portuguese co-operation between 1999 and 2004, confirming a trend observed in previous peer reviews. The share of ODA allocated to BSS (discounting all debt operations) fluctuated between 2.5% and 2.8% throughout that period, with a peak of 3.1% in 2001/02 (compared to 4.2% in 1990). Portugal allocates the least funding to BSS of all DAC members. Moreover, there is an absence of activities in key cross-cutting areas for poverty reduction, such as gender (Chapter 3).

A closer look at bilateral ODA illustrates that the share of ODA going to “other social infrastructure and services” which includes, *inter alia*, assistance to employment, housing, social services and cultural development, has increased from 6% in 1998-99 to 11% in 2003-04, compared to the DAC average of 5% and 6%. Disbursements in social and welfare services (with a peak of 9.3% in 2003); culture and recreation (with a peak of 6.8% in 2004); and employment policy and administration (with a peak of 5.1% in 2004) have gone up between 2000 and 2004. Most projects have a strong poverty focus although they are modest in scale and often fragmented.

After discounting “action relating to debt” in 2003/04, the share of Portugal’s ODA disbursements in some categories rises substantially. For example, secondary and higher education (USD 59 million) represented 32% of ODA disbursements (instead of 11%) during that period.

### ***Technical co-operation expenditures are significant***

A significant proportion of Portuguese ODA is disbursed in the form of technical co-operation (TC).<sup>5</sup> TC accounted for more than 67% of bilateral ODA in 2002 and exceeded 77% of bilateral ODA in 2003. In terms of total ODA, TC represented close to 32% on average between 2000 and 2004, with peaks of 44% in both 2001 and 2003 (the DAC average in 2003 was 24%). TC accounted for 11% of ODA in 2004 due to the Angolan debt relief operation. A discussion on Portuguese TC is included in Chapter 3.

Education absorbs a major share of technical co-operation in the form of imputed student costs<sup>6</sup> and scholarships. In 2003, imputed student costs represented 32% of TC disbursements (USD 45.5 million) and scholarships 5% (USD 7 million). In 2004, those proportions were 28% (USD 32 million) and 7% (USD 8 million) respectively. Currently scholarships represent 11% of

---

5. Data reported to the DAC concerns free-standing technical co-operation which includes consultants, training, research and associated costs. Investment-related TC, which is included in the DAC statistics under “project aid”, relates to the financing of services (consultants, technical support, know-how) linked to the execution of an investment project and the contribution of the donor’s own personnel (manager, technical, skilled labour...) to that project. Portugal has basically no investment-related TC.

6. Imputed student costs are implicit subsidies of tuition costs of foreign students in Portugal.

IPAD's disbursements (Chapter 5). Bringing foreign students to Portugal to study is costly, in absolute terms: the average cost per student in Portugal is estimated to be EUR 6 000 per year.

Scholarships are decided on the basis of protocols agreed between Portugal's partner countries and the Portuguese government. They are assigned preferably in areas which are not covered by existing establishments within those countries and processed through the Ministry of Education. IPAD manages most scholarships, which are allocated on a yearly basis during the planning and programming process (Chapter 5). This generates substantial transaction costs for the Institute. In addition to scholarships granted by the Ministry of Education and IPAD, there are parallel scholarships programmes throughout the administration, notably to train the military, the police and diplomats as well as to assist students who are trained in Portugal with financing from international organisations or third countries.

Scholarship schemes geared towards the needs of individuals which are not explicitly linked to organisational and institutional objectives are likely to have very limited impact (OECD, 2005). Considering the needs of Portugal's partner countries in education at all levels, the questionable development benefits of scholarships and the well-documented negative effect of brain-drain on the development of poor countries, the Portuguese authorities should carefully reflect on how education can be addressed from a systemic and development-oriented perspective (Chapter 3). The current evaluation of Portugal's scholarship programme, which will be instrumental for the future direction of that programme, is a useful step, as is the government's decision to direct additional funding to local universities and institutions. Although it is acknowledged that vested interests in tertiary institutions in Portugal may be a complicating factor, Portugal is encouraged to carry out a thorough analysis of needs in the education system of the priority countries. Addressing those needs in the context of national education strategies would be another important step which Portugal should take in collaboration with the governments concerned as well as other donors and informed NGOs.

### ***Other sectoral and thematic disbursements***

Disbursements related to governance and civil society (Table B.5) show the relative weight given to these priority topics for Portuguese development co-operation. Discounting debt forgiveness in 2003-04, average gross disbursements represented USD 37 million or 20% of bilateral disbursements, showing a considerable increase compared to levels recorded throughout the 1990s (USD 11 million). Reconstruction activities with respect to Timor-Leste may be responsible for those levels, which peaked at 70% of disbursements in 2002. While "government administration" disbursements were 5.8% of bilateral disbursements in 2004 (compared to 2.2% in 2000), illustrating Portugal's support to the public administrations of its six priority countries (*e.g.* through training in the Portuguese language, drafting of legislation and assistance to elections for example), no disbursements were recorded under the "strengthening of civil society" between 2000 and 2004.

By contrast, bilateral ODA disbursements to economic infrastructure and services in 2003/04 (USD 6 million) decreased quite substantially compared to 1998-99 (USD 26 million) and compared to the DAC average. This could be explained by the dismantling of APAD, the private sector arm of Portuguese co-operation until 2003. With the creation of a new financial institution (Chapter 1), disbursements in financial and business activities may pick up again in the future. The same trend applies to 'productive sectors' for which disbursements have declined from USD 7 million in 1998-99 to USD 4 million in 2003/04. A decrease in 'multisector' ODA, *i.e.* support for projects straddling several sectors, is also noticeable, from USD 30 million in 1998-99 to USD 13 million in 2003/04. Closer scrutiny of the data shows large variations within that category, with disbursements being most visible in urban and rural development and research.

### ***Support to civil society organisation has been low***

Since the last Peer Review, ODA bilateral disbursements to civil society have fluctuated between USD 2 million and USD 4 million between 2000 and 2004, with a peak of USD 5 million in 2002. Discounting action relating to debt, aid to and through NGOs has been negligible (less than 1% of gross bilateral disbursements in 2003/04) (Table B.2). Money raised privately by NGOs has fluctuated between USD 5 million in 2001 and USD 3 million in 2004. There are basically no contributions to local NGOs in partner countries.

The level of funding to NGOs has not changed significantly since the last review, illustrating that Portugal still has a long way to go to integrate national and local NGOs into its aid programmes. Civil society organisations have until now played a marginal role in Portuguese development aid despite the strong links between the Portuguese population and societies in the PALOPs and Timor-Leste.

In terms of the geographic and sectoral distribution of IPAD's co-financing of NGO projects, for the period from 2002 to 2005, the highest proportion has gone to Mozambique (32%), followed by Angola (24%), Guinea-Bissau (15%), Timor-Leste (13%), São Tomé and Príncipe (7%) and Cape Verde (4%). Three per cent of all co-financing goes to development education projects and the remainder is allocated for development. Portugal considers development education to be a continuous process to facilitate social, cultural, political and economic relations between the North and the South and to promote solidarity, justice and a civic code of conduct. A fuller discussion on NGOs can be found in Chapter 5.

### ***Decentralised co-operation is modest***

The term “decentralised co-operation”, as it is used by Portugal, refers to direct relationships between local institutions such as municipalities in the partner country with their Portuguese counterparts. It covers such fields as education, culture, local institution building, conservation of heritage sites and social welfare.

The 2005 strategy for development co-operation makes decentralised co-operation a priority for strengthening the autonomy and sustainability of local institutions in partner countries. The strategy advocates the establishment of a specific mechanism to structure activities around the priorities of Portuguese co-operation, using clear eligibility criteria for both municipalities and NGOs and collecting good practice on inter-municipal co-operation (Box 1).

#### **Box 1. Decentralised co-operation in Cape Verde**

In Cape Verde inter-municipal co-operation is an important component of Portugal's development efforts. In part building on the links created through the Cape Verdian community living in Portugal, many of the 17 Cape Verdian municipalities have direct relationships with Portuguese cities covering such fields as education, culture, local institution building, conservation of heritage sites and social welfare. This type of co-operation is generally much appreciated by the Cape Verdian municipalities because it can provide a quick means of financing local projects such as the building of libraries, sports centres or schools. When there is an urgent need for financing, municipalities contact their partner cities in Portugal directly.

*Source: OECD (2005), Managing Aid: Practices of DAC Member Countries, DAC Guidelines and Reference Series.*

Aid from Portugal's municipalities has been included in ODA statistics since 1994, but data collection methods and the level of detail in reporting have varied from one year to the next. Statistics

are the most complete for 1998-2000 (showing activity levels for all 308 municipalities). In 2001 USD 1 million or 0.5% of bilateral ODA was reported, based on information from the National Association of Portuguese Municipalities (NAPM). No specific survey was conducted in 2002 and 2003, although some information on joint projects of the central government and municipalities was reported. A recent survey conducted for the DAC Working Party on Statistics notes that due to a shortage of personnel in IPAD's statistical unit and the difficulty in gathering the information, in the future data collection will be limited to the most active municipalities.

The decision to adopt a more strategic approach to decentralised co-operation and make it more transparent is welcome. It should be complemented with performance criteria and a mechanism for *ex-post* evaluation to improve accountability and inform future policy development.

### **The primacy of debt relief in recent years**

The composition of Portuguese bilateral ODA is largely characterised by debt relief, particularly in 2000 and 2004, and technical co-operation (Table B.2). By contrast, projects and programme aid represented only 2% of gross bilateral disbursements between 2000 and 2004, compared to 16% for the DAC (2004).

Portugal's policy towards debt relief is linked to the restructuring operations that are negotiated within the Paris Club or are decided bilaterally on the basis of the level of income and indebtedness of the debtor country. Between 2000 and 2004, action relating to the debt of the PALOPs represented USD 283 million or 54%, the highest disbursements of Portuguese bilateral ODA. In 2004 alone, the exceptionally high amount of debt rescheduling for the Republic of Angola represented 67% of those disbursements.<sup>7</sup> In 2003/04, total bilateral ODA (USD 530 million) minus action related to debt (USD 355 million) represented USD 175 million or 33%, a rather small amount for development-oriented goals. Since it has no claims on Iraq, Portugal's bilateral ODA will not be affected by the Paris Club's decision to forgive that country's debt.

**Table 2. Portugal's action related to poor countries' debt**

	1990	1995	2000	2002	2003	2004
Debt relief (% of net bilateral ODA)	0.0	10.1	60.7	3.6	2.0	68.3
HIPC debt relief (% of net ODA)			7.2	3.4	1.8	8.7
Grants (% of gross bilateral ODA)	75	72	99	99	100	20

### **Portugal's multilateral aid**

#### ***A marked preference for European aid***

Portugal's multilateral contributions (Table B.2) have fluctuated since the last Peer Review, ranging from 22% of total ODA in 2000 to 15% in 2004, with a peak of 43% in 2003 compared to 24% for the DAC (32% for EU Member States). These fluctuations are due to debt relief operations to a large extent and to the cycle of replenishment of the larger financial institutions. Overall, aid provided through multilateral channels at constant prices has increased from USD 126 million in 2000 to USD 142 million in 2004, with a peak of USD 167 million in 2002.

7. Angola's debt has been rescheduled over 29 years, with a 1% interest rate and a grant element of 67.7%.

The European Commission received about one-quarter of gross multilateral disbursements between 2000 and 2004. ODA rose sharply from 14% in 2000 to 26% in 2001. Subsequently, contributions to the EC decreased in 2004 to 11%, but are still higher than the DAC average of 9% (2004). Between 2000 and 2002, Portugal's contribution to the European Development Fund oscillated between USD 12 million and USD 13 million, rising to USD 19.51 million in 2003 and USD 31.79 million in 2004.

Portugal views the European Union as a major player in development co-operation with the potential for being a strong force for achieving the MDGs and contributing to peace and security world-wide. It contributes to the processes of negotiation and decision making involving major EU institutions and other Member States. The Portuguese authorities have been active in raising the visibility of development issues in those fora and have also used the EC as a vehicle for raising international attention to issues that are important for the EU-Africa dialogue and EU-ACPs relations, both of which are leading priorities of Portugal's foreign policy.

Taken together, the UN agencies and the World Bank Group received less than the EC between 2002 and 2004 and less than the DAC average (in 2004). Contributions to the World Bank Group have averaged 1.8% of ODA compared to 4% for the DAC. Regional banks received a larger share: 5.8% in average, with a peak of 14% in 2002. Between 2001 and 2004, Portugal contributed to the replenishment of the Asian Development Fund IX (USD 20.20 million); the International Development Association (IDA 13) (USD 25.35 million); the African Development Fund IX (USD 19.23 million); the Global Environment Facility 3 (USD 5.07 million); and the International Fund for Agricultural Development V (USD 0.75 million). The AfDB Group received 62% of multilateral ODA compared to 37% for the AsDB Group.

United Nations agencies received USD 49 million from 2000 to 2004 (2% of net ODA over the period). The UNDP accounted for 23% aid to UN agencies in 2003-04, followed by the World Health Organisation (17%), the United Nations Organisation (11%), the Food and Agriculture Organisation (9%), UNESCO (5%) and the United Nations High Commissioner for Refugees (3%). Other United Nations agencies received 32%. Contributions to the Global Fund to Combat HIV/Aids, Tuberculosis and Malaria are modest but growing from USD 0.38 million in 2003 to USD 0.61 million in 2004, USD 1.5 million in 2005 and a planned USD 5 million in 2006/07. Portugal should consider contributing to these institutions on a multi-annual basis for increased financial predictability for the organisations and reduced transaction costs overall.

### ***Portuguese approach to multilateral institutions could be more strategic***

As mentioned in Chapter 1, Portugal's strategy for selecting multilateral institutions is not yet explicit and its capacity to influence multilateral organisations is rather limited. Elaborating allocation criteria would help better monitor the performance of the key organisations with which Portugal intends to collaborate as well as raise Portugal's capacity to influence their policies and practices. These criteria could be based on, for example: i) the agency's poverty reduction focus; ii) relevance to the MDGs; iii) management strengths; iv) commitment to reform; v) commitment to co-ordinate with other multilateral and bilateral agencies as part of pool-funding arrangements; and/or vi) transparency of reporting arrangements. Impacting on multilateral agencies' strategy and performance would improve the effectiveness of Portugal's overall development aid. It would also require additional staff resources, including within embassies (Chapter 6).

The new strategy for development co-operation singles out multi-bi approaches as a financing mode for bringing donors together in a co-ordinated way at country level. IPAD is in charge of managing multi-bi approaches either: i) through direct financing of multilateral projects (*e.g.* using

UNDP, ILO and UNESCO Trust Funds), whenever those add value to development interventions; and/or ii) earmarking. The strategy notes that both mechanisms should be developed but will not preempt other financing mechanisms. While this approach is an improvement compared to bilateral activities managed entirely by Portuguese co-operation, the authorities are encouraged to identify other options including pooling funds with multilateral agencies more systematically for more impact, and to reinforce their capacity to monitor and evaluate those agencies' performance, preferably jointly with other donors.

### **Future considerations**

- Portugal needs to scale up its ODA to implement its MDG commitments by 2010. This will require transfers of new money to its partner countries. An ODA growth implementation plan with a specific time frame should be elaborated, focusing on resource mobilisation and allocation to activities that have a clear poverty orientation.
- While the objectives of the new strategy are laudable, Portugal should review its sectoral allocation and choice of modalities with a view to strengthening the poverty focus and impact of the programme.
- Portugal should carefully consider the risks inherent in bringing students from partner countries to Portugal to study in terms of brain drain versus development gains and envisage alternative approaches to higher education in those countries.

## CHAPTER 3

### POVERTY REDUCTION AND SPECIAL THEMES

This chapter briefly comments on Portugal's approach to poverty reduction as it appears in the new strategy for development co-operation and makes some suggestions as to areas in which Portugal could be more actively engaged. It examines Portuguese co-operation from the point of view of education, with some emphasis on capacity development. A section on Portugal's approach towards fragile states with a special lens on Timor-Leste, closes the chapter.

#### **Portugal and poverty reduction**

##### *The need for operational clarity and for measuring impact*

In the new Portuguese strategy for development co-operation poverty is taken as a multi-dimensional concept encompassing basic social services, training, food security, social inclusion, the promotion of opportunities for men and women as well as productive activities.<sup>8</sup> In each priority country Portugal's approach is to select a limited number of areas based on its stated comparative advantages (language, historical ties and similar legal and institutional frameworks) to undertake specific interventions. Any action undertaken in the political, economic, social and/or security sphere may be said to address poverty reduction, even on a limited scale. Evidence from the field suggests that the leverage effect of some activities is difficult to measure. This is the case not only from a methodological point of view, but it also very much depends on the partner country itself as well as the combined efforts of donors represented in any one country. The challenge for Portugal is to demonstrate the impact of its overall programme, including indirect interventions, on poverty reduction and to create the mechanisms linking aid to the achievement of the MDGs.

Most of the sectoral priorities contained in the new strategy were already identified in the policy orientations of the previous development co-operation strategy. In the field of sustainable development and poverty reduction (one of Portugal's three major priorities),<sup>9</sup> Portugal supports activities in education, health, rural development, environmental protection and the sustainable use of natural resources, economic growth and the private sector. To guide the programming process taking poverty reduction as the overarching objective, a programme of action or an implementation plan based on poverty needs assessments for each priority country could be elaborated as well as specific sectoral guidelines. The assessments would help focus Portuguese interventions more on poverty and limit the risk of multiple and isolated activities in response to individual needs expressed at field level. They would also make it easier to assess the extent to which those interventions contribute to achieving the MDGs. Showing how development co-operation contributes to poverty reduction is a challenge for all donors including Portugal, given its focus on a small number of LDCs where rural poverty is deeply entrenched.

---

8. In practice, Portuguese co-operation tends to concentrate on institution building, education and governance.

9. The other two are good governance, participation and democracy; and education for development.

The implementation plan should encompass actions in support of harmonisation and alignment efforts conducted in each partner country and establish itself as a basis for greater policy coherence for development. Such guidance is all the more necessary given Portugal's commitment to the Paris Declaration and the prospect of having to manage a larger ODA budget in the years to come.

### ***What about gender?***

Portugal's development co-operation has yet to integrate a gender equality dimension. The new strategy refers to "the social role of women and their sexual and reproductive rights" but does not reflect on the relevance of gender equality for poverty reduction nor on how to promote the participation of women in development. At the programme level, none of the indicative country programmes of Portugal's six priority countries makes references to gender or women as economic actors contributing to development. There are, however, references to a few, mostly health-related, literacy and income generating projects addressing women's needs in the PALOPs and Timor-Leste which the Ministry of Labour and Solidarity finances, as well as a few NGOs co-financed by IPAD.

