
Portugal (2010) DAC Peer Review - Main Findings and Recommendations

Overall framework for development co-operation

Strategic framework

An approach and system shaped by historical engagement

Portuguese development co-operation has strong historical roots which influence where it focuses and how it works. It is strongly focused on six partner countries with which it has historical connections, a shared language and close relationships: Angola, Cape Verde, Guinea Bissau, Mozambique, Sao Tome and Principe, and Timor-Leste. Five of these countries are least developed countries (LDCs) and four are fragile states. This means Portugal is involved in some of the most challenging and important issues in international development. History also influences how Portugal works with its partner countries. In particular, co-operation is based on the involvement of a large number of actors, and close personal and institutional relationships among them. Such a broad-based approach has the advantage of drawing in a wide range of departments and skills, but it also means the system is fragmented and that co-ordination is challenging. To help address these issues, Portugal established IPAD (Instituto Português de Apoio ao Desenvolvimento) in 2003, with the legal mandate to co-ordinate development co-operation.

A readiness to advance, despite constraints

Portugal is addressing many of the recommendations from the last peer review (conducted in 2006, see Annex A) in order to improve how it delivers development co-operation, to adhere to its international commitments and to deliver development results. It is building a clearer strategic and policy framework for its development co-operation. It has established a legal basis to help it ensure all Portuguese policies, whether international or domestic, do not undermine international development objectives. It has made some progress in increasing co-ordination within the system, though this remains a major challenge. Similarly, while it has made efforts to deliver aid more effectively, further progress is constrained by the fragmented nature of Portugal's bilateral aid programme. Overall, Portugal has not made significant progress in scaling up the volume of its official development assistance (ODA) to meet its promised target of 0.7% of GNI by 2015. It allocated only 0.23% of its GNI to ODA in 2009.

Progress towards a clear and strategic framework

Portugal has made significant progress in building an overall strategic framework for its development co-operation. The 2005 Strategic Vision for Portuguese Development Co-operation has provided a solid foundation for this change, on which other policies have been built. The Strategic Vision sets out some guiding principles and priorities for Portuguese development co-operation, by drawing on Portugal's own experiences, foreign policy priorities and international obligations. Thus, it emphasises Portugal's commitment to the Millennium Development Goals, human security, sustainable economic development, contributing to international development discussions and also promoting the Portuguese language. It also acknowledges some of the challenges for Portugal, including the fragmentation of the Portuguese development co-operation programme and the importance of co-ordination. As such, it has been a useful tool for IPAD as it seeks to fulfil its co-ordination mandate.

Since adopting the Strategic Vision, Portugal has continued to build a clearer strategic framework for its development co-operation, and in doing so has addressed some of the issues raised in the last peer review. In particular, Portugal has agreed a multilateral strategy to increase the coherence and focus of its engagement with multilateral agencies. It has also drafted six thematic or sector strategies, though these are yet to be formally approved. In addition, Portugal has approved some

whole-of-government policies which relate to development, in particular the Security and Development Strategy and the Development Education Strategy. These inter-ministerial policies provide a good basis for a coherent and co-ordinated approach in these areas.

Portugal's plan to update the existing Strategic Vision offers an opportunity for Portugal to adjust its policy framework. Firstly, an updated Strategic Vision should set out how Portugal sees the future evolution of its development co-operation in terms of the modalities it intends to use, how it proposes to decrease fragmentation and on what sectors it plans to focus. Secondly, the updated document should make clear that ODA which supports teaching and using Portuguese should be a means to help achieve development in Lusophone countries, not to promote the Portuguese language as an end itself. Clarifying this in writing would help to enhance the developmental focus of Portuguese co-operation. Thirdly, Portugal should set out in the document how it will mainstream environment and gender equality within its development co-operation. It would then be in a position to design and implement an action plan for mainstreaming these cross-cutting issues – an ongoing challenge. Crucially, the process of updating the Strategic Vision also provides a very valuable opportunity for Portugal to deepen its policy-level discussion and engagement with key stakeholders, particularly parliamentarians and civil society organisations.