In Timor-Leste, the DAC review team noted that projects did not integrate a gender dimension, a shortcoming which was regretted by a number of technical experts in the context of their own activities. Some guidance on gender issues and women's participation, *e.g.* in agriculture and social infrastructure, would be valuable. Following consultations in Lisbon, the team confirmed that the Portuguese administration does not have adequate capacity to provide sound policy and technical advice on the gender dimension of Portugal's development assistance. Given the importance that the strategy is placing on poverty reduction and the MDGs, and as experience shows that the goals will not be reached without integrating a gender perspective, addressing gender from a strategic and operational point of view is very important for Portugal.

There are several options which Portugal could select from or combine to improve its performance in this area, depending on the level of resources available. One of them is to develop policy guidelines to integrate gender equality into development programmes. Another is to ensure that the Portuguese public administration entities engaged in development co-operation strengthen their capacity to effectively integrate a gender dimension into their interventions. As there is no gender expert within IPAD, a gender consultant could be hired to gather information and make some strategic and methodological suggestions on how to take gender into account more systematically in key sectors of Portuguese co-operation. In time, a position should be created to ensure that the gender equality aspect is no longer overlooked in planning, monitoring and evaluation processes. Gender training linked to poverty reduction for all line ministries and IPAD should also be organised to raise staff awareness and bring them up to date with current thinking and good practices (the ILO offers online gender training). Portugal could also contribute to multilateral programmes focusing on gender and gain exposure to gender equality through the DAC Gendernet and/or similar specialised bodies. A special effort should be made to recruit technical experts with experience in gender issues in their area of competence. With time, a gender strategy for Portuguese co-operation, with a multi-year implementation plan, could be drafted.

### ***Assisting the rural poor***

Agriculture plays a key economic and social role in the PALOPs and could potentially be harnessed in Timor-Leste as well. Agriculture *per se* is not a priority sector for Portugal although the Portuguese authorities are involved in a number of agricultural activities. In Guinea-Bissau, Mozambique and Timor-Leste in particular, Portugal finances projects related to food security, employment and population settlements. Other projects in priority countries focus on the conservation of agro-biodiversity, the introduction of crops adapted to the environment and the rehabilitation of

degraded lands, all of which are important for sustainable development. Improving the enabling domestic policy environment for agricultural growth and rural development could also be supported.

Portugal could increase its contribution to the livelihood of poor people in rural areas through support to rural financial markets and institutions to make it easier for small farmers to gain access to credit. The financial institution which Portugal is about to create to help promote economic development in partner countries, in particular through the involvement of the private sector, could have a role to play. Recognition should be given to the role of women in food production by helping them access land, water, credit and extension services. While these commitments are ultimately the responsibility of partner countries, more involvement on the part of Portugal could greatly strengthen efforts provided at national level.

## Education

### *Articulating an educational vision linked to poverty alleviation*

Law no. 46/86 on the education system requests the state to promote and disseminate the Portuguese language and culture abroad, namely in the school curricula of foreign countries and through the creation and development of tutoring in foreign universities, under the control of Portuguese university professors. The law also promotes the establishment of Portuguese schools in Portuguese-speaking countries and the community of emigrants. The State is prepared to assist initiatives undertaken by Portuguese associations and foreign public or private entities in support of this policy. It is common to train instructors and send teachers with a dual mission (teaching subjects lacking teachers and providing on-the-job training). This is particularly evident in Timor-Leste where the needs are enormous in just about every sector (Box 2).

#### **Box 2. Teaching the Portuguese language: Portugal's role in Timor-Leste**

The strategy of the Timor-Leste government is to gradually replace Bahasa, the Indonesian language imposed by the administration until Independence, with Portuguese, which is now the official language in the new Constitution together with Tetum, the most spoken local language. The government has asked Portugal to help re-introduce Portuguese, which was spoken by the administration for nearly 500 years, throughout the school system and public administration. As a result, Portugal has expended, and continues to expend, considerable efforts to train teachers in order to enlarge the teaching in Portuguese of the various disciplines at all stages of the education cycle, from primary school through higher university. Moreover, the training of civil servants and journalists, lawyers and professionals of international and non-governmental organisations in the Portuguese language is a priority. In 2005 there were 135 Portuguese teachers in Timor-Leste and approximately 100 university professors on short-term assignments. One hundred and seventy Timorese trainers of teachers were capacitated and are now on duty.

Portugal distributes pedagogic material in Portuguese and scholarships to Timorese students who wish to complete their technical/professional or higher education in Portugal. Distance learning through the World Bank's Global Development Learning Network (GDLN) which targets the public administration mostly, support to the Language Centre and the Cultural Centre and to radio programmes, etc. are additional features of Portuguese co-operation. Many activities do not appear to be sustainable as they are fully financed by donors.

Portugal should conduct an evaluation of its language training programme in Timor-Leste; consider bringing teachers over to Dili University, rather than sending students to Portugal to limit the risk of brain drain; and continue supporting the recently established law faculty. Drawing on the findings of a 2001 Poverty Assessment Survey and the 2003 Primary School Achievement Survey (PSAS) as well as from interviews with teachers and students,<sup>1</sup> Portugal could also broaden the scope of its approach towards education to address some of the challenges that Timor-Leste must face in the short, medium and long term. Those include the shortage of textbooks and of teaching and learning material, the need for more hours of instruction, the insufficient preparation of teachers, the language difficulties of the students who grew up speaking Bahasa or a local language and the poor physical infrastructure and high rate of student and teacher absenteeism. Although the PSAS is the first of its kind in Timor-Leste, and its results should be regarded as only suggestive or indicative, its findings points to some serious issues on the quality of education that warrant the urgent attention of all donors as well as policy-makers. Given the level of effort which Portugal is putting into the education sector and its privileged relationship with the Timorese government, it could assume a leadership role within the framework of a broader strategy that could specifically address those challenges.

1. World Bank (2004), *Timor-Leste, Education Since Independence - From Reconstruction to Sustainable Development*, Human Development Sector Unit, Report No. 29784-TP, December.

The 2001 Peer Review noted that Portugal lacked a sector policy or vision in education and that there was no system for comprehensive planning or for carrying out impact evaluations. Based on an analysis of its value-added in this sector and the characteristics of its priority countries, Portugal could elaborate such a strategy and link it to the objective of reducing poverty. As discussed in Chapter 2, in the period from 2000–04 (as in previous periods), little attention has been paid to basic education, with technical co-operation focusing instead on secondary and higher education. Girls' education has not been a priority of Portugal's assistance, yet good practice points to the economic and social benefits of investing in girls. In order to meet the educational needs and interests of poor people, including women and excluded groups, Portugal should articulate clear objectives for targeting those groups and make education, in the broadest sense, a cornerstone of its strategy for alleviating poverty.

The new strategy on development co-operation is opening the door to a more direct link between education and poverty reduction. The strategy targets: basic education, including adult literacy to promote the MDGs; technical and professional education for developing the productive sector and promoting social inclusion; scientific and technological co-operation to strengthen partner countries' capacities to conceive, implement and evaluate public policies promoting social and economic development; and information technologies. With respect to higher education, the new strategy advocates a clear and concerted policy to enhance quality and the establishment of public and/or private training centres in Portuguese-speaking countries. It also proposes to redefine the current scholarship programme to meet real capacity development needs (an evaluation of that programme is ongoing). Culture and education will interact in the Portuguese programme, and actions will be taken to develop and protect partner countries' cultural heritage. Exploring the connection between culture and development activities could be interesting avenues for the Portuguese authorities to explore.

The new focus on basic education, on quality in higher education and the decision to redefine the scholarship programme are signs that Portugal is willing to address some of the shortcomings of its education policy. Portugal could work with governments and civil societies to find creative and practical ways of increasing access to primary education and the quality of secondary and higher education in its priority countries. The pursuit of the MDGs should provide, rather than curb, the opportunity for national governments and civil society constituencies to define and renew their own vision of the role and purpose of education. The active and informed participation of civil society in setting priorities, monitoring impact and ensuring accountability could go a long way towards removing the barriers for increasing access and coverage, and improving the internal efficiency of the school systems. Given its prevailing role in education in its priority countries, Portugal could play a leadership role in bringing those actors closer together.

In line with Paris Declaration commitments, a special effort should be made at field level to consult with all stakeholders involved in education and seek a division of labour whenever possible around country strategies and in the context of sector investment programmes and sector-wide approaches. Portugal should also join forces with other donors, for example in the field of research and technical and vocational training, and in doing participatory needs assessments and evaluations. Improving the design and monitoring of policies intended to benefit the poor should be a constant preoccupation.

As with gender, technical expertise in education is lacking within IPAD. Given the importance attached to education in the strategy, urgent steps should be taken to redress this shortcoming, ideally by hiring an education specialist with a strong development background to provide guidance on future planning and programming. Such a specialist could also advise on the recruitment, selection and training of those responsible for implementing the government's education policy.

## **Adopting a systemic approach to human and institutional capacity**

As mentioned in the preceding chapter, technical co-operation accounts for a large share of Portuguese bilateral aid, with language teaching and training as the most common instruments. While language is an important tool for identity building within society, as is the case in Timor-Leste, in some countries the objective of language proficiency may be eclipsing broader capacity objectives, for example in the policy and enabling environment. As emphasised in the literature on the relationship between training and capacity development (World Bank, 2006) donors have often supported training programmes as a way of addressing institutional, organisational and individual skills weaknesses that they assume the training of key individuals can correct or improve. These expectations are seldom met, leading to the conclusion that training is rarely the optimal tool for capacity development. The scaling-up of aid over the next decade provides an opportunity for Portugal to set realistic timescales for sustainable capacity development and for diversifying its activities in education beyond the emphasis on language training.

Technical co-operation and capacity development cannot be taken to be synonymous. Often efforts are focused on transferring technical and/or language skills without paying sufficient attention to the local institutional and developmental context of the country in question. Although not the sole responsibility of Portugal, the Timor-Leste case suggests that a strict application of language proficiency standards may generate unintended bottlenecks in institutional performance. For example, judges failing to meet high language proficiency standards have been prevented from taking up much needed court duties. Medium-ranking officials from Portuguese line ministries without a development background, though technically competent and well intentioned, may not be in the best position to design and implement capacity building interventions. Focusing efforts on upgrading the skills of individuals without tackling the weakness of the organisations in which they work, nor the wider institutional and developmental context, has the potential to undermine local capacity or at best result in minimal impact. Systematic monitoring and evaluation (meeting recurrent costs, government involvement and ownership, handover or exit strategies) is seldom addressed ; this compounds design and implementation issues and is absent from Portuguese development co-operation and sustainability.

There are some notable exceptions to the tendency to use Portuguese technical assistants without a development background. One such example is the Tibar National Centre for Employment and Vocational Training in Timor Leste (Box 3), which is making use of local expertise for implementation and combining technical training in the local language with language training in Portuguese.

Portugal should take a close look at its approach to capacity building and assess the long-term impact and value for money of current interventions. The DAC's recent paper "The Challenge of Capacity Development: Working Towards Good Practice" (OECD, 2005a) offers useful guidance in this respect. Portugal is encouraged to work collaboratively with other donors and partner governments to assess sector-wide needs and to design appropriate programmes to address those. Such programmes should incorporate mechanisms to measure the development impact of capacity and institution building efforts. The Portuguese authorities should also concern themselves with retaining and building on existing capacities and, to the extent possible, make use of the partner country diaspora. Portuguese embassies also need the resources to participate in collaborative processes as well as to guide and manage implementation.

### **Box 3. Tibar's National Centre of Employment and Vocational Training**

This project seals the co-operation between the Portuguese Ministry of Labour and Social Solidarity and the Timorese Ministry of Labour and Community Reinsertion, for the 2004-06 triennium. The Centre, based in Tibar, supports the government's objectives with respect to professional training and employment, targeting unemployed young adults, small farmers as well as community organisations. The project is articulated with other Timorese and Portuguese public institutions, including a Centre for integrating young people into the labour market.

The project's objectives are to strengthen the capacity of the managing team and the Timorese trainers as well as the Centre's organisational and pedagogic capacities. The Centre targets mostly young male adults. There are 31 Timorese trainers/managers and 1 Director, who is Portuguese. The six-month training modules include technical courses (500 hours) related to building works and agriculture, in partnership with the agronomic university of Timor and the Federation of Portuguese universities; and language training (80-100 hours). In 2006, a module on personal and social development and citizenship will be set up and a new section for administration is going to open up in Dili to train in accounting, training of trainers etc. There are no specific programmes to attract women at this stage.

Since the beginning of the project 350 people have been trained and manuals (e.g. on electricity, carpentry and plumbing) for Timorese trainers have been elaborated. A public-private partnership with Timorese and Portuguese telecommunications companies has been established. The Centre is visited regularly by private sector entrepreneurs. Nevertheless, the majority of the young trainees experience difficulty in finding employment or setting up their own companies once trained. Although this is to some degree due to the overall environment prevailing in Timor-Leste, the Centre and its partners should think strategically about finding practical solutions to this problem. An evaluation should be conducted to assess the situation and make concrete proposals.

### **Portugal's involvement in the DAC Fragile States Initiative**

Fragile states represent 14% of the world's population but account for more than 30% of the people living under USD 1 a day. To respond to this challenge and improve engagement in these environments, the DAC agreed to develop "Principles for Good International Engagement in Fragile States" and to field test them in nine countries.<sup>10</sup> Portugal volunteered to facilitate the pilot process in Guinea Bissau. The first task has been to secure support at country level for the Principles and, secondly, to outline actions that need to be taken to implement them. The lessons learned from this initial phase and the challenges remaining were presented in a progress report made to the DAC Fragile States Group in Paris in 2005. The key to the success of this exercise will be for Portugal to ensure follow-up and implementation of agreed actions.

Portugal's involvement in Guinea Bissau has generated useful feedback despite the fact that the process is slowed by the political situation in Bissau. To date, the pilot has brought some international attention to Guinea Bissau and its specific needs. It is relevant with respect to some of the principles on fragile states, in particular state building, the development-military-security nexus and practical co-ordination mechanisms. According to the Portuguese authorities the DAC initiative should be informed by other work streams within the DAC, e.g. the Governance Network (GOVNET) and the DAC Network on Conflict, Peace and Development Co-operation (CPDC); and all resource flows going to fragile countries should be captured by DAC statistics. The impact that fragile states may have on surrounding countries should also be considered.

---

10. Those countries are: Democratic Republic of Congo facilitated by Belgium and the United States; Guinea Bissau facilitated by Portugal; Haiti facilitated by Canada; Nepal facilitated by the United Kingdom (UK); Somalia facilitated by the World Bank and the UK; Solomon Islands facilitated by Australia and New Zealand; Sudan facilitated by Norway; Yemen facilitated by the UN and the UK; and Zimbabwe facilitated by the EC.

Overall, Portugal has not articulated a global policy on conflict prevention, peace building and fragile states. This is significant given that nine of the top ten recipients of Portuguese aid are considered to be fragile or conflict affected countries. It has nevertheless made considerable efforts to respond to issues of fragility in Timor-Leste (Box 4). While the new strategy provides some insights into how Portugal should approach fragile states, a more deliberate action-oriented agenda on how to tackle issues of insecurity, violent conflict and state fragility, to be discussed possibly within the Community of Portuguese speaking countries, could be elaborated. The DAC “Principles for Good International Engagement in Fragile States” and the lessons learned from piloting the principles could provide useful background material. The DAC Guidelines on *Helping Prevent Violent Conflict* as well as DAC Guidance on *Security System Reform and Good Governance* could also be used to support efforts to avoid the recurrence of violent conflict and to feed into any policy or strategy work underway. Portugal’s experience in Timor-Leste would be valuable in this respect.

### ***Portugal’s response to Timor-Leste as a fragile state***

Timor-Leste, the world’s newest nation, has made remarkable progress since 1999 and Portugal has been very much part of the success story. At independence, 70% of private homes and public buildings were burned to the ground; the country was left with only two power engineers and only 23 doctors (World Bank, 2005). Five years on, the major building blocks of the state are in place and the country is stable and peaceful. A highly credible, legitimate government has emerged, with strong leadership. Nevertheless, key national institutions are understandably weak and there is a culture of dependency which must be replaced with one of self-sufficiency and entrepreneurship.

Timor scores high on political will and a vision for achieving the MDGs but remains a fragile state. Widespread poverty, unemployment and low non-petroleum growth present significant risks. Enormous capacity development challenges and institution building tasks remain across the board and will become more acute as the United Nations mission (UNOTIL) winds down in 2006 (Box 7). Together with other donors represented in the country, Portugal must address the trade-offs of plugging skills gaps on the one hand (*e.g.* by the provision of expatriate advisers in line posts) and, on the other hand, trying to deliver assistance in ways that take capacity and long-term sustainability into account. It is also important to recognise that peace can be fragile. Responses to these challenges must be bolstered by specific efforts to prevent violent conflict in the future and to consolidate peace.

### **Future considerations**

- Portugal should translate its strengthened focus on the MDGs and poverty reduction into operational plans. Country programming should rely on poverty assessments in each priority country and a special effort to integrate a gender dimension into development programmes should be made. Greater strategic clarity to guide operational decisions, and a systematic approach to assessing the poverty impact of Portuguese interventions, are needed.
- Portugal should concretise plans to broaden its approach to education linking it more closely to the objective of poverty reduction as envisaged by the new strategy. Addressing IPAD’s lack of technical development expertise in education would be a first step towards elaborating clearer sector policies to facilitate programme planning, implementation and evaluation.
- Considering the high proportion of ODA currently disbursed in the form of technical cooperation, Portugal should take a close look at its approach to capacity development and assess both the long-term impact and the value derived from current interventions.

- Portugal is encouraged to work collaboratively with other donors and partner governments to assess sector-wide needs and to design appropriate programmes to address them. Such programmes should incorporate mechanisms to measure the impact of capacity and institution building efforts.
- Linking Portuguese experience in immediate post-conflict transition periods with other experiences in fragile states could provide helpful lessons. A global policy on fragile states supported by policy and operational work specifically devoted to conflict prevention and peace building could also add considerable value.

#### **Box 4. Applying the DAC's Principles for Good International Engagement in Fragile States to Portuguese Assistance to Timor-Leste**

##### **1. The context provides the starting point**

The combined thinking of the diplomatic, development and defence sections of the Portuguese Embassy provides an excellent basis for understanding the Timor-Leste context.

##### **2. Move from reaction to prevention**

Although Timor-Leste is now peaceful, a conflict-sensitive approach could be systematically applied across the development assistance programme. Risk of relapse is a main characteristic of any post-conflict setting: specific efforts to prevent violent conflict and build peace, such as justice and reconciliation, are critical. Youth unemployment, border demarcation with Indonesia and disputes over drinking water represent risks of potentially violent conflict.

##### **3. State building is the central objective**

A significant contribution has been made to the justice sector, with balanced support between bilateral and multilateral efforts. Bilaterally, Portugal has focused on two areas of clear comparative advantage: developing Portuguese as Timor-Leste's foundational legal language and the Timorese civil and legal code and civil procedures, which borrow from the Portuguese system. It also contributes to UNDP's sectoral programme through specific projects mostly earmarked for training. The decision to direct most future support through UNDP is welcomed, not least to encourage donors to address perceived sensitivities around promoting particular foreign legal institutional models or blueprints. Portuguese support to parliament is also an important building block of state building.

Overall support to the development of the Portuguese language can also be considered as an integral part of state building and citizenship. Portugal seems prepared to take a patient and persistent approach that is required over many years in these areas to make any impact. The effort should be sustained and even increased on a larger scale given the extraordinary needs of the country engaged in a process of phasing out bahasa as the official language and replacing it with Portuguese.

##### **4. Align with local policies and or systems**

Portugal's indicative country programme is aligned with Timor-Leste's National Development Strategy. Portugal provides technical advice and capacity support, particularly through the training of teachers using Portuguese as the language of instruction. The programme overall features a large number of foreign technical advisers - a strategy appropriate for the immediate UN mandated transition period.

However, as Timor enters into a phase of institutional consolidation, and with the phasing out of the United Nations Office in Timor-Leste (UNOTIL), efforts could usefully be directed towards broader institutional strengthening and issues of sustainability.

##### **5. Recognise the political-security-development nexus**

In the immediate post-conflict period, Portugal made a number of important stabilising security-related interventions, including pensions support to the Veterans of *Resistência* and support to the establishment and training of the Timorese Defence Force. Broader efforts to improve the governance of the security system are underway and should be strengthened.

##### **6. Promote coherence between donor government agencies**

There are strong linkages between Portuguese diplomatic, defence and development interventions. Teaching of the Portuguese language across a variety of security and other public institutions provides a useful common reference point.

##### **7. Agree on practical co-ordination mechanisms**

Portugal could play a more active part in practical co-ordination forums and in joint assessment missions.

##### **8. Do no harm**

Portugal is one of a number of donors providing supplementary wages or other forms of financial compensation to public sector workers involved with development projects and programmes. As the UNOTIL operation reduces, the time is right to consider how a systematic application of rules for compensation and supplementary payments should be set and applied by all donors to avoid distorting incentives in a way that undermines local institutions.

##### **9. Mix and sequence instruments to fit the context**

Portuguese assistance is progressively moving away from a focus on bilateral TA 'gap-filling' measures towards an increasingly active approach to multilateral and joint donor process, particularly in the justice sector.

##### **10. Act fast...**

Portugal made an important and early catalytic decision to invest in the World Bank operated Trust Fund for East Timor (TFET) in the critical reconstruction period. This had the effect of encouraging other donors to participate in a vital instrument which subsequently delivered almost USD 180 million for reconstruction.

##### **11. ...but stay engaged e.g. ten-year plans**

Largely for historical reasons, Portugal is clearly committed to a long term engagement with Timor-Leste. In terms of delivery, Portugal's one-year planning and financing cycle causes some transaction costs for recipient partners and Embassy staff.

##### **12. Avoid aid orphans (low ODA, engagement or field presence)**

Portugal has played an important role in encouraging other bilateral and multilateral donors to engage in Timor-Leste. The Portuguese authorities could engage other donors in meeting the long-term capacity challenges ahead.



## CHAPTER 4

### POLICY COHERENCE FOR DEVELOPMENT

#### **International background on policy coherence for development**

In adopting the 2002 “Action for a Shared Development Agenda”, OECD members acknowledged that successful poverty reduction required mutually supportive policies across a wide range of economic, social and environmental issues. Strengthened policy coherence for development also takes account of the needs and interests of developing countries in the context of the evolving world economy. This is a challenge for industrialised countries, where domestic interest groups and government departments are often preoccupied with concerns and responsibilities other than combating world poverty.

In addition to actions taken at the national level, EU Members confirmed the goal of promoting and enhancing policy coherence at the EU Council in May 2005. The Council called on EU Member States and the Commission “... to strengthen policy coherence for development procedures, instruments and mechanisms and secure adequate resources in their respective administrations, looking at the best practices developed by some Member States” (Council of the EU, 2005). Member States can use their influence, individually or through strategic alliances, to bring coherence to policies emanating from the various European institutions. As an EU Member State, Portugal supports, for example, the reform of the Common Agricultural Policy (CAP) and the world trade system in order to take greater account of the interests of developing countries (Box 5).

#### **Box 5. Policy coherence for development in the European Union**

Within the EU, the principle of policy coherence is enshrined in Article 130V of the 1992 Treaty of Maastricht (subsequently Article 178 of the Amsterdam Treaty concluded in 1997). It obliges the Community to take account of the effects on developing countries of the policies that it implements. Institutional mechanisms subsequently have been adapted, including the grouping of the various directorates involved in the EU’s external policies under the code name RELEX.

Given the size of the EU economic area, the ability to access European markets is essential for developing countries. The “Everything but Arms” initiative adopted in 2001 removed quantitative and tariff barriers to the EU market for LDC exports. However, developing countries may still face difficulties in overcoming non-tariff barriers. These provisions become increasingly important obstacles, as other barriers to trade disappear.

Internal EU policies, such as the CAP, can also impact substantially on developing countries. The CAP subsidises agricultural production within the EU. Export subsidies then allow overproduction to be sold in other markets at less than production cost. Evidence suggests that subsidised EU farm products can create unfair competition in some local markets, including in developing countries where agriculture may provide livelihoods for most of the population. EU Member States and the European Commission continue to reform the CAP to reduce its trade distorting aspects.

## **Strengthening policy coherence within the Portuguese administration**

### ***High level political commitment and an effective consultation mechanism are needed***

The last Peer Review noted that Portugal could advance policy coherence within the public administration through two specific fora: the Council of Ministers for Co-operation Affairs and the Inter-Ministerial Commission for Co-operation (CIC). In practice, however, policy coherence for development has not attracted much political nor public attention. Neither the Council of Ministers nor the CIC have made policy coherence an issue to be addressed systematically and consistently across government institutions. Furthermore, Portugal's Memorandum (IPAD, 2005a) acknowledges that policy coherence is not a topic for debate for the time being.

The new strategy for development co-operation does not provide guidance with respect to policy coherence other than suggesting that twice a year the Council of Ministers for Co-operation discuss the development co-operation budget, the triennial indicative co-operation programmes and the statement of activities. As for the CIC, it was originally created to strengthen the co-ordination role of the Ministry of Foreign Affairs with respect to development co-operation policy, working together with other ministries and public and private organisations concerned. The law stipulates that the Commission should meet twice a year in plenary with all sectoral ministries involved in development co-operation and hold extraordinary sessions on demand. So far, the CIC Secretariat has sensitised ministries to the role of IPAD and the new financial management system linked to programming. While the new strategy stresses that the CIC's overarching mission is to strengthen political and strategic control over development co-operation, it makes no mention of a broader mandate encompassing policy coherence for development. More information on the CIC is provided in Chapter 5.

IPAD is represented in the CIC Secretariat, the Council of Ministers for Development Co-operation and the Inter-Ministerial Committee for European Community Affairs (CECA), which is part of the Ministry of Foreign Affairs. However, at this stage IPAD lacks the analytical capacity and human resources to efficiently support the Council of Ministers, the CIC or any other public body in charge of overseeing policy coherence. Involving other ministries at different levels in the preparation of strategic documents for addressing that topic would require adequate capacity, *e.g.* to prepare agendas and position papers, involve the key ministries, conduct or monitor research as well as follow-up recommendations. Before it can address those issues, Portugal needs to circulate a high-level communication on policy coherence and to clarify the role that institutions like the Council of Ministers, the CIC and/or IPAD might play. A high level political commitment, linked to poverty reduction, would be appropriate.

The DAC Guidelines on Poverty Reduction outline a number of ways in which the Portuguese authorities could promote policy coherence for poverty reduction. In addition to recommending that a political mechanism for exchange and consultation within and across government ministries be established, they suggest developing a government-wide policy brief on poverty reduction; systematically vetting legislation for its coherence with reducing poverty; and devoting adequate staff resources to undertake analyses on policy coherence issues. As a first step, the DAC recommends that Portugal endorse policy coherence for development co-operation as a government objective in the context of the action plan linked to the new development co-operation strategy (Chapter 1).

## Opportunities and challenges for Portugal

### *Addressing the concerns of poor countries*

Portugal complies with the 2001 “DAC Recommendation on Untying ODA to the LDCs”. However, *de facto* Portugal’s aid to the LDCs is not covered by the recommendation because it consists either of debt relief, technical co-operation or projects with a transaction value below the coverage threshold of Special Drawing Rights (SDR) 700 000. While Portugal can be commended for having joined the consensus to eliminate the coverage thresholds of the recommendation at the December, 2005 DAC Senior Level Meeting, this move is unlikely to result in a significant increase in untying of Portuguese aid. As previously stated, a significant proportion of Portuguese aid is disbursed in the form of technical co-operation and therefore, Portugal is urged to give priority to untying its technical co-operation in line with the spirit of the Paris Declaration signed in March 2005.

Portugal is one of a small number of DAC members hesitant to agree to broaden the 2001 DAC Recommendation on Untying to include other low-income countries (OLICs). Portugal states that it needs evidence to show that such a move would not negatively affect aid volumes to these countries. However, a number of progress reports on the implementation of the Recommendation show that since 2001, the volume of ODA to LDCs has increased significantly, as has the share of total ODA to the LDCs.<sup>11</sup> These developments suggest that extending the Recommendation to OLICs is unlikely to result in aid diversion to countries or projects not covered by it.

Much room remains for greater co-operation with respect to addressing some of the special needs of LDCs, *i.e.* more financing of basic social services and helping partner countries fight corruption. As with other signatories of the “OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions”, Portugal needs to follow up ratification by ensuring that it has reliable means in place for detecting offences as well as adequate sanctions and enforcement measures.

Portugal may also have an important role to play with respect to some petroleum producing partner countries, *e.g.* Angola, São Tomé and Príncipe and Timor-Leste, for which the risks of corruption are a real threat to socio-economic development. Because Portugal has a trusting relationship with its partner countries, it is in a privileged position to engage in a dialogue with the national authorities on sensitive issues that other countries find more difficult to raise.

### *Acting within the European Union to support African countries*

Portugal participates in and is bound by EC policies. The challenges and complexities associated with promoting greater coherence for development within the EU highlight the importance of Member States being well organised to address specific issues, *e.g.* on trade and agriculture. It also points to the need for a concerted effort to address the unintended consequences that EU reforms may have on certain groups of developing countries. An example of an EU policy with such consequences (Box 6) illustrates that with increased technical capacity, Portugal may be able to play a greater role. The Portuguese authorities may also wish to consider co-ordinating the position of its major partners

---

11. In 2003, the volume of total bilateral ODA to the LDCs increased from an average of USD 8.7 billion during the period 1999–01 to USD 17.1 billion. The share of bilateral ODA to the LDCs as a percentage of total bilateral ODA also increased 4.7 percentage points from the 1999–01 baseline average to 24.2% in 2003. In 2003, as was also the case in 2002, the DAC Recommendation did not seem to have any negative repercussion either on the volume of ODA flows to the LDCs nor on the share of aid going to the LDCs.

(e.g. the PALOPs and Timor-Leste) on specific policy coherence issues which could subsequently be brought to the EU.

### Future considerations

- Portugal is encouraged to communicate its commitment to policy coherence for development. An endorsement at the highest political level would provide a solid foundation for efforts aimed at ensuring that the concerns of its priority countries are taken into account in the formulation of development co-operation and other national policies affecting partner countries.
- Portugal should reconsider its position on extending the DAC Recommendation on Untying to other low-income countries and further untie its technical co-operation.
- Within the European Union, Portugal could consider developing its capacity to advocate on behalf of its partner countries.

#### Box 6. Sugar and Mozambique

On 24 November 2005 EU Member States agreed to reform their sugar regime for the first time since 1968, voting to slash the price that the EU guarantees domestic sugar producers by 36% over four years. African, Caribbean, and Pacific (ACPs) countries that had long been able to sell sugar to EU markets at internal prices promptly complained that the reform would have devastating effects on sugar producing ones. They estimated that they will lose as much as USD 352 million a year due to the reform (ICTSD, 2005<sup>1</sup>). The deal will not allow them to undertake the transitional arrangements they need to finance as a result of the severe loss of income that is going to occur. Those countries will, however, continue to enjoy preferential access to the EU market, albeit at the diminished rate.

Sugar has been identified as a key sector for development because of its potential to have positive impacts on poverty reduction and its production and trade potential. In countries devastated by years of civil war, HIV/Aids and lacking infrastructure and investment, as in Mozambique and Zambia, sugar production can contribute to poverty reduction. A recent Oxfam estimate indicates that sugar expansion in both countries linked to increased access to the EU market at remunerative prices could lead to the creation of 30 000 new jobs (Oxfam, 2004<sup>2</sup>). Along with this could come benefits for entire families: schools, hospitals and housing. By rapidly reducing the price that those countries could receive for their sugar, the Commission's reform may imperil their chances to establish thriving sugar industries that offer them a way out of poverty.

Mozambique is a good case in point. Although the sugar industry has great potential in some regions, dilapidated transport systems and other infrastructure problems jeopardize its expansion. The country needs time and support, as well as market access and investments, to improve productivity and increase export competitiveness.

1. ICTSD (International Centre for Trade and Sustainable Development) (2005), "EU adopts sugar reform", *Bridges Weekly Trade News Digest*, Vol. 9 No. 41, Geneva.
2. Oxfam (November, 2004), *A Sweeter Future? The potential for EU sugar reform to contribute to poverty reduction in southern Africa*, Oxfam Briefing Paper 70, UK.

## CHAPTER 5

### ORGANISATION AND MANAGEMENT SYSTEMS

#### Organisation

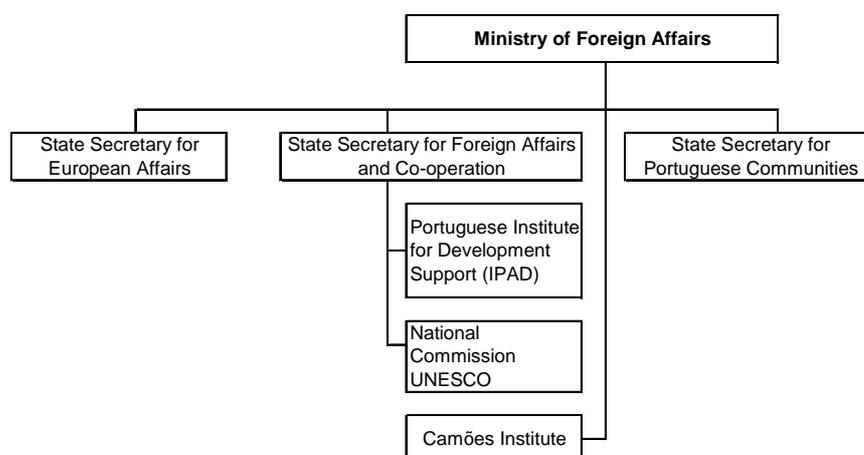
##### *Strategic guidance and oversight*

Responsibility for Portugal's foreign policy, including development co-operation, lies with the Ministry of Foreign Affairs (Chart 1). Currently the Minister of Foreign Affairs is assisted by three State Secretaries: one with responsibility for European Affairs, another for Foreign Affairs and Co-operation and the third for Portuguese Communities (*i.e.* Portuguese citizens abroad).

The State Secretary for Foreign Affairs and Co-operation determines the strategic vision of Portuguese development co-operation. The incumbent has responsibility over IPAD, the Inter-ministerial Commission for Co-operation, the Advisory Board of the Council for Economic and Business Co-operation and the National Commission on UNESCO. He also covers the co-ordination of multilateral co-operation as concerns the United Nations, the Community of Portuguese Speaking Countries, the OECD/DAC and FAO.

Parliament approves the integrated budget for co-operation on a yearly basis. There is no regular machinery for a systematic parliamentary review of the aid programme apart from occasional meetings with the State Secretary for Foreign Affairs and Co-operation. Nevertheless, the focus of the new strategy for development co-operation on poverty reduction and the government's engagement to raise ODA levels to achieve the MDGs have generated broad consensus within parliament. A more active parliamentary oversight of the Portuguese aid programme would strengthen the visibility, transparency and overall effectiveness of Portuguese development co-operation, particularly in the context of achieving the international poverty goals.

**Organisational Chart 1. Ministry of Foreign Affairs**



Source: MFA.