[Increasing external engagement and involving other stakeholders](#)

Portugal has deepened its engagement with external stakeholders, particularly the European Union (EU), where its effective engagement has been most notable in the areas of EU-African relations, security and fragility as well as policy coherence for development. Similarly, Portugal has improved its engagement with domestic civil society organisations and can build on this further. Portugal has also attempted to enhance the role played by the Portuguese private sector in development by establishing SOFID, a 60% state-owned financial institution. SOFID has been given a dual mandate: to contribute to the growth of the business sector in developing countries while also supporting Portuguese companies. Portugal needs to reassess how it engages the private sector in development co-operation to ensure it contributes to poverty reduction and private sector development in partner countries.

[The importance of building a strong base of support](#)

Portugal knows it needs public support to make further progress in improving the development co-operation system and to meet its ODA volume commitments. It has taken a long-term perspective in this area by developing a whole-of-government strategy on development education and is working with teacher training institutes, other parts of government and non-government stakeholders to improve teaching on development issues in Portuguese schools. Portugal's approach to development education is likely to be of interest to other DAC members. But, in order to protect and promote support for development co-operation, Portugal also needs to communicate and build public support in the short and medium term. It needs a communications strategy, preferably with broad government approval under IPAD leadership, which encourages a much more proactive approach to engaging key stakeholders, notably parliamentarians and the media. This communications strategy should focus on Portugal's contribution to development results. Portugal will also need to allocate sufficient resources to ensure the strategy can be properly implemented once in place.

[Promoting policy coherence for development](#)

[The potential for a strong legislative basis](#)

Portugal has made a particular effort to improve the extent to which all its policies – whether domestic or international – are supportive of development objectives, i.e. to seek policy coherence for development (PCD). Its existing inter-ministerial co-ordination mechanisms – notably the Committee for Inter-ministerial Co-operation (CIC) – have proven useful in helping ministries to work together on some key policy issues that affect partner countries' development, particularly in the areas of migration and security. Portugal's experiences in these areas offer good practice lessons

in how to consult and co-ordinate to ensure other policies are also coherent with development objectives. However, such an approach has not yet been used in a systematic way. Portugal also promoted PCD at the European level during its 2007 presidency of the EU. This is commendable and provided Portugal with the impetus to follow up the same issues at a national level.

Portugal is commended for passing a new law on PCD which provides an excellent opportunity to respond to the OECD Ministerial Declaration on Policy Coherence for Development. Portugal should apply the new law to address each of the three “building blocks” for PCD. These are (i) political commitment; (ii) clear co-ordination mechanisms; and (iii) the ability to monitor and report on progress. This would put it ahead of many other donors in addressing the challenge of PCD. The government has also supported public awareness in this area, including discussion about policy coherence for development and implications for Portuguese co-operation in the Development Co-operation Forum. It has also co-funded an NGO project which aims to monitor how Portugal’s and the European Union’s policies affect the development of African, Caribbean and Pacific states.

Recommendations

To build on its good progress in establishing a clear overall framework for its development co-operation, Portugal should:

- Use the planned update of its Strategic Vision as an opportunity to: (i) set out how it will reduce the fragmentation of its programmes and make use of different aid modalities; (ii) plan how to improve mainstreaming of gender equality and environment; (iii) encourage engagement with and support from civil society and parliamentarians; (iv) reiterate that language instruction, when funded by ODA, should only be used to promote development.
- Revisit its approach to engaging the private sector in development. Specifically, it should give IPAD a full seat on the SOFID board and, over the next three years, evaluate the extent to which SOFID has contributed to development and poverty reduction in partner countries.
- Develop a communications strategy which sets out how Portugal will pro-actively engage key target groups, demonstrate development results and build a wider base of public support for Portuguese development co-operation.
- Apply the new law on policy coherence for development, including by (i) strengthening the institutions or co-ordination mechanisms with a mandate, tools and authority to promote PCD; and (ii) establishing systems to monitor, analyse and report on the development impacts of Portugal’s policies on partner countries.