### *A central role for IPAD*

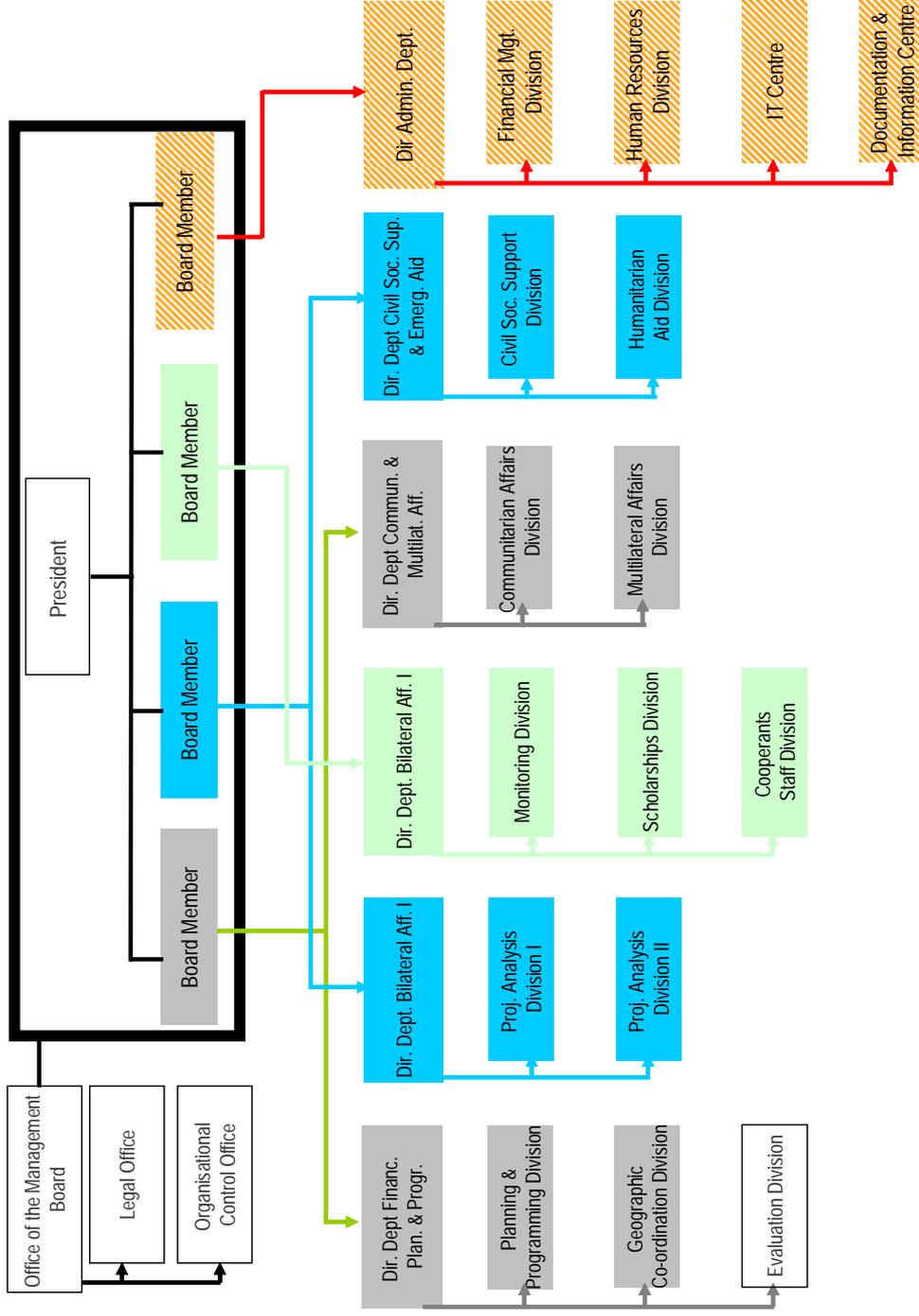
IPAD (Chart 2) is responsible for co-ordinating Portugal's highly decentralised aid programme spread over 15 different ministries plus universities, other public institutions and 308 municipal governments. The Institute's mandate and functions are determined by the Portuguese Ministry of Foreign Affairs, of which it is a part.

IPAD combines co-ordinating and programming functions with financial planning, monitoring and evaluation. It promotes projects proposed by other public institutions, ensures relations with and co-finances NGOs and deals with scholarships managed by other public entities in addition to its own. Since 2002, the institute manages the relationship with the National Association of Portuguese Municipalities (NAPMs), providing financial support not exceeding 65% of the budget for projects submitted by municipalities for activities in education, culture, aid to local institutions, heritage conservation and social action. According to the NAPMs, some 153 co-operation agreements have been recorded by Portuguese municipalities. IPAD is also the focal point for the Community of Portuguese-Speaking Countries (CPLP) and finances some of its activities. Finally, it represents Portugal in international development organisations, handles relations with the European Commission and has potentially an important role to play with respect to policy coherence for development (Chapter 4).

To fulfil its ambitious mandate, IPAD relies on a Cabinet (11 staff) attached to management and six Departments: i) Financial Planning and Programming (20 staff); ii) Bilateral Affairs I (25 staff); iii) Bilateral Affairs II (25 staff); iv) Community Assistance and Multilaterals (12 staff); v) Civil Society and Emergency Aid (9 staff); and vi) Administration, including an information technology and documentation centre (64 staff). Most management positions have been filled recently and only one – the Head for Humanitarian Aid - remains vacant. IPAD also has a Steering Committee composed of five higher-level staff nominated by the State Secretary for Foreign Affairs and Co-operation. Each member has responsibility over a certain number of partner countries.

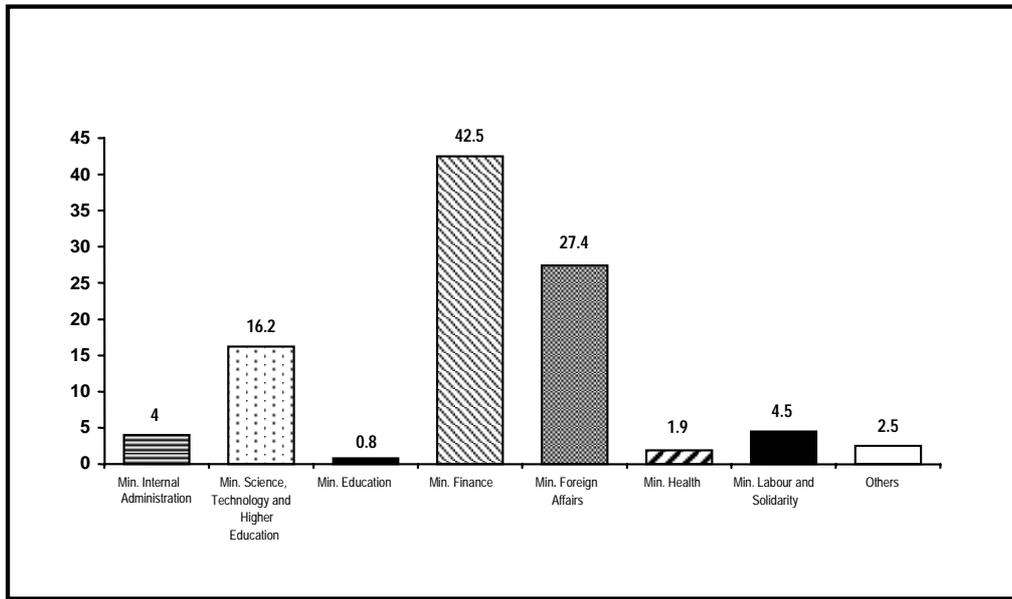
The share of the budget for development co-operation across key ministries is illustrated in the Graphs 1 and 2 below (for 2003 and 2004). As can be seen, IPAD's budget is small in relation to its mandate and as a proportion of the total budget: 18.5% in 2003 (EUR 52.3 million) and 5.4% in 2004 (EUR 45.2 million), compared to 8.2% in 1998. Approximately 11% of that amount (2004) is for IPAD's scholarship programme (Chapter 2). By contrast, the share of the Finance Ministry, which handles debt operations, by far outgrows all other ministries', including the Ministry of Foreign Affairs. This is evident in 2004 as a result of the distortion caused by the Angolan debt. In value terms the Ministry of Foreign Affairs' budget has decreased from EUR 132 115 million in 2001 to EUR 62 100 million in 2004. By way of comparison, the budget for the Science and Higher Education Ministry was EUR 45 853 million in 2003 and EUR 31 246 million in 2004. Not surprisingly, given the austerity measures imposed by the poor state of the Portuguese public finances, most ministries' budgets have decreased overall since the last Peer Review.

Organisational Chart 2. IPAD



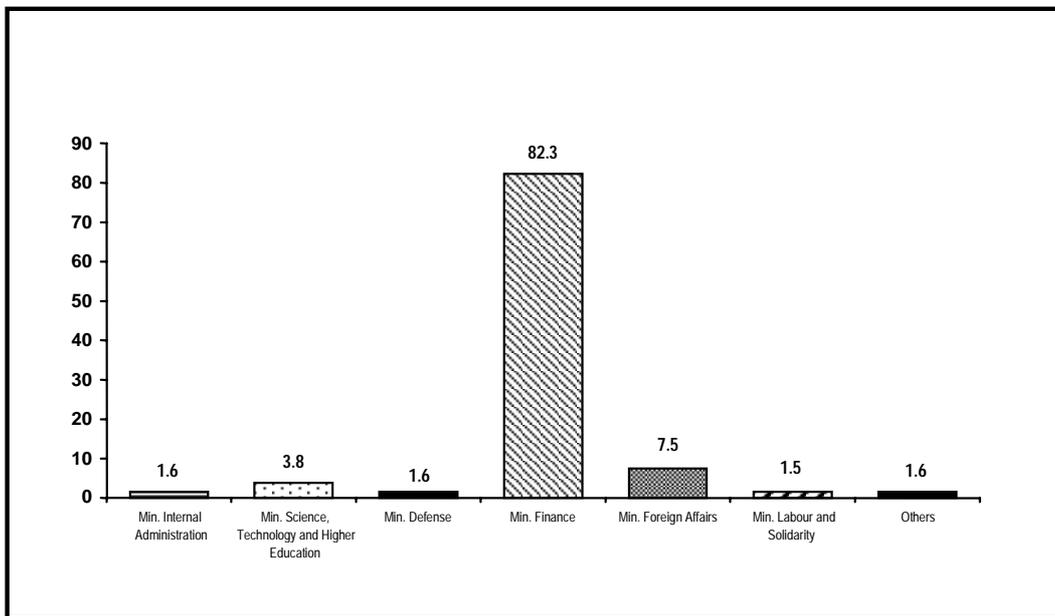
Source: IPAD.

**Figure 1. Share of ODA disbursements by ministry (2003)**  
(in percentage)



Source: IPAD.

**Figure 2. Share of ODA disbursements by ministry (2004)**  
(in percentage)



Source: IPAD.

## **The challenges of maintaining an efficient Portuguese aid system**

### ***The challenge of multi-year programming***

The Portuguese model relies on the Ministry of Foreign Affairs for policy, co-ordination and management and on the line ministries for implementation. Although they have their own small budgets for development co-operation, most line ministries rely on IPAD's funding for their activities, which can be reallocated from one year to the next.

IPAD's Financial Planning and Programming Department gathers and processes the financial information provided by all public entities and private bodies through a development co-operation data base. The "Budgetary Programme for Portuguese Co-operation Abroad" or P05, is a major improvement compared to instruments used previously by the Portuguese administration. The system has improved the transparency of the financial process and provides a consolidated, though still imperfect, view of financial commitments. As funds that are not entered into the programme cannot be spent without IPAD's agreement, it also helps to keep the focus of the Portuguese aid programme on priorities. Finally, P05 has made it easier for parliament to study the development co-operation budget. The system, however, focuses exclusively on inputs and is limited to capturing financial information.

The P05 was conceived to conciliate Portugal's policy orientations with the triennial programming cycle leading to the elaboration of the country-specific indicative co-operation programmes (ICPs). The ICPs provide the development co-operation framework for each priority country and are negotiated every three years through a consultative process (Chapter 6). Specific projects, including financial commitments, are entered into the annual co-operation plans which are negotiated yearly at different levels and layers within the Portuguese administration.

The current system is not optimal for partner countries nor for Portugal's actors involved in the implementation of Portuguese co-operation. It prevents Portugal's engagement in the medium to long term in a number of domains, including research, and is generally not adapted to the demands of the aid effectiveness agenda calling for harmonised donor practices, predictability, longer time frames and attention to results. While IPAD is commended for the considerable efforts it has already made to strengthen planning and programming, the government is strongly encouraged to adopt multi-year programming as a next step. With time, methodological innovations should result in a better linkage between development objectives, inputs, outputs and results.

### ***The co-ordination challenge***

As noted in the preceding chapter, the new strategy for Portuguese co-operation states that the Inter-Ministerial Commission for Co-operation's role is to strengthen political and strategic control over development co-operation. It appears that the Commission has not functioned well as an institutionalised mechanism for co-ordinating development co-operation policy. Meetings have essentially taken place on an *ad hoc* basis and have not focused on issues of a strategic nature.

There is a general consensus within the Portuguese government that the CIC's co-ordinating role should be reinforced, but political engagement and guidance as to how this should be done seem to be lacking. The Portuguese authorities are encouraged to reflect on the most effective way to set up a systematic and formalised framework for inter-ministerial exchanges going beyond information sharing, strengthening the CIC if necessary, and to give IPAD sufficient resources to support such a mechanism.

While IPAD takes the lead in the formal country planning process, a multiplicity of less formal processes bring a wide array of actors from within line ministries in Portugal into direct contact with their counterparts in the partner countries in a way that leads to fragmented programme development. The value added derived from the direct involvement of line ministries in planning and programming should be weighed against the advantages of bringing all planning and programming activities together under IPAD. This would require the support of a cadre of well qualified technical development specialists in relevant disciplines (see below). Line ministries could maintain involvement in an advisory capacity, leaving day-to-day responsibility for planning and programming to IPAD.

To compensate for the structural fragmentation inherent in the Portuguese aid system, the new strategy advocates the establishment of “co-operation clusters” around groups of projects carried out by different institutions within a common framework and geographical area. Although this approach merits attention, it may not be consistent with current efforts to increase harmonisation of donor practices. Other creative arrangements should also be considered, including using sector-wide and programme approaches as the common denominator for bringing together the different actors in Portuguese co-operation and to support local ownership.

### ***The human resource challenge***

For the last decade, DAC members have witnessed a trend towards greater empowerment of field missions, in particular to reshape individual efforts around harmonised donor operations. A major challenge for the future of Portuguese co-operation is to take on this approach and to ensure a good match between Portuguese competencies with decision making at field level. Any such shift to the country level would inevitably lead to an examination of the administrative and human resources needed to effectively strengthen development operations under the authority of the Ambassador. Chapter 6 discusses this more fully.

IPAD is staffed with 169 people, out of which 17 are one-year trainees who could be posted to the field as co-operation agents and 23 are under renewable temporary contracts. A majority of staff are civil servants and approximately 25% are seconded from line ministries or other public institution with an obligation to return to their ministry of origin after a maximum period of three years. This does not concern staff in management positions. Most of the higher level positions are currently filled by women, including the President who has recently been nominated for an initial period of three years. IPAD has full autonomy with respect to recruitment within the limits provided by the budget, and staff mobility between ministries is made possible through specific arrangements. Staff performance is assessed yearly according to the Law 10/2004 which sets criteria linked to individuals’ specific objectives.

One of IPAD’s most time-consuming tasks consists in participating in the selection and recruitment of co-operation agents (*cooperantes*) for which the institute needs a yearly appropriation of the budget. For teachers (usually sent to partner countries on their first job), the Ministry of Education and IPAD advertise positions and jointly select candidates every year based on the needs expressed by each partner country. With respect to technical assistants and advisors, IPAD is also involved in the selection/recruitment process together with the appropriate line ministry, and technical co-operation contracts are renewed also on a yearly basis. IPAD’s involvement in such processes is justified on the basis of its role in the planning and programming process (Chapter 6) and its understanding of the partner country context. These are important considerations when recruiting and coaching younger people in particular. However, the process generates transaction costs for the institution and raises predictability and continuity issues for the partner countries. These problems should clearly be addressed by the Portuguese authorities at a high level.

While IPAD is not represented at country level, few staff within the institution combine the field, technical and development co-operation competencies necessary to deal effectively with cross-cutting issues such as poverty, capacity development and gender (Chapter 3). Technical expertise, however, is scattered in the departments of the line ministries specifically dealing with development co-operation. To be an efficient co-ordination and management institution with oversight of aid interventions, IPAD needs first of all rules of application of the law on co-operation (Law 13/2004) which, among other things, defines its responsibilities. It also needs a more development co-operation-oriented culture with appropriate technical development expertise to complement the administrative skills already deployed by staff.

There are ways in which IPAD could scale-up its development co-operation expertise. Efforts should be made to free resources from activities that are not directly linked to priorities to recruit specialists, including on poverty, education, gender, governance and/or institution building. Internal training, which began in 2004, should be scaled up and diversified. Currently staff training includes technical English, project cycle management, technology, leadership, finance/accounting and evaluation terminology. Portugal should avail itself of the programme financed by the European Social Fund or other similar programmes to put in place training in topics related to development co-operation; and occasionally invite experts to introduce specific material: *e.g.* on approaches to implementing the aid effectiveness agenda, gender and poverty reduction, microfinance, etc. Enriching IPAD's administrative culture with a development co-operation culture would benefit the organisation as a whole as well as broaden and strengthen staff skills. With some training some staff might even wish to acquire hands-on experience at field level for a period of time. A human resource policy encouraging staff development, including through training, transfers and secondments, should be elaborated.

### ***The challenge of fostering a culture of results***

The last Peer Review noted the lack of an evaluation culture within the Portuguese administration and identified areas for which the DAC "Principles for the Evaluation of Development Assistance" should be taken into account. The creation of an Evaluation Division within IPAD and the elaboration of an evaluation strategy and action programme in 2005 constitute positive indications that the authorities have begun to address some of the shortcomings pointed out previously.

The Evaluation Division (three professional staff) is part of the Department of Financial Planning and Programming. It carries out evaluations directly or through independent consultants and is responsible for the production of good quality reports, the dissemination of results and making the liaison within IPAD and between the institute and other entities. The Division also brings the recommendations from evaluations to the attention of higher management. Since it became operational, it translated the DAC Glossary on Key Terms in Evaluation and Results-Based Management, the Executive Summary of the DAC Guidelines on Poverty Reduction into Portuguese, and produced a glossary on Portuguese co-operation, all of which are available on IPAD's web site. Evaluation guidelines for use by selected evaluators are being distributed. Two out of the six most recent evaluations concern specific projects and two are thematic evaluations while the remainder assess programmes in the education and health sectors in Mozambique and Cape Verde. Evaluation reports are widely distributed within IPAD, to other ministries, embassies and local partners. There is no system for presenting selected evaluation reports to parliament. Efforts have also been made to ensure that staff receives appropriate training.

The ongoing evaluation programme focuses on fellowships/scholarships provided by IPAD – a welcome initiative given the need to reassess the use of that costly instrument (Chapter 2), and an agricultural project. Portugal is also involved in a joint evaluation with the EU on the co-ordination,

coherence and complementarity of development co-operation and in the joint evaluation of budget support. Since 2001, five external evaluations and one internal one have been carried out. They are also available on IPAD's website.

The scaling up of the evaluation function is a welcome improvement towards a more results-oriented Portuguese co-operation. Nevertheless much remains to be done to meet the criteria of an independent and systematic evaluation function. While the Evaluation Division has considerable autonomy in developing a work plan and delivering evaluation products, the way in which it is embedded within IPAD's structure does not make it independent of management. Moreover, the institutional location of the division may present difficulties in developing a systematic and strategic approach to the preparation of the evaluation programme and to the feedback and follow-up phases, with the risk of evaluations being rather technical processes within this unit rather than being policy oriented. It also raises questions regarding its authority to evaluate all aspects of the development programme, including those managed by other government departments. Clarifying institutional arrangements could allow the evaluations to be more useful for the institution at a strategic level.

The Evaluation Division is moving from a focus on projects to higher level evaluations that feed into policy development. This is a very positive move, particularly the planned evaluations of the programmes in Angola, Mozambique and Timor-Leste which have the potential to link to a review of the country planning process. The division also plans to focus on thematic evaluations (*e.g.* co-operation in the area of statistics; justice; education and health); specific policies (*e.g.* on technical assistance); as well as a limited number of projects (teachers' training in Timor-Leste); humanitarian aid and IPAD's support to NGOs specialised in emergency assistance. Field staff will now have greater responsibility for the self-evaluation of projects. This will require support to strengthen their skills in monitoring and evaluation.

The Evaluation Division is currently faced with the problem of finding capable and independent Portuguese-speaking evaluators and dealing with administrative obstacles to attracting international evaluators. The division uses local evaluators from the South as members of every evaluation team and this policy is to be encouraged. Attracting evaluators from Brazil might be an avenue worth exploring with Brazilian development co-operation.

As the co-ordination function of the Inter-Ministerial Commission for Co-operation is strengthened, it may be desirable for that Commission to have a role in the formulation of the evaluation work plan and in assessing the resources (staff and budget) needed to implement an effective evaluation programme across the entire Portuguese development co-operation system.

### ***The challenge of reaching out to NGOs***

The 2001 Peer Review noted that NGOs played a marginal role in Portuguese development co-operation. This has not changed significantly, in part due to weak social capital within civil society organisations. Also, relations between NGOs and the government have been severely disrupted as a result of political and institutional instability over the last few years, and new procedures have taken time to run smoothly.

IPAD's Department for Civil Society and Emergency Aid (DCSEA, six staff and two trainees) is responsible for relations with NGOs. The department relies on embassies to provide feedback on NGO projects, although field staff does not have to include information on NGOs in their regular reporting. DCSEA works mostly with the Platform of Portuguese NGOs, financing some of its costs (3 000 EUR/year in average), as well as with five or six organisations that are not in the Platform. In

2005, the Platform represented 49 out of 98 accredited NGOs, compared to 13 when it was created in 1985 and 45 at the time of the last Peer Review.

Steps have been taken recently to give NGOs a greater role in Portuguese development co-operation. The Law 66/98 addresses the legal status of NGOs, sets out the requirements for their registration and defines the general conditions under which they can be co-financed. Both government and NGO representatives agree that the law should be updated to address more topical issues, *e.g.* NGO transparency and efficacy. The law was followed by a decree in 2003 changing co-financing procedures while funding was granted upon the presentation of invoices. Allocation criteria and amounts are now decided on the basis of yearly calls for proposals. Among the selection criteria, projects of a European dimension, evidence of co-financing and partnerships with other countries, including from the South, are prioritised.

Since 2001, a protocol between the Ministry of Foreign Affairs and the Portuguese NGO Platform recognises the latter as an institutional structure as well as the heart of civil society organisations in country programming. Strangely, none of the six ICPs that have been examined for the purpose of this Review mentions NGOs as actors of Portuguese development co-operation. This information is not systematic in the recently-produced annual co-operation programmes of some partner countries, *e.g.* in Cape Verde and Mozambique, indicating that Portuguese financed NGOs are not involved there.

It would appear that NGOs need more political recognition from public authorities and a space for dialogue with the line ministries in addition to IPAD. Systematic consultations, including on country programming, ways of achieving the MDGs in the context of increased ODA and the aid effectiveness agenda, should take place. Finally, private sector funding to all development NGOs should be encouraged. To date, Portugal's legal framework does not provide tax incentives to encourage the private sector to contribute to development NGOs, with some exception for a few environmental and emergency NGOs.

It seems that the conditions are finally ripe for bringing the public authorities and Portuguese NGOs closer together. The government has announced its intention to step up its support in two major reports published in 2004 (IPAD, 2004) and 2005 (Government of Portugal, 2005a). The establishment of a forum for development co-operation involving civil society and local actors - which the new strategy is advocating - is a positive initiative that should strengthen the links between those actors and between them and the public authorities. The Portuguese public authorities are encouraged to not only open the space for a constructive dialogue with Portuguese and local NGOs, but also to examine and act on the conditions that will lead to their active involvement in Portuguese co-operation. An evaluation of the relationship between government authorities and NGOs involving a multidisciplinary team might help to dispel the misunderstandings that have characterised that relationship in the past and could lead to a fresh and constructive new start.

## **Other important actors of Portuguese development co-operation**

### ***The Ministry of Finance***

The Ministry of Finance is responsible for monitoring Portugal's participation in MDBs and shares with other national entities, such as IPAD, the responsibility over certain funds and financial instruments. As a rule, the Minister of Finance and the State Secretary for Treasury and Finance share the function of Governor and Alternate Governor in the IFIs and make decisions on key policy and strategic issues. The Ministry is a strong supporter of the IFI's performance-based allocation system,

institutional building for improving the governance and socio-economic performance of partner countries and the aid effectiveness principles.

Within the Finance Ministry, the General Directorate for European and International Affairs (GDEIA, 10 staff) is responsible for European Affairs and International Relations, including bilateral and multilateral co-operation. The Directorate's responsibilities include debt forgiveness, concessional loans for project investment, budget support and technical co-operation on public sector financial management. The Directorate follows the IFIs' activities, participates in multilateral negotiation processes and is mostly in charge of financial data analysis. It also has a very important negotiating role, providing other government officials with key information and technical advice for decision making.

### ***The Ministry of Science, Technology and Higher Education***

The Ministry of Science, Technology and Higher Education (MSTHE) is responsible for overall issues relating to science, technology and higher education in Portugal and planning of development co-operation linked to IPAD (which is responsible for most of the project funding). There are eight people working in the Co-operation Department dealing with international co-operation as well as science, technology and higher education issues in OECD and UNESCO, but only two people work full time on development co-operation. The Ministry has no staff in the field but has a small budget for bilateral government-to-government requests for assistance. The MSTHE also sponsors and organises seminars with the Portuguese-speaking countries.

In the period from 2003-04, the Ministry signed co-operation agreements with most Portuguese-speaking countries, although agreements with Angola and Timor-Leste are still going through the approval process. Typical agreements last for five years. They constitute an umbrella under which the elements of the co-operation efforts relating to higher education can be defined.

Co-operation between higher education institutions in Portugal and the PALOPs is well established. Higher education institutions are autonomous in Portugal. Each institution has its own status and can co-operate as it sees fit, often attracting its own funding. However, there have been some co-operation programmes that have been financed by IPAD and the MSTHE, e.g. to create a public university in Cape Verde and the faculty of medicine and engineering in Angola. Science and technology is not a priority for the PALOPs, but the MSTHE tries to work with them. There is no overall strategy but there is co-operation with foundations and laboratories. Some research projects in health and in malaria in particular, have been organised in Angola, Mozambique and São Tomé and Príncipe.

There are many requests from the PALOPs for scholarships. One programme is controlled by IPAD, another by the Camões Institute and the other by the MSTHE. The MSTHE scheme places post graduate students in universities every year and the costs are met jointly with IPAD. Awarding grants to students from the PALOPs has evolved over time, with the emphasis now being placed on post-graduate students in an effort to help develop local capacities and promote the autonomy of higher education institutions in the PALOPS.

There appears to be overlap between these parallel, university-level scholarship programmes which leads to an inflation of expenditures at the expense of other, more poverty-oriented activities in the education sector. Co-ordination between the various actors responsible for the control of development issues currently dealt with by the MSTHE and IPAD needs to be strengthened. Transfer of the entire function to IPAD could be a workable solution.

### ***The Ministry of Labour and Social Solidarity***

The Ministry of Labour and Social Solidarity (MLSS) has one department with 20 staff for development co-operation. The Department has an annual budget of EUR 9.5 million. In addition to two geographical units (Angola, Guinea Bissau, Sao Tome, Timor-Leste on the one hand and Cape Verde and Mozambique on the other hand), the MLSS has a documentation unit, a technical advisory unit, a financial unit and a technical and administrative support unit. It is not represented at field level.

The Department for development co-operation elaborates agreements (three years on average) with partner countries' line ministries but also works closely with other public or private entities and civil society. The partnerships focus on poverty reduction and social protection; sustainable economic and social development; democracy and the rule of law. In principle, all projects are monitored twice yearly and target primary health care, literacy, sanitation and social infrastructure, usually involving one representative from civil society. Some projects are executed in partnership with ILO.

The MLSS does not engage in a strategic dialogue with IPAD's multilateral department, but reports to it. In order to strengthen co-ordination across the Portuguese public administration, as stipulated in its mandate IPAD must agree to all co-operation interventions, including from the MLSS. Although the scope to influence the Ministry of Education is limited, staff from the MLSS has expressed interest in working more closely together on literacy programmes.

### ***The Ministry of Education***

The Bureau for European Affairs and International Relations (BEAIR, eight staff) of the Ministry of Education (MOE) also deals with development co-operation. The Bureau is responsible for the planning, co-ordination, information and technical assistance in matters related to education and professional training in the PALOPs, Timor-Leste and the Community of Portuguese-speaking countries. It has a strategic role with respect to teaching various disciplines in Portuguese as well as teaching the Portuguese language in those countries. The BEAIR co-ordinates and shares information with, the MSTHE and the Camões Institute.

At the time of this review the ministry did not have an overall education strategy for partner countries. Plans to evaluate ongoing projects and their impact on the education systems of partner countries have been made, however. The Bureau depends on IPAD for financing but has a small budget of its own. Field missions are prepared jointly with IPAD and embassies.

The BEAIR cannot take part in all OECD meetings on education, UNESCO meetings nor meetings of the Council of Europe. It seems to suffer from a shortage of financial and human resources to meet not only the needs that exist in partner countries but also to co-operate more with the other Portuguese ministries for integrated projects in education, health and labour. In some partner countries, *e.g.* Timor-Leste, the education sector involves the Portuguese MOE, the MSTHE, the Ministry of Foreign Affairs and the Camões Institute. IPAD has the responsibility for promoting sectoral meetings between the four.

### ***The Camões Institute***

The Camões Institute was created to promote the Portuguese language and culture abroad. Like IPAD it is administratively autonomous but operates under financial tutelage from the Ministry of Foreign Affairs. The institute has cultural centres in all the Portuguese-speaking countries focusing on language teaching and cultural events. It also has Portuguese language centres in higher education institutions in all of the PALOPs.

Portugal has developed a network of recognised scientific Portuguese lectureships in 140 higher education institutions allowing 30 000 students to learn Portuguese, and has awarded 144 scholarships for foreign students and researchers. For the purpose of teaching the Portuguese language abroad, the institute trains teachers of Portuguese as a second language as well as students to become translators and interpreters in international organisations. It promotes and supports the production of dictionaries and other instruments and uses information and communication technology extensively. The Camões Institute currently pays or supports 190 teachers throughout the world, acts as a facilitator to promote artists on the international cultural scene and finances the translation of Portuguese literature. Some activities are co-financed by IPAD.

The Camões Institute participates in the planning and programming process linked to the ICPs, communicating its strategic priorities directly to IPAD. This is important given the Institute's strong role in education and the potential influence of cultural programmes on development. Like other public institutions the Institute suffers from budget constraints and has to grapple for its budget every year.

### **Future considerations**

- To improve the effectiveness of the Portuguese development co-operation system and increase aid predictability, Portugal should adopt multi-year financial programming and bring the key development co-operation actors of Portuguese co-operation together to generate synergies and limit overlaps.
- The Portuguese authorities are encouraged to either strengthen the CIC or set up a systematic and formalised framework for inter-ministerial co-ordination. IPAD should be endowed with sufficient resources to support such a mechanism.
- “Co-operation clusters” should be considered in the light of the risk of isolating Portuguese aid from harmonised donor efforts. The value added of maintaining involvement of line ministries in programming and planning should be evaluated.
- IPAD should shift from an administrative to a more strategic and development-oriented culture and strengthen its human resources capacities accordingly. The recruitment of technical experts and the diversification of training activities to cover substantive development-related themes would reinforce the Institute's strategic role and improve its external visibility.
- Portugal should continue to strengthen its evaluation culture across the board, building on progress already achieved within IPAD's Evaluation Division and moving to line ministries and NGOs where such a culture is lacking.
- The Portuguese authorities should open up the space for a constructive dialogue with civil society organisations and adapt legislation to encourage private sector funding to development NGOs.

## CHAPTER 6

### COUNTRY OPERATIONS

The findings and conclusions on Portuguese development co-operation contained in this chapter are drawn from the field visit to Timor-Leste (7-11 November 2005).

#### **Country context**

##### ***Timor-Leste and Portugal: A very special relationship***

Timor-Leste (roughly 900 000 inhabitants) is located in the Indonesian archipelago. It is slightly smaller in size than the Netherlands but occupies half of an island which it shares with West Timor (Indonesia).

Timor-Leste's history has been summarised as “five hundred years of colonialism under Portuguese rule up to 1975; almost a quarter of a century of bitterly contested Indonesian occupation; and a more recent period of transitional administration under the United Nations...” (D. Mercer, 2004). From the early days of the Indonesian invasion of Timor-Leste in the mid-1970s until independence in 2002, Portugal skilfully used its diplomacy to find a pacific solution to the conflict between the two countries, acting through the UN General Assembly and Security Council, the Human Rights Commission and the International Court of Justice; as well as negotiating directly with Indonesia. The level of trust and solidarity between the Portuguese and the Timorese people and the strong emotional ties linking the two can be traced to that experience. While the decision of the newly-established Timorese government to re-introduce Portuguese as the official language together with Tetum, the most spoken local language, was a strategic one, it also illustrates the special relationship that exists between Portugal and Timor-Leste.

Timor-Leste has one of the lowest levels of human development in East Asia and the Pacific, with 40% of the population falling below the poverty line (South East Asian Affairs, 2004). Timor's poverty is illustrated, among other things, by low life expectancy at birth (below 60 years of age for both men and women); high illiteracy rate (only 40% of the population above 15 years old is literate); and poor access to safe drinking water (42% of the population). The small domestic market and a narrow export base (coffee accounts for over 80% of total exports) make Timor-Leste vulnerable to fluctuations in global prices. Finally, demographic growth (80% of the population is under 18 years of age) and other pressure on forestland from a wide range of uses have contributed to massive deforestation.

Nevertheless, Timor-Leste has some reasons to look into the future with optimism. With strong support from the UN (Box 7) and other donors, including first and foremost Portugal, Timor-Leste has accomplished unprecedented progress towards self-sufficiency, peace and the building of democratic institutions. Those achievements have taken place at the cost of high aid dependency, however. In 2003, total ODA represented 44.2% of GDP (UNDP, 2005).

In December 2005 the Petroleum Law was passed in parliament, and in the following January the Timorese government came to an agreement with Australia concerning revenue sharing and maritime boundaries that will allow to exploit its huge gas and oil resources (the fifth largest in the world). Portugal consistently provided legal and other advice to the government in its difficult negotiations regarding the exploitation of these resources, which will begin in 2007. Timor-Leste is likely to be transformed as a result of large revenues accruing from this endowment and may need sound advice to mitigate the risks of mismanagement and corruption. Other key challenges in the near term include border demarcation with Indonesia and finding a durable solution to unemployed veterans of the independence struggle. A basic regulatory framework for business (e.g. property and land ownership rights etc.) is also needed, particularly as the scope for foreign investment is likely to grow. Portugal could have a very important role to play to assist the government in facing those important challenges.

#### **Box 7. UN presence in Timor-Leste**

Timor-Leste's independence is recent and has been hard won. Following an agreement in 1999 between Portugal, Indonesia and the United Nations to hold a referendum that would allow the Timorese people to decide on whether to continue to be part of Indonesia or to be independent, 78% of the population voted in favour of independence. Massive destruction perpetrated by pro-Indonesian militias followed. Dili, the capital city, was almost entirely destroyed. One third of the population was internally displaced and forced to resettle in refugee camps in West Timor and neighbouring islands. Government institutions ceased to function.

The United Nations Security Council established the UN Transitional Administration in East Timor (UNTAET) in September 1999 as an integrated, multidimensional peace-keeping operation in charge of administering the country during its transition to independence. The first democratic elections were held in August 2001, followed in May 2002 by the election of the country's first president and the declaration of independence. Thus, two years after the UN Millennium Summit, Timor-Leste became the world's newest sovereign state.

The United Nations Mission of Support in East Timor (UNMISSET) replaced UNTAET, and was itself replaced by the United Nations Office in Timor-Leste (UNOTIL) in April 2005. UNOTIL co-ordinates donor assistance by way of an internal monitoring, review and co-ordination mechanism known as the "policy review and co-ordination meeting"; and encourages the implementation of measures towards sustainable long-term development. At the time of this review 35 civilian advisers were engaged in the transfer of skills and knowledge to their Timorese counterparts, particularly in the areas of democratic governance, the rule of law, justice, human rights, transparency and accountability. Some advice is also provided on trade and investment. Efforts are underway to phase out UN assistance before the expiration of the Mission's mandate in May 2006. The provision of international assistance beyond the expiration of UNOTIL's current mandate will be crucial for Timor-Leste's long-term security, stability and sustainable development.

### **Portugal's development assistance in the field**

#### ***The process of country programming and reporting: input oriented and transaction heavy***

As mentioned elsewhere in this report, the triennial Indicative Co-operation Programme constitutes the strategic document for Portuguese co-operation. ICPs are prepared for Portugal's six priority countries every three years. They are signed by the authorities on both sides. A copy of the Memorandum of Understanding between Portugal and the partner government is annexed to each ICP. Of late, all ICPs have been translated into English.

The country programming process is managed by IPAD and takes place in several stages. It involves:

- i) Preliminary consultations between the Institute and the line ministries to fix sector priorities. In Timor-Leste, Portugal plays a special role given Portugal's emphasis on strengthening the Timorese public administration.
- ii) High level consultations between IPAD's management and the national authorities of each partner country, based on the country's own poverty strategies or the equivalent.
- iii) A draft report, which IPAD writes in part and/or entirely depending on the partner country's own input (some countries are more active than others). IPAD conducts the policy dialogue in the field together with the Portuguese Embassy but does not usually consult with other bilateral and multilateral donors. Discussions with multilateral agencies nevertheless take place in the context of joint activities in both Mozambique and Timor-Leste. The authorities could broaden the circle to include key bilateral players as well, in particular those that are involved in the same sectors.