Aid volume, channels and allocations

The significant challenge of meeting ODA volume commitments

Portugal has committed to increase its ODA to 0.7% of its GNI by 2015, however, it is not on track to reach this target, or its national interim target of 0.34% by 2010. Despite incremental volume increases between 2005 and 2008, ODA remained well below 0.3% of GNI over the review period. A cut in 2009 meant that Portuguese ODA stood at just 0.23% of GNI or USD 507 million (down from USD 620 million in 2008). Consequently, in 2009 Portugal was ranked 18 out of 23 DAC members in terms of its ODA/GNI ratio. This low baseline means that to reach its own 0.34% target, Portugal would have to increase its ODA by 74% in 2010 (based on a constant GNI). To reach 0.7% by 2015, Portugal would have to triple its ODA, equivalent to budgeting at least an additional USD 1 billion in 2015. This is an enormous challenge in the current economic context. Nevertheless, Portugal is strongly encouraged to deliver significant ODA increases by 2015. The new Strategic Vision should make clear reference to budget increases and set out how Portugal plans to achieve them. As the economic situation in Portugal improves, the DAC expects that Portugal will speed up its efforts to meet its international commitments. It should work with the EU to assess how it will achieve the 0.7% target. Addressing some of the issues around its current approach to budgeting ODA may help Portugal to scale up. In particular, it needs to include in its state budget a single ODA budget line

with binding multi-annual figures. It also needs high-level political support for development co-operation so that it is prioritised in the competition for budgetary allocations.

Aid that is geographically focused but still fragmented

Portugal currently spends around 60% of its ODA bilaterally. Its strong commitment to the five Portuguese speaking countries in Africa, plus Timor-Leste, means that its bilateral aid is geographically tightly focused and concentrated on LDCs. This focus is a strength of the Portuguese approach. Portugal has succeeded in increasing its sector focus since the last peer review and, given the relatively small size of its total programme, it should continue to do so. However, Portugal's bilateral support is still fragmented, consisting of a large number of often very small projects. Managing so many small projects involves high transaction costs. Portugal could get more out of its limited budget if it integrated these projects into more comprehensive programmes or phased out some of its smaller interventions in favour of fewer, larger-scale projects.

Portuguese bilateral aid and the central role of technical co-operation

Portuguese bilateral grant aid involves a high proportion of technical co-operation. Every year during the review period over half of ODA grants were provided as technical co-operation, equivalent to 25% of total ODA. Technical co-operation includes imputed student costs, scholarships, training programmes and technical assistance. Much of the student costs and scholarships are for study in Portugal and much of the technical assistance is provided in kind, by Portuguese civil servants. Because of a shared language, and in some cases similar government systems, Portugal is well placed to provide technical assistance to Portuguese-speaking countries. However, Portugal delivers only a small proportion of its bilateral grants through modalities such as programme-based approaches and investment projects which involve financial transfers and enable partners to programme the funds directly. Portugal has started experimenting with programme aid and is encouraged to channel further increases in its bilateral ODA in this way. This could be done alongside efforts to reduce fragmentation.

Support to and through NGOs is also limited; indeed Portugal channelled only USD 12 million in this way in 2008, spread across a large number of organisations. Acknowledging that it needs to build stronger relationships with its own NGOs, both for dialogue and accountability and for building partnerships in delivering development assistance, Portugal has drawn up a framework agreement with the Portuguese National NGO Platform. This is an important step and Portugal should now aim at building more strategic relationships with a limited number of NGOs. Portugal should also seek to engage more with partner countries' NGOs.

Portugal has also initiated a major loans programme in the form of lines of credit arranged by the Ministry of Finance. Partners may or may not use all the money available in the line of credit so their impact on Portugal's annual ODA budget will fluctuate. Once a line of credit is signed, partner countries can then agree with Portugal to draw down concessional loans for specific development projects. Once a firm commitment for a specific developmental loan is agreed, only the value of that loan can be recorded as an ODA commitment. Lines of credit have been agreed with non-priority partner countries. Portugal is encouraged to ensure that the use of these loans does not reduce the strong geographic focus of its ODA or threaten the overall concessionality of its aid, in line with the 1978 DAC Recommendation on the Terms and Conditions of Aid.

More strategic support through multilateral agencies

Multilateral aid is a crucially important part of the Portuguese ODA programme so the introduction of a multilateral strategy for Portuguese aid has been a very important step. Ensuring effective implementation of the multilateral strategy should be a major focus for Portugal over the coming four years. Portugal channels around 40% of its ODA through multilateral organisations. The majority of this goes to the EU (65% in 2008), primarily as assessed contributions. This makes the