The ICPs provide a framework into which the various agencies of the Portuguese system can fit. They are binding for the line ministries, serve as guidance for other Portuguese public agencies and for the pursuit of the dialogue with respect to annual project planning. Some information on the partner country's political, economic and social situation is provided alongside Portugal's priorities. In most cases the choice of a particular area is based on past project experience in the sector. There are no references to other donors' co-operation programmes in the areas in which Portugal is involved, nor to the role that civil society organisations might play. Also lacking are expected achievements, performance criteria and a financial breakdown by sector. Despite those shortcomings the ICPs are illustrative of Portugal's efforts to manage its programming process using a practical instrument that could nevertheless be improved.

Even though line ministries may not participate in the country programming process together with IPAD, they have direct access to their counterparts in partner countries throughout the year, with whom they can possibly select projects that will be entered into the annual co-operation plans (available in Portuguese only). The annual co-operation plans are mostly internal planning instruments aimed at complementing the ICPs with practical information. They list projects, the corresponding budget, the financing agency (IPAD for the most part) and the implementing agency (*e.g.* a line ministry, NGO or university). Normally the annual co-operation plans process takes place between September and December every year to identify all the projects that will be implemented the following year. It is also led by IPAD, with embassy staff helping to identify the projects that will be selected (50 to 60 every year in each country on average). By the following January, agreements on the year's projects must be reached with the six countries' governments. One practical constraint with this system is that while IPAD can programme funds over a three-year period, all projects not completed in the first year have to be re-authorised by the Ministry of Finance following detailed discussions.

IPAD relies on the embassy for reporting every four months on all aspects of the Portuguese aid programme, except for NGO projects. Feedback from the planning and programming as well as from the two bilateral departments is also taken into account. In principle line ministries report every six months to both IPAD and the embassies, and also following the missions which they conduct throughout the year in all priority countries.

Based on the analysis carried out in Timor-Leste, the Peer Review team concluded that Portugal's relations with the national authorities were based on a high level of mutual trust and respect and a continuous policy dialogue. The fact that Portugal's ICP is based on the national strategy for development is very positive from the point of view of the local ownership of the programme, though the strategy is of a very general character. It is also encouraging to note that a number of partner

ministries have been solicited to contribute to the elaboration of the ICPs, although inevitably the Portuguese authorities find it difficult at times to resist individual requests coming from high-level civil servants (Box 8).

It appears that in Timor-Leste some steps were taken to encourage a dialogue with civil society concerning the country programme but bilateral donors could have been consulted more. Portugal could broadly vet the ICPs with other bilateral and multilateral donors and engage in a dialogue with government with a view to consulting with local civil societies as well. Where feasible, the Portuguese authorities should participate in joint country assistance strategies together with other donors and take on a leadership role in key areas provided they have appropriate human resources.

#### **Box 8. Portugal's country programme in Timor-Leste**

The vision of the Timorese government is captured in *Our Nation, Our Future*. The first National Development Plan (NDP), published in 2002, provides a road map for the country over the next five years, within a twenty-year perspective. The thrust of the NDP is to reduce poverty in all sectors and regions and to promote a balanced and sustainable economic growth through price stability, employment, banking and financial sector development and good fiscal management. Education, health, agriculture and support to the productive and commercial sectors are key features, as are improving the capacity of the State and stimulating the participation of the population in the political and economic process. Since 2004 an investment programme covering seventeen sectors clarifies the objectives for each sector, including national MDGs, and foreseen expenditures in the medium term.

Some of the objectives and targets of the NDP substantially overlap with the MDGs, to which Timor-Leste formally subscribed in 2003. A campaign to raise awareness of the MDGs was launched in August 2003 and the Timorese government produced a report on MDGs in February 2004.

The first Portuguese ICP for Timor-Leste (2000-03) supported the creation and subsequent consolidation of the Timorese State (transition period) through: i) education and the consolidation of Portuguese as the official language (by sending Portuguese teachers, granting scholarships for attending technical, vocational and higher education courses in Portugal and involving Portuguese universities in the running of the Timor-Leste National University); ii) the provision of technical and administrative advice; iii) building and rehabilitating the urban fabric (public buildings, e.g. church and nun's school complex and orphanage); and iv) support to economic development (agricultural diversification, extractive industry and tourism).

In the second ICP (2004-06) the reintroduction of the Portuguese language through the training of teachers is the number one priority, followed by the strengthening of the public administration (*i.e.* with technical advice and some training in key ministries) including through the establishment of Portuguese as the working language; and economic and social development in rural areas. This component in particular addresses poverty reduction more directly through support provided to a number of small projects, e.g. in vocational training (Box 3 in Chapter 3), agriculture and water supply on the island of Ataúro.

Portuguese priorities are broadly aligned with the Timorese NDP, focusing on State building and the reintroduction of the Portuguese language. A systematic and strategic effort to target the poor is not a priority, however. When preparing future indicative co-operation programmes, the Portuguese authorities should consider a more strategic approach to poverty reduction in the sectors which they support. Conducting an assessment of needs to help establish a baseline for selecting projects and establishing some criteria for measuring outcomes would be part of that approach.

A welcome new feature of Timor Leste's 2006 annual co-operation plan is the creation of a special Commission in charge of monitoring the quality and efficiency of Portuguese ODA in the country. The Commission (three Portuguese and three Timorese) is expected to rely on a joint evaluation of the results achieved. This is definitely a step towards a more results-oriented Portuguese co-operation.

The programming and reporting process for Portuguese co-operation involves many steps to co-ordinate the Portuguese side alone at a time when many donors are engaging in joint initiatives at

country level, including programming, monitoring and evaluation. The following section makes some suggestions as to how this might be improved.

### **Addressing the human resource dilemma**

As neither IPAD nor the Portuguese line ministries are represented at field level, the core of the official Portuguese presence in the six priority countries is the Portuguese Embassy which carries out Portuguese co-operation activities in addition to normal diplomatic and security-related tasks.

The Embassy in Dili is composed of three career diplomats, including the Ambassador, his Deputy and a junior diplomat; one Attaché handles development co-operation; another is seconded and paid for by the Portuguese Ministry of Foreign Affairs to deal with education. Three additional members of staff are specialised in the media, defence and security issues respectively. Both the development co-operation Attaché and the education specialist report to IPAD (the latter also reports to his ministry in Lisbon). In addition to embassy staff, there are 19 technical co-operants and advisors distributed in the line ministries including education, agriculture and justice, as well as in parliament and the President's Office where they usually assume important functions. They report to the Timorese government, the embassy, the ministries that recruited them from Portugal as well as IPAD. There is no locally employed professional staff in Portuguese embassies.

Despite the excellent spirit of co-operation and hard work demonstrated by the embassy staff in Dili, the latter are very much absorbed by reporting and administrative tasks, including handling technical co-operation projects. What seems to be wanting in Timor, as in other priority countries, is an efficient system for monitoring all projects and measuring results with some guidance and practical tools. Embassy staff finds it difficult to deal effectively not only with monitoring activities, but also with relations with other bilateral and multilateral donors. In Dili, a senior development co-operation advisor should be recruited without delay to help fill a number of gaps at the strategic level and to institutionalise the dialogue with other donors. Supported by the team's excellent local knowledge and relations with the Timorese, the advisor could oversee the country programming process, encouraging synergies between the different streams of work as well and ensure the relevance of the programme to the country's MDGs. He/she could also engage civil society organisations more. A strong role for the senior advisor, accompanied by support mechanisms, would do much to improve the coherence and effectiveness of Portuguese aid. It would also bring Portuguese co-operation more in line with the operational decentralisation currently practiced by a growing number of DAC members. The Portuguese authorities are strongly encouraged to carefully examine internal organisation and management with a view to addressing this in connection with the particular challenge of implementing the aid effectiveness agenda.

### **Addressing the challenge of capacity development and local ownership**

Portugal sees the purpose of technical assistance as broadly supporting capacity and institutional development. Much of the literature on capacity development points to the difficulty of measuring the capacity or institution building effects of TC. In order to support endogenous processes good practice to date suggests that donors should, *inter alia* i) encourage the emergence of country-led, demand-driven capacity strategies; ii) provide aid on a predictable medium-term basis; iii) avoid parallel units or salary and compensation distortions; and iv) maximise existing capacities (OECD, 2005b). The paper "The Challenge of Capacity Development: Working Towards Good Practice" (OECD, 2005a), emphasises that capacity development is not simply a technical process involving the transfer of knowledge or organisational models from North to South. Understanding the country context within which capacity can be developed is key.

The legal and administrative heritage which Portugal shares with its partner countries place the authorities in a good position to take a lead role in the search for a collective solution to acute capacity building shortages, particularly in Timor-Leste. A more strategic approach towards upgrading key public institutions may be required, beginning with the elaboration of a capacity development strategy based on a needs assessment by sector; the identification of expertise within the Community of Portuguese-speaking Countries; joint training and sustained monitoring and capacity development impact evaluation over the long term. The setting up of a common fund for technical assistance to which all donors involved could contribute should be part of this framework. The role of Timor's Prime Minister's co-ordination unit for all capacity development efforts might need to be strengthened to plan and monitor training activities effectively. All the above measures would eventually produce more effective TC, save transaction costs in the long run and avoid duplication among several donors.

With respect to Portuguese technical experts and advisors, an effort should be made to involve the recipient government in recruitment and reporting processes to improve transparency and accountability. Ultimately project management should be transferred to local partners to strengthen local ownership and ensure the sustainability of projects. Some of the interesting TC projects which the peer review team was able to visit in Dili (Box 9) are somewhat beset by the problem of finding counterparts and ensuring sustainability over time. Portugal should evaluate those projects with a view to making recommendations as to their continuation or adaptation.

#### **Box 9. The Group of Reconstruction Studies for Timor-Leste (GERTIL)**

GERTIL is a Portuguese NGO funded by IPAD since 2003. Technical inputs are provided by a small team of young Portuguese graduates from the Faculty of Architecture of Lisbon Technical University. They are supervised by a senior architect. This structural set-up using Portuguese university graduates is common to a number of Portuguese projects.

GERTIL provides urban and territorial planning, geodesic network and cartography, all of which are entirely new activities in Timor-Leste and are important for the new country. One of the greatest achievements of the project was to produce a geographic information system with the first published map of Timor-Leste. The map was distributed in schools and is now handed to visitors as the tourist map of Timor-Leste. GERTIL is also the only non-governmental institution in Timor that provides some analysis of land use. This is particularly relevant for dealing with the difficult issue of land ownership and attribution.

To date GERTIL has not been able to train national technical staff for lack of Timorese counterparts. The Portuguese team would welcome an evaluation, including to specifically address the issues of local ownership and sustainability, and also multi-year programming as opposed to annual planning, which is cumbersome.

### **The difficulty of implementing aid effectiveness in the field**

Like other donors represented in Timor-Leste, Portugal signed the 2005 Paris Declaration on Aid Effectiveness and participates in current international debates regarding the monitoring of its implementation. As indicated in Chapter 1, in its current form the Portuguese Action Plan on Harmonisation and Alignment has no specific measures that relate to the indicators of the Paris Declaration. The Portuguese authorities are in the process of updating the document.

Except in a few cases (*e.g.* Mozambique), government systems and procedures in Portugal's priority partner countries are not yet very developed, and major capacity weakness tends to encourage the use of foreign technical co-operation as well as parallel units. In Timor-Leste the international agenda on aid effectiveness is well known to bilateral and multilateral donors who are *de facto* engaged in a certain division of labour. But the conditions are not in place for bilateral and multilateral

aid flows to be channelled through national systems. There is no active donor task force on aid effectiveness, and some confusion regarding the proper focal point within government for donor co-ordination could be felt by the Peer Review team. Notwithstanding those shortcomings a number of mechanisms were put in place by multilateral agencies to transfer funds to the government's budget and, more recently, to facilitate Timor-Leste's transition from reconstruction to development (Box 10). Portugal is an important contributor to those efforts. With strengthened staff resources at country level the Portuguese authorities might be able to play a prominent role, including to encourage the local authorities to buy into the aid effectiveness agenda.

#### **Box 10. Joint donor efforts in Timor-Leste**

In Timor-Leste most donors, including Portugal, align their country programmes with the national development plan and a number of mechanisms have been set up to encourage donor co-ordination and harmonisation.

IDA's Trust Fund for East Timor (TFET), which is predominantly infrastructure-based, is administered by the World Bank and the Asian Development Bank (ADB). It was created in 2000 (USD 176 million) to assist with reconstruction and development, with the intention of maximising Timorese leadership and participation; encouraging effective donor co-ordination and achieving a balance between timeliness and quality. The World Bank concentrates on health, education, agriculture, SMEs and capacity building while the ADB takes the lead in microfinance and infrastructure rehabilitation. Together with the European Union, Portugal has made the largest contribution to the TFET (USD 50 million) which was instrumental for rebuilding basic infrastructure. Portugal can be credited with having been the first bilateral donor to put such a large sum into the Trust Fund.

The World Bank co-ordinated Transitional Support Programme (TSP) supports approximately 40% of the government's national budget. It provided a USD 5 million grant in 2002 and anchored a multi-donor package with pledges that reached USD 31 million for the 2003 fiscal year. In 2004 a second TSP provided another USD 5 million grant to support the government to address i) poverty reduction, public sector oversight and the administration of justice; ii) service delivery in education and health; iii) job creation and the development of the private and agricultural sectors.

The Portuguese authorities have provided USD 9 million to the TSP, to be disbursed in three tranches over 2002-05. The authorities were discouraged by the Timorese government to channel their contribution through the pooling arrangement managed by the Bank. The follow-up to the TSP - the Consolidated Support Programme (CSP) – gives an opportunity for Portugal to stand by its decision to use that arrangement.

In Mozambique, despite some real progress in donor alignment and harmonisation, a recent critical report (Castel-Branco et al, 2005) notes that a number of donors still have some progress to make, including in the context of the Donor Programme for Macro-financial Support to which Portugal contributes. Portugal is encouraged to use standardised reporting, do the quarterly reports which are mandatory; conduct country analytical studies and missions jointly with other donors as well as use the government's procedures. The Portuguese authorities should take those suggestions seriously and strengthen their efforts in the areas that are considered to be weak from the perspective of aid effectiveness.

As it stands now, Portuguese co-operation is aligned with the national poverty reduction strategies and the national development plans of its six partner countries but still very much project-based. Portugal's participation in sector and budget support is somewhat penalised by the Portuguese budget planning and programming process and by limited aid management presence in the field. Real progress in making Portuguese aid more effective ultimately depends on the ability of Portuguese development co-operation to decentralise some decision making to the country level and increase the predictability of aid disbursements. Giving Portuguese embassies more authority and human resources would go a long way towards engaging Portugal more actively in harmonisation schemes at country

level; as would budgeting over longer time frames. A comprehensive approach to monitoring, evaluating and managing for results should also be developed.

To a large extent the new strategy for development co-operation is opening the door to new modes of operation, including the integration of bilateral and multilateral channels through multi-bi approaches and the pooling of funds with other donors in Portugal's priority areas. The Portuguese authorities are also open to the possibility of silent and/or delegated partnerships and operating more within sector-wide approaches, a move that the DAC strongly encourages. The scaling-up of the evaluation function should also improve strategic decision making, including on the appropriate mix of aid instruments and modalities in Portugal's priority countries. The DAC urges the authorities to reflect on those different options, start experimenting with new modes of operation and take a more active role to implement the aid effectiveness agenda in its priority countries.

### **Future considerations**

Based on the brief perspective offered by the review team's visit to Timor-Leste, the following country level considerations should be taken into account:

- The future of Portuguese co-operation should be envisaged in the context of the implementation of the aid effectiveness agenda. The Portuguese authorities should reflect on the opportunity of delegating greater responsibility to the embassies and strengthen them with additional human resources. The authorities should also start experimenting with sector-wide and programme approaches and work jointly with other donors to the extent feasible.
- When preparing the triennial indicative co-operation programmes, the Portuguese authorities should consider a more strategic approach to poverty reduction in the sectors which they support. They should update those programmes in light of donor community experience and commitments to the aid effectiveness agenda. In line with other donors, they should integrate needs assessments into the programme planning process in each priority country.
- Field offices should strengthen their monitoring and evaluation capacities and involve embassy staff more extensively in doing this.
- Language instruction in Timor-Leste is a necessary but not sufficient condition for strengthening human and institutional capacities. The Portuguese authorities are encouraged to adopt a more strategic approach to capacity and institution building based on an assessment of needs in the sectors in which they are most active, working jointly with other donors whenever possible.

## ANNEX A

### PORTUGAL'S SUPPORT TO HUMANITARIAN AID

This annex assesses Portugal's humanitarian aid in accordance with the "Assessment Framework for Coverage of Humanitarian Action in DAC Peer Reviews" based on "The Principles and Good Practice of Humanitarian Donorship" (GHD). The annex covers five areas: i) humanitarian policies and principles; ii) disbursements; iii) organisation and management; iv) cross-cutting issues; and v) future considerations.

Portugal's bilateral programme is concentrated in a small number of very poor countries, all of which are vulnerable to natural disasters and several of which are in the process of recovering from violent conflict. Most of Portugal's main development partners have weak governance structures and systems, hence their capacity to prepare for and cope with humanitarian emergencies is limited, where it exists at all. Indeed, nine of the top ten recipients of Portuguese bilateral aid are considered fragile states.

Experience has shown that the poorest segments of populations are disproportionately affected by humanitarian emergencies, and increasing numbers of these people are living in areas that have the potential for more devastating natural as well as man-made disasters than a few years ago (Pan American Health Organisation, 2006) (IFRCRCS, 2005). It would seem appropriate then to consider an explicit approach to humanitarian aid in the context of the new "Strategic Vision for Portuguese Development Co-operation".

#### **Humanitarian aid policy framework**

Portugal does not have an overall strategy for its humanitarian aid. It was not present in Stockholm in mid-2003 when a number of donors agreed on "The Principles and Good Practice of Humanitarian Donorship" (GHD), although a Portuguese representative attended the 2004 follow-up conference in Ottawa. At present, Portuguese humanitarian aid is provided chiefly in kind or via civil society organisations. For some emergencies in countries "known to and specified by Portugal" contributions are channelled via international NGOs and multilateral organisations. Furthermore, Portugal's humanitarian response operates largely on a case-by-case basis. There is no stated preference for working with United Nations organisations nor to contributing to the core costs of the global humanitarian aid system with respect to co-ordination, evaluation and definition and implementation of standards.

Portugal's new strategy acknowledges the need for the country to play its part in the international effort to provide a timely and adequate humanitarian response. It also notes the importance of recovery and transition to sustainable livelihoods. It mentions the importance of co-ordination among the various actors in humanitarian response, notably the United Nations and the European Commission. Also cited are prevention measures and early warning mechanisms. The Strategy does not, however, suggest a higher profile or larger role for Portugal in humanitarian aid.

Portugal endorsed the GHD in 2006. To promote the implementation of the GHD agenda, Portugal should consider adopting a national time-bound implementation plan.

### **Volume and distribution**

According to DAC figures, expenditure for humanitarian response has remained low, ranging from its highest level of 3.5% of Portugal's total ODA in 1993 to a low of 0.2% in 1997. On average, disbursements for emergency and humanitarian aid have been slightly below 2% of ODA. In 2004, however, there was a significant jump in disbursements due to a large commitment to Iraq which included assistance for refugees, displaced persons and other vulnerable groups; these funds were channelled via UNHCR and the International Organisation for Migration. In 2005, in response to the Indian Ocean tsunami, Portugal provided immediate assistance in the form of medical supplies. Subsequently, IPAD was given a EUR 8 million supplementary allocation to support emergency response and reconstruction. There was no additional funding made available in response to the Pakistan earthquake in October 2005.

Since 2004 and in accordance with the DAC reporting directives, Portuguese ODA includes expenditures for assistance to refugees in their first twelve months of stay in a donor country. In 2004, this item amounted to 4.1% of the reported emergency and distress relief.

Portugal's potential role in financing humanitarian action should be seen in light of the international burden sharing and its targets to improve ODA volume. Data provided by UN-OCHA's Financial Tracking System show that Portugal does not feature among the 20 largest bilateral supporters to the UN Consolidated Inter-Agency Appeal (UN-CAP). As Portugal moves towards meeting the 0.7% ODA/GNI target, it should consider a substantial increase in allocations for humanitarian purposes. Portugal should develop its approach on how to support UN-CAP, including making contributions early in the year (January or February) and provide stable, un-earmarked funding to major humanitarian partners such as the International Committee of the Red Cross (ICRC) and the International Federation of Red Cross and Red Crescent Societies (IFRC). Given its limited operational resources, Portugal should consider making a substantial contribution to the UN Central Emergency Response Fund (CERF).

The nature of humanitarian action places special demands on budgetary systems and governments use different methods to ensure a needs-based, timely and flexible response. Humanitarian budget systems include earmarked annual ODA envelopes for multilateral, bilateral and NGO funding; reallocation of bilateral ODA; special institutional arrangements, including rapid response funds and special budgetary transition arrangements. To improve performance, Portugal should consider reviewing its budget structures and ensure that they are adapted to flexible, timely and needs-based funding. Consideration is being given at the present time to create a specific IPAD budget line for humanitarian aid, which could also assist Portugal in making longer-term commitments via international organisations, especially with respect to disaster preparedness and mitigation.

Policies relating to Portugal's resource allocation between multilateral and bilateral channels are not explicitly stated. How Portugal ensures that funding of humanitarian action directed at high-profile crises does not adversely affect meeting the needs of other ongoing and "forgotten" crises is not clear either. Portugal does not at present provide longer-term funding arrangements. Multi-year funding should be considered for long-term, complex emergencies and possible constraints to such funding should be reviewed.

## Crosscutting and emerging issues

- **Promoting standards and enhancing implementation.** Portugal should recognise and support the role of the United Nations in providing leadership and co-ordination for international humanitarian action and ensure that the roles and mandates of the ICRC and the IFRC are recognised and respected.
- **Transition support.** Nine of Portugal's top ten recipients in 2004 were fragile states involved in or emerging from armed conflict. The organisation of Portugal's transitional assistance to Timor-Leste (Box 4 in Chapter 3) highlights the need to develop better synchronisation between humanitarian and development efforts. A challenge for Portugal will be to develop policy and management approaches reflecting the special needs in these situations.
- **Involvement of beneficiaries.** When developing its humanitarian programme Portugal should also strive to ensure adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of its humanitarian activities.
- **Accountability and transparency.** Portugal's reporting systems for humanitarian aid could be further refined and a more detailed format could be elaborated. Portugal should follow and adjust its reporting capacity to the work underway within the DAC and the UN Financial Tracking System. Portugal should also consider making information on its humanitarian aid disbursements more transparent and detailed in its annual reports on development co-operation.

## Organisation and management

IPAD is responsible for the co-ordination of humanitarian aid and has a small unit for this purpose located within the division responsible also for relations with non-governmental organisations. There are no staff with technical expertise in humanitarian aid serving in this unit. IPAD is expected to mobilise other government ministries' contributions to emergency situations when appropriate.

Embassies are not empowered to make any humanitarian decisions or delegate funds. They may have an advisory role, but cannot make commitments. The role of embassy development co-operation staff in relation to humanitarian aid remains ill defined. Portugal should consider strengthening its field representation with humanitarian advisors where situations call for closer monitoring. This would also strengthen approaches to transition from humanitarian aid to development.

The Portuguese military do not as a rule become involved in the humanitarian response, nor is there much pressure for it to do so. When military assets are utilised, it is a political decision based on factors other than those set out in the GHD principles. The main ongoing external relationship is with the European Commission. Portugal could strengthen its procedures to ensure they respect the *1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief* and the *2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies*.

## **Future considerations**

- Given the vulnerability of its major partner countries to natural and conflict-related emergencies, and within the context of its new strategy for development co-operation, Portugal should develop a policy for its humanitarian aid to guide its response to future situations. Such policy should also ensure consistency with the endorsed “Principles and Good Practice of Humanitarian Donorship” and address the need for investments in disaster preparedness and mitigation.
- Within a growing ODA budget, Portugal should also consider further increasing its allocations to humanitarian aid, including prevention and preparedness, emergency response and recovery and reconstruction in line with GHD and a needs-based approach.
- Together with the creation of a specific budget line for humanitarian assistance and other budgetary changes to support improved responsiveness, Portugal should ensure that staff with appropriate technical expertise and experience are assigned to the organisational unit responsible for humanitarian aid.

## ANNEX B

### OECD/DAC STANDARD SUITE OF TABLES

**Table B.1. Total financial flows**

USD million at current prices and exchange rates

Portugal	<i>Net disbursements</i>						
	1988-89	1993-94	2000	2001	2002	2003	2004
<b>Total official flows</b>	<b>114</b>	<b>528</b>	<b>375</b>	<b>308</b>	<b>352</b>	<b>365</b>	<b>396</b>
Official development assistance	97	269	271	268	323	320	1 031
Bilateral	74	194	179	183	186	182	873
Multilateral	23	75	92	85	137	137	158
Official aid	-	21	27	28	33	51	62
Bilateral	-	-	0	1	1	0	1
Multilateral	-	21	26	27	32	51	61
Other official flows	17	238	78	12	-4	-6	-697
Bilateral	17	226	78	12	-4	-6	-697
Multilateral	-	13	-	-	-	-	-
<b>Grants by NGOs</b>	<b>1</b>	<b>0</b>	<b>-</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>3</b>
<b>Private flows at market terms</b>	<b>-7</b>	<b>-241</b>	<b>5 340</b>	<b>1 887</b>	<b>-79</b>	<b>833</b>	<b>253</b>
Bilateral: of which	-7	-241	5 340	1 887	-79	833	253
Direct investment	4	15	5 071	1 647	-303	682	98
Export credits	-11	-256	269	240	224	150	155
Multilateral	-	-	-	-	-	-	-
<b>Total flows</b>	<b>108</b>	<b>287</b>	<b>5 715</b>	<b>2 200</b>	<b>277</b>	<b>1 202</b>	<b>652</b>
<i>for reference:</i>							
ODA (at constant 2003 USD million)	189	350	370	362	396	320	921
ODA (as a % of GNI)	0.23	0.31	0.26	0.25	0.27	0.22	0.63
Total flows (as a % of GNI) (a)	0.25	0.30	4.45	1.66	0.15	0.79	0.41

a. To countries eligible for ODA.

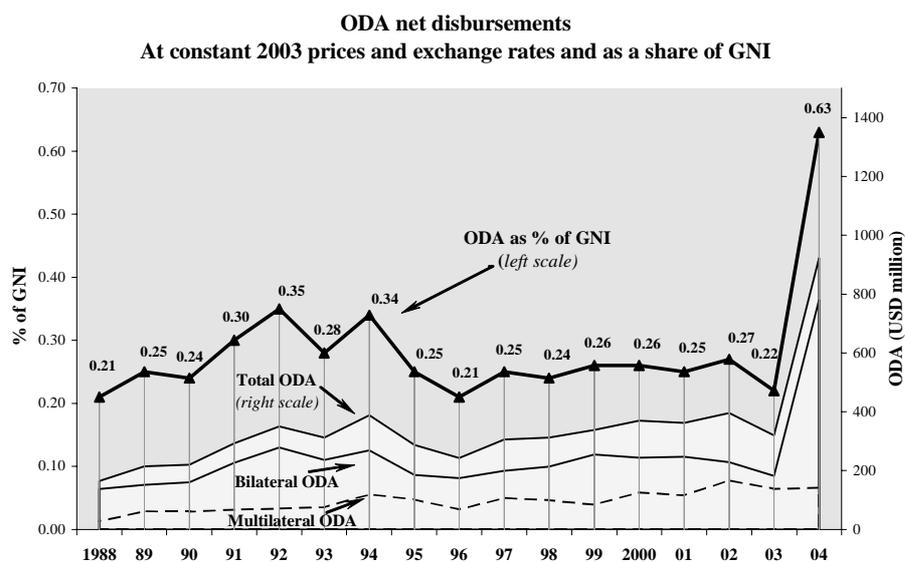
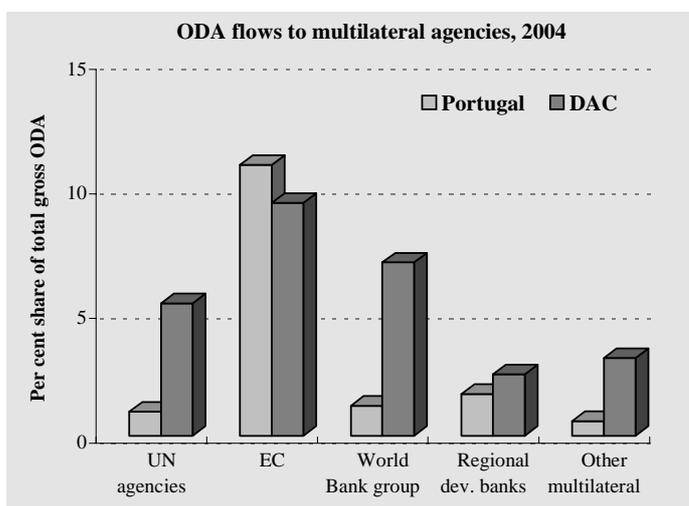


Table B.2. ODA by main categories

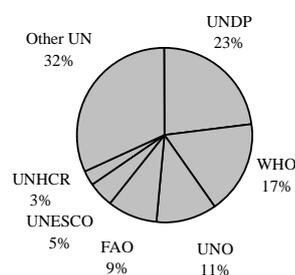
Portugal	Constant 2003 USD million					Per cent share of gross disbursements					Total DAC 2004%
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	
	<i>Disbursements</i>										
<b>Gross Bilateral ODA</b>	<b>443</b>	<b>247</b>	<b>228</b>	<b>184</b>	<b>784</b>	<b>78</b>	<b>68</b>	<b>58</b>	<b>57</b>	<b>85</b>	<b>73</b>
<i>Grants</i>	<i>438</i>	<i>224</i>	<i>225</i>	<i>183</i>	<i>160</i>	<i>77</i>	<i>62</i>	<i>57</i>	<i>57</i>	<i>17</i>	<i>63</i>
Project and programme aid	6	6	9	5	13	1	2	2	2	1	16
Technical co-operation	123	159	156	142	102	22	44	39	44	11	21
Developmental food aid	-	-	-	-	-	-	-	-	-	-	1
Emergency and distress relief	5	3	2	1	16	1	1	1	0	2	8
Action relating to debt	235	24	13	6	5	41	7	3	2	1	8
Administrative costs	7	9	9	10	9	1	2	2	3	1	4
Other grants	64	24	36	19	13	11	7	9	6	1	4
<i>Non-grant bilateral ODA</i>	<i>5</i>	<i>24</i>	<i>4</i>	<i>1</i>	<i>624</i>	<i>1</i>	<i>7</i>	<i>1</i>	<i>0</i>	<i>67</i>	<i>10</i>
New development lending	5	21	3	1	0	1	6	1	0	0	9
Debt rescheduling	-	3	1	0	624	-	1	0	0	67	1
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	1
<b>Gross Multilateral ODA</b>	<b>126</b>	<b>115</b>	<b>167</b>	<b>137</b>	<b>142</b>	<b>22</b>	<b>32</b>	<b>42</b>	<b>43</b>	<b>15</b>	<b>27</b>
UN agencies	9	10	13	8	9	2	3	3	3	1	5
EC	81	93	90	88	100	14	26	23	28	11	9
World Bank group	18	0	8	11	11	3	0	2	3	1	7
Regional development banks (a)	15	8	54	24	16	3	2	14	8	2	2
Other multilateral	3	4	2	5	5	1	1	1	2	1	3
<b>Total gross ODA</b>	<b>569</b>	<b>362</b>	<b>396</b>	<b>321</b>	<b>926</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Repayments and debt cancellation	- 199	-	-	- 2	- 4						
<b>Total net ODA</b>	<b>370</b>	<b>362</b>	<b>396</b>	<b>320</b>	<b>921</b>						
<i>For reference:</i>											
ODA to and channelled through NGOs	2	3	5	2	4						
Associated financing (b)	0	-	-	-	-						

a Excluding EBRD.

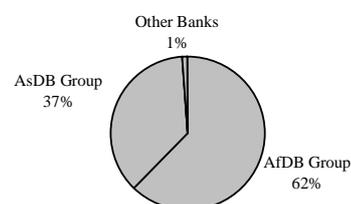
b. ODA grants and loans in associated financing packages.



Contributions to UN Agencies (2003-04 Average)



Contributions to Regional Development Banks (2003-04 Average)



**Table B.3. Bilateral ODA allocable by region and income group**

Portugal	Constant 2003 USD million					Per cent share					Total DAC 2004%
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	
	<i>Gross disbursements</i>										
<b>Africa</b>	330	132	101	110	717	80	60	50	66	94	<b>40</b>
Sub-Saharan Africa	330	132	101	110	717	80	60	49	66	94	<b>34</b>
North Africa	0	0	1	0	0	0	0	0	0	0	<b>6</b>
<b>Asia</b>	73	80	96	43	25	18	36	47	26	3	<b>30</b>
South and Central Asia	0	1	2	0	2	0	0	1	0	0	<b>14</b>
Far East	73	79	94	43	23	18	36	46	26	3	<b>17</b>
<b>America</b>	1	3	3	0	1	0	1	1	0	0	<b>12</b>
North and Central America	0	1	0	-	0	0	0	0	-	0	<b>6</b>
South America	1	2	3	0	1	0	1	1	0	0	<b>7</b>
<b>Middle East</b>	1	0	1	8	14	0	0	0	5	2	<b>12</b>
<b>Oceania</b>	-	-	-	-	-	-	-	-	-	-	<b>1</b>
<b>Europe</b>	5	5	3	3	7	1	2	1	2	1	<b>4</b>
<b>Total bilateral allocable by country</b>	<b>410</b>	<b>220</b>	<b>203</b>	<b>165</b>	<b>765</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	401	209	191	153	741	98	95	94	92	97	<b>33</b>
<b>Other low-income</b>	1	1	1	0	1	0	1	0	0	0	<b>22</b>
<b>Lower middle-income</b>	7	7	8	12	23	2	3	4	7	3	<b>41</b>
<b>Upper middle-income</b>	1	2	3	0	1	0	1	1	0	0	<b>4</b>
<b>High-income</b>	-	-	-	-	-	-	-	-	-	-	<b>0</b>
<b>More advanced developing countries</b>	0	0	-	-	-	0	0	-	-	-	<b>-</b>
<i>For reference:</i>											
<i>Total bilateral</i>	443	247	228	184	784	100	100	100	100	100	<b>100</b>
<i>of which: Unallocated</i>	33	28	25	19	19	8	11	11	10	2	<b>24</b>

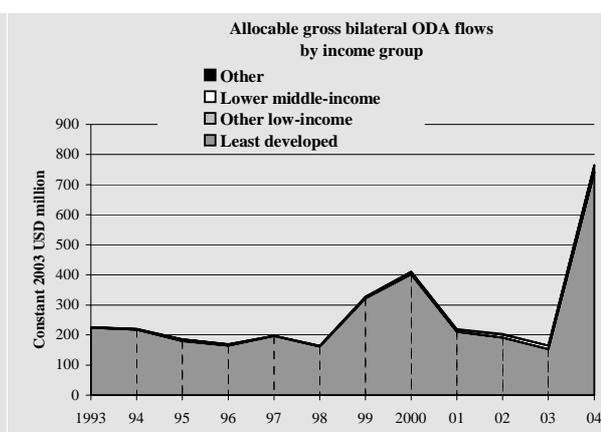
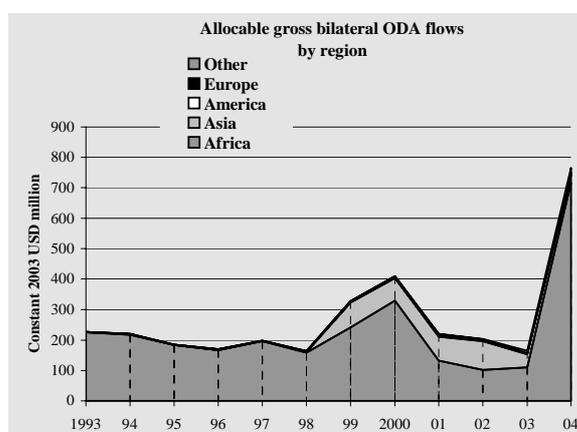


Table B.4. Main Recipients of bilateral ODA

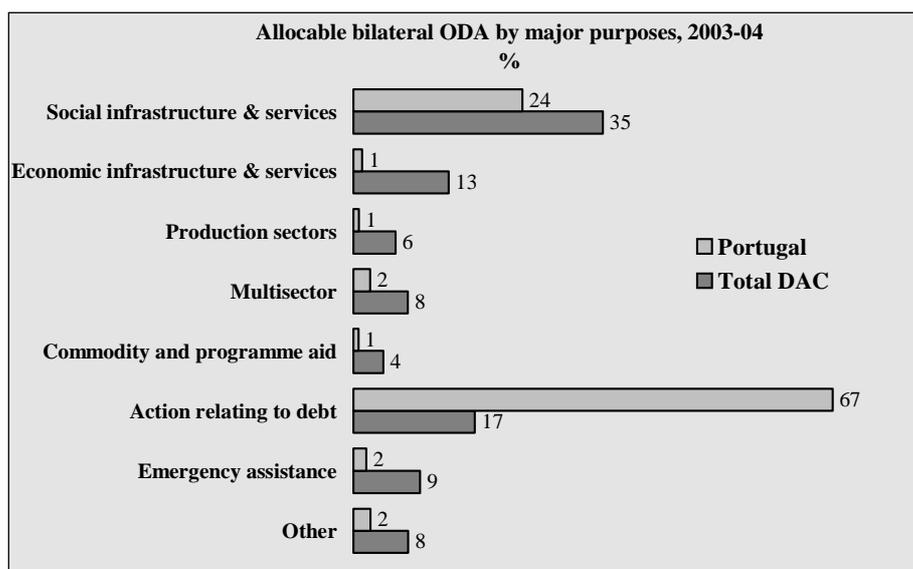
Portugal	1993-94			1998-99			2003-04		
	Current USD million	Constant 2003 USD mn.	Per cent share	Current USD million	Constant 2003 USD mn.	Per cent share	Current USD million	Constant 2003 USD mn.	Per cent share
Mozambique	76	100	44	96	117	48	367	329	72
Guinea-Bissau	49	62	28	33	41	17	39	37	8
Angola	19	25	11	22	27	11	34	33	7
Cape Verde	16	21	9	22	27	11	22	20	4
Sao Tome & Principe	9	12	5	12	15	6	12	11	2
<b>Top 5 recipients</b>	<b>169</b>	<b>221</b>	<b>99</b>	<b>186</b>	<b>226</b>	<b>92</b>	<b>474</b>	<b>431</b>	<b>93</b>
Sis Ex-Yugoslavia unsp.	0	1	0	12	15	6	12	11	2
Brazil	0	0	0	1	1	0	10	10	2
Morocco	0	0	0	1	1	0	4	4	1
China	0	0	0	1	1	0	3	3	1
Somalia	0	0	0	0	1	0	1	1	0
<b>Top 10 recipients</b>	<b>171</b>	<b>222</b>	<b>99</b>	<b>200</b>	<b>244</b>	<b>99</b>	<b>504</b>	<b>459</b>	<b>99</b>
Timor-Leste	0	0	0	0	0	0	1	1	0
Tunisia	0	0	0	0	0	0	1	1	0
South Africa	0	0	0	0	0	0	1	1	0
Cambodia	0	0	0	0	0	0	1	1	0
Macao	0	0	0	0	0	0	1	1	0
<b>Top 15 recipients</b>	<b>171</b>	<b>223</b>	<b>100</b>	<b>201</b>	<b>245</b>	<b>100</b>	<b>508</b>	<b>463</b>	<b>99</b>
Iraq	0	0	0	0	0	0	0	0	0
Zimbabwe	0	0	0	0	0	0	0	0	0
Mexico	0	0	0	0	0	0	0	0	0
Iran	0	0	0	0	0	0	0	0	0
Rwanda	0	0	0	0	0	0	0	0	0
<b>Top 20 recipients</b>	<b>171</b>	<b>223</b>	<b>100</b>	<b>202</b>	<b>246</b>	<b>100</b>	<b>509</b>	<b>464</b>	<b>100</b>
<b>Total (32 recipients)</b>	<b>172</b>	<b>224</b>	<b>100</b>	<b>202</b>	<b>246</b>	<b>100</b>	<b>511</b>	<b>465</b>	<b>100</b>
Unallocated	27	35		29	35		20	19	
<b>Total bilateral gross</b>	<b>198</b>	<b>258</b>		<b>231</b>	<b>281</b>		<b>531</b>	<b>484</b>	

Gross disbursements, two-year averages

Table B.5. Bilateral ODA by major purposes

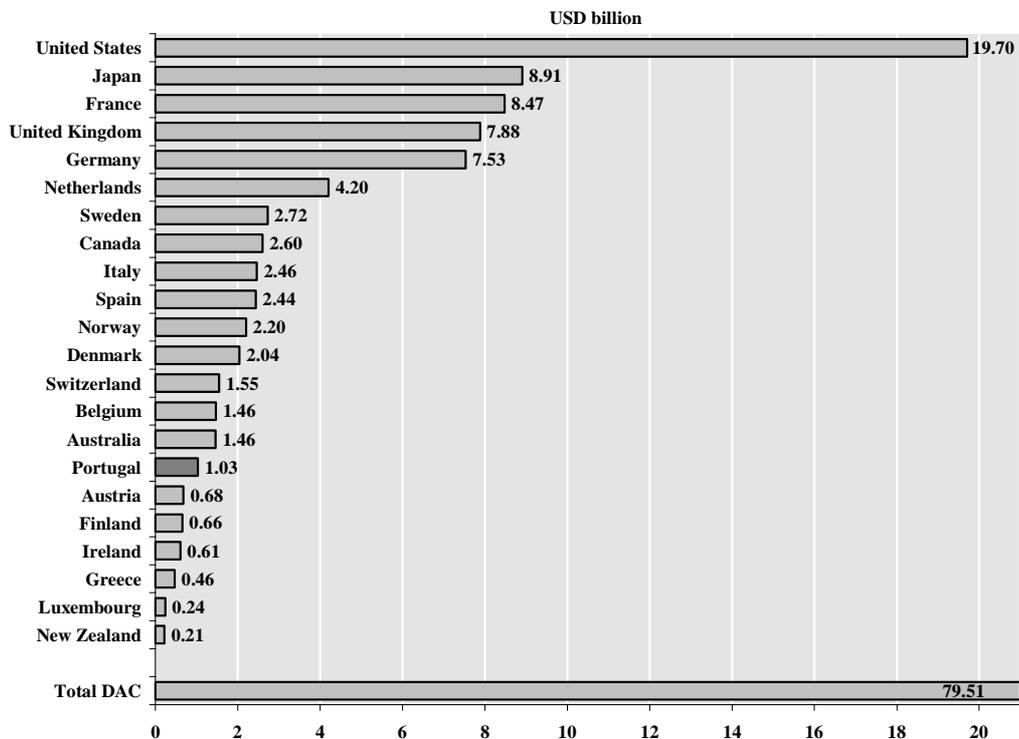
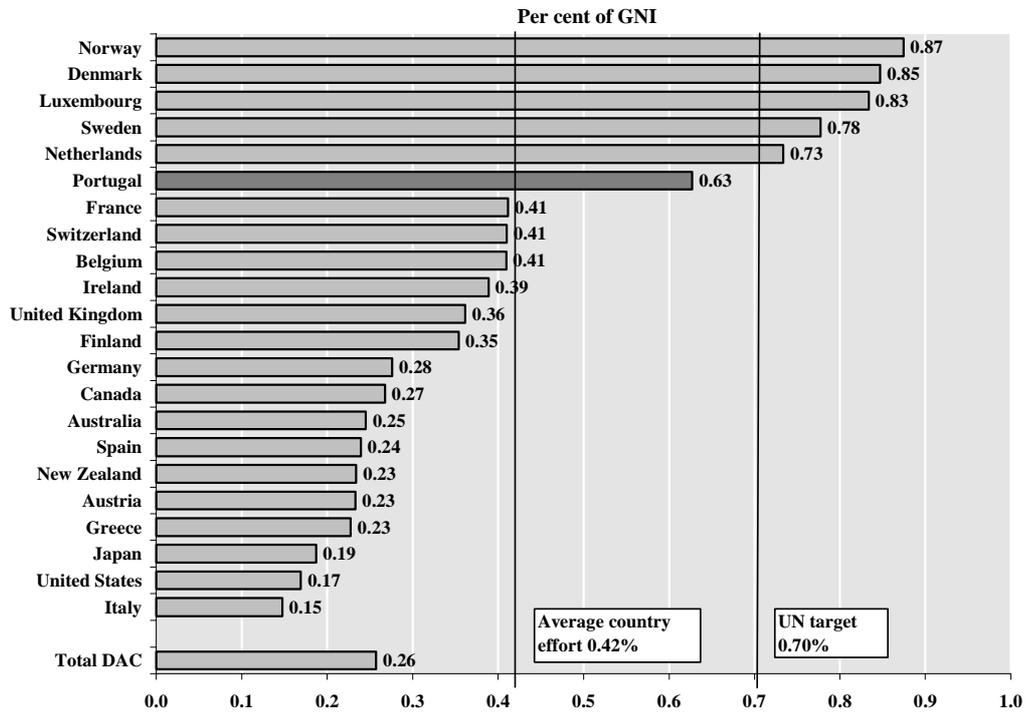
Gross disbursements - Two-year averages

Portugal	1993-94		1998-99		2003-04		2003-04 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
<b>Social infrastructure &amp; services</b>	<b>38</b>	<b>33</b>	<b>51</b>	<b>22</b>	<b>125</b>	<b>24</b>	<b>35</b>
Education	22	19	18	8	59	11	9
of which: basic education	-	-	0	0	3	1	2
Health	2	2	8	3	9	2	4
of which: basic health	-	-	0	0	1	0	2
Population & reproductive health	-	-	0	0	0	0	3
Water supply & sanitation	0	0	1	0	1	0	4
Government & civil society	11	9	11	5	37	7	11
Other social infrastructure & services	3	2	13	6	20	4	4
<b>Economic infrastructure &amp; services</b>	<b>9</b>	<b>8</b>	<b>26</b>	<b>12</b>	<b>6</b>	<b>1</b>	<b>13</b>
Transport & storage	1	1	5	2	2	0	4
Communications	6	5	7	3	2	0	1
Energy	1	1	0	0	1	0	6
Banking & financial services	1	1	0	0	1	0	1
Business & other services	-	-	14	6	1	0	1
<b>Production sectors</b>	<b>6</b>	<b>5</b>	<b>7</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>6</b>
Agriculture, forestry & fishing	1	1	3	1	3	1	3
Industry, mining & construction	2	2	3	1	1	0	2
Trade & tourism	3	2	2	1	0	0	0
Other	0	0	-	-	0	0	0
<b>Multisector</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>13</b>	<b>13</b>	<b>2</b>	<b>8</b>
<b>Commodity and programme aid</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>4</b>
<b>Action relating to debt</b>	<b>54</b>	<b>46</b>	<b>100</b>	<b>44</b>	<b>355</b>	<b>67</b>	<b>17</b>
<b>Emergency assistance &amp; reconstruction</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>10</b>	<b>2</b>	<b>9</b>
<b>Administrative costs of donors</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>2</b>	<b>10</b>	<b>2</b>	<b>5</b>
<b>Core support to NGOs</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>2</b>
<b>Total bilateral allocable</b>	<b>116</b>	<b>100</b>	<b>228</b>	<b>100</b>	<b>530</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>							
Total bilateral	154	67	230	75	531	78	76
of which: Unallocated	38	17	2	1	1	0	2
Total multilateral	75	33	75	25	148	22	24
<b>Total ODA</b>	<b>229</b>	<b>100</b>	<b>305</b>	<b>100</b>	<b>679</b>	<b>100</b>	<b>100</b>





Graph B.1. Net ODA from DAC countries in 2004





## ANNEX C

### THE 2001 DAC PEER REVIEW AND PORTUGAL'S ACHIEVEMENTS

Key issues	Recommendations in 2001	Progress achieved by 2006
Overall framework and new orientations	Gear programme towards a clearer poverty focused orientation, in line with the International Development Goals and the framework of country strategies.	The 2005 strategy for development co-operation includes poverty reduction as one of its five guiding principles; and the six Portuguese country programmes are aligned with the national poverty reduction strategies. The challenge lies in implementing the new strategic orientations as well as the Paris Declaration on Aid Effectiveness.
ODA volume, channels and allocation	<p>Allocate increased resources towards basic social services as opposed to tertiary support such as scholarships and curative health care.</p> <p>Step up involvement in the multilateral forums, especially discussions at the Bretton Woods Institutions on the PALOPs and East Timor.</p> <p>Continue increasing support towards Portuguese and recipient country NGOs and civil society in public education and project implementation.</p>	<p>Resources are predominantly allocated to technical co-operation (including scholarships) and debt relief, with minimal ODA amounts going to basic social services. Other priority sectors include governance and public administrations.</p> <p>The EU is the major recipient of Portuguese multilateral aid. The new strategy advocates stronger involvement in international organisations, particularly within the context of EU-ACP relations.</p> <p>Support to Portuguese and local NGOs is still weak. The new strategy states that co-operation with those development actors should be stimulated.</p>
Policy coherence	Consider its potential for enhancing policy coherence.	Policy coherence is not an objective of the new strategy and there is no credible institutional set-up yet to discuss it within government.
Organisation and management systems	<p>Consolidate similar types of activities under the responsibility of one ministry or entity in order to substantially minimise overlaps as well as to reduce administrative costs.</p> <p>Complete APAD's transformation and clarify further its roles and instruments as a multi-purpose executing agency.</p> <p>Accord ICP more financial and human resources so it could undertake a stronger role in policy formulation and co-ordination; develop operational tools and guidelines; mainstream cross-cutting issues; and implement a comprehensive monitoring and evaluation system throughout the entire aid system.</p>	<p>Activities are not consolidated as requested but the co-ordination of Portuguese line ministries is evident at the level of planning and programming, now under IPAD's responsibility. The current financial planning system is not conducive to aid predictability and effectiveness.</p> <p>APAD was dismantled and replaced by a new financial institution focusing on export credit, capital risk and credit guarantees.</p> <p>Those considerations remain valid and may apply to ICP's successor IPAD.</p>
Country operations	Reinforce staffing in the field with greater delegation, especially to mainstream cross-cutting issues, carry out enhanced national and international co-ordination, and participate in sector-wide approaches.	Those considerations remain valid. The delegation of authority and increasing resources within embassies are instrumental to improving the effectiveness of Portuguese aid.



## DESCRIPTION OF KEY TERMS

*The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information.<sup>12</sup>*

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

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

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

**DAC LIST OF AID RECIPIENTS:** The DAC uses a List of Aid Recipients which it revises every three years. From 1 January 2000, Part I of the List is presented in the following categories (the word "countries" includes territories):

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

**Other LICs:** Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 745 or less in 2001 (World Bank Atlas basis).

**LMICs:** Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 746 and USD 2 975 in 2001. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

**UMICs:** Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 2 976 and USD 9 205 in 2001.

**HICs:** High-Income Countries, *i.e.* with GNI per capita (Atlas basis) more than USD 9 206 in 2001.

Part II of the List comprises "Countries in Transition". These comprise i) more advanced central and eastern European countries and New Independent States of the former Soviet Union; and ii) more advanced developing countries.

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

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

---

12. For a full description of these terms, see the *Development Co-operation 2005 Report*, Volume 7, No. 1.

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

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

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

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

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

**OFFICIAL AID (OA):** Flows which meet the conditions of eligibility for inclusion in official development assistance, except that the recipients are on Part II of the DAC List of Aid Recipients.

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

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

**OTHER OFFICIAL FLOWS (OOF):** Developmentally relevant transactions by the official sector with countries on the DAC List of Aid Recipients which do not meet the conditions for eligibility as official development assistance or official aid.

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

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

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

## BIBLIOGRAPHY

- Castel-Branco, C.N., R. Gerster and T. Killick (2005), *Perfect Partners? The performance of Programme Aid Partners in Mozambique, 2004*, DFID, London, 2005.
- EC (European Commission)/DG DEV (2005), Eurobarometer Special Report: *Attitudes towards development Aid*, EC, Brussels.
- EU (European Union) Council (2005), “*Millennium Development Goals – EU contribution to the Review of the MDGs at the UN*. Conclusions of the Council and Representatives of the Governments of Member States Meeting with the Council (24 May 2005), Doc No. 9266/05, EC, Brussels.
- Government of Portugal (2005a), *Uma Visão Estratégica para a Cooperação Portuguesa*, Lisbon, p. 16-17 (free translation).
- Government of Portugal (2005b), *Programa do XVII Governo Constitucional*, Lisbon, p. 16.
- IFRCRCS (International Federation of Red Cross and Red Crescent Societies) (2005), *World Disasters Report 2005*.
- IPAD (Portuguese Institute for Development Support) (2004), *Millennium Development Goals, Report from Portugal*, Lisbon.
- IPAD (2005a), *Memorandum of Portuguese Co-operation 2001-2004*, Lisbon, p. 47.
- IPAD (2005b), *Harmonisation and Alignment: Portuguese Action Plan*, Lisbon, p. 4.
- Mercer, D. (2004), “Dividing Up the Spoils: Australia, East Timor and the Timor Sea”, *Space and Polity*, Vol. 8, No. 3, 289-308, December 2004, p. 291.
- OECD (Organisation for Economic Co-operation and Development)/Development Centre Studies (2003), *Public Opinion and the Fight against Poverty*, OECD, Paris.
- OECD (2001), *Development Co-operation Review, Portugal*, Pre-print of the DAC Journal, Vol. 2, No. 2, OECD, Paris.
- OECD (2005a), “The Challenge of Capacity Development: Working Towards Good Practice”, OECD, Paris.
- OECD (2005b), *Development Co-operation 2005 Report*, OECD Journal on Development, Vol. 7, No. 1, OECD, Paris.
- OECD Observer (2005), *Economic Outlook: How robust is the recovery?*, No. 252/253, OECD, Paris, November, p. 55.

PAHO (Pan American Health Organisation) (2006), Newsletter, January.

Southeast Asian Affairs (2004), *Timor-Leste: Strong Government, Weak State*, Institute of Southeast Asian Studies, Utopia Press, LTD, Singapore, p. 290.

UNDP (United Nations Development Programme) (2005), *Human Development Report 2005*, New York, p. 282.

World Bank (2005), *Country Assistance Strategy for Timor-Leste 2006-2008*, Washington D.C.

World Bank (2006), Does training work: Re-examining donor-sponsored training programs in development countries, Capacity Development Brief, World Bank Institute, 2006, Washington.

# THE DEVELOPMENT ASSISTANCE COMMITTEE



## PEER REVIEW SERIES

### HOW TO CONTACT US

The Development Assistance Committee welcomes your comments and suggestions.

Please contact us

by email at [dac.contact@oecd.org](mailto:dac.contact@oecd.org), [www.oecdbookshop.org](http://www.oecdbookshop.org), by  
telefax at 33 1 44 30 61 44  
or by mail to:

Organisation for Economic Co-operation and Development  
Development Co-operation Directorate  
Communications and Management Support Unit  
2, rue André-Pascal  
75775 Paris Cedex 16  
France

**WORLD WIDE WEB SITE**  
<http://www.oecd.org/dac>