EU by far the most important multilateral partner for Portugal, followed by the World Bank (17%). In order to increase efficiency, the strategy focuses on improving the management of Portugal's multilateral assistance and of its engagement with multilateral partners. The strategy is also intended to improve coherence among all parts of government involved in multilateral co-operation – particularly IPAD and the Ministry of Finance, both of which play important roles in multilateral engagement – and to strengthen Portugal's overall capacity to engage with key institutions on the issues that matter most to Portugal. IPAD leads Portugal's engagement with the EU on development issues. It has rightly prioritised this forum, recognising that the EU accounts for the majority of Portugal's multilateral portfolio. The strategy makes clear that Portugal intends to continue to channel around 40% of its ODA through multilateral channels, but it expects the volume to grow in line with its overall ODA budget increases. Portugal should examine the potential for further increases in multilateral expenditure, focused on a small number of multilateral partners, as an effective way to scale up its aid. Successful implementation of the multilateral strategy requires improved co-ordination between IPAD and the Ministry of Finance.

Recommendations

Portugal should make every effort to honour its ODA volume commitments while also ensuring it channels its budget effectively. To do so, it should:

- Establish realistic interim targets for significant increases in ODA by 2015, embed these multi-year binding targets in the state budget and stick to them. It should also work within the EU framework to meet its commitment to achieve the 0.7% target. As the economic situation improves, the DAC expects that Portugal will speed up its efforts to meet its international commitments.
- Continue to increase its sectoral focus while also reducing the large number of standalone small projects and investing in larger projects or programmes.
- Increasingly complement its use of technical co-operation with grant modalities which involve greater financial transfers to partner countries particularly as it scales up Portuguese ODA.
- Build strategic partnerships with some key domestic and partner country NGOs, for example by introducing multi-year strategic framework agreements.
- Ensure that lines of credit are used with caution in order to i) protect the focus of the development program and (ii) comply with the DAC Recommendation on the Terms and Conditions of Aid.

Organisation and management

The challenges of co-ordinating a fragmented system

IPAD has made clear progress in improving overall co-ordination since the last peer review, although a number of significant challenges remain. While there are still 16 ministries involved in development co-operation, they are now officially obliged to obtain IPAD's approval for all new ODA-funded activities. Most line ministries also now need co-financing from IPAD. This co-financing mechanism has been a very helpful tool for IPAD to promote co-ordination. The Ministry of Finance does not require co-financing and, though it does seek IPAD's formal approval for its bilateral ODA activities, in practice this has sometimes been at a very late stage, such as when the text of a memorandum of understanding is being finalised, rather than when the scope or suitability of an activity is determined. Also, IPAD does not yet have a framework to co-ordinate work with the municipalities, 17 of which were involved in development co-operation in 2008. In its six partner countries, the use of indicative country programmes (PICs) or country strategies has helped IPAD's co-ordination role since it means that all ministries have subscribed to agreed goals for the overall country programme. In the next generation of these country strategies, the challenge will be to ensure that the PICs themselves become more than a rationalisation of Portugal's existing engagement and form the basis of strategic medium-term planning.

Addressing the challenge of budget oversight

Currently it is difficult for IPAD to co-ordinate and oversee Portuguese ODA because it does not have full financial oversight of the ODA budget. Only around 15% of the total ODA budget goes through IPAD. Most bilateral transfers take place directly between Lisbon and partner country line ministries. Neither IPAD in Lisbon nor Portugal's embassies on the ground are involved in deciding these disbursements. IPAD has to collect financial data from all relevant actors for its own use, for embassies and indeed for its partners. Portugal's embassies are its official representation in its partner countries and they need reliable and up-to-date financial information in order to exercise oversight and provide accountability. Portuguese embassies also have very little delegated financial authority – they need to refer back to Lisbon for approval of even small purchases and this approval process can be time consuming.

Portugal is in the process of changing its whole approach to state budgeting, aiming for a simpler and more results-orientated system. Under the new system, the development co-operation budget will be known as the PO 21 (Programa Orçamental 21 or Budgetary Programme 21). In principle, it should allow for multi-annual budgeting, which would help Portugal to make its aid more predictable. The funds for the PO 21 will be held by the Ministry of Finance, so that line ministries will need IPAD's authorisation to draw them down. This system has the potential to help address some of IPAD's current budget oversight and co-ordination challenges. Over the longer term, if Portugal changes how it delivers its bilateral aid to increase financial transfers, it will also be able to consolidate more of the bilateral budget within IPAD, helping IPAD both to co-ordinate and to exercise budget oversight.

The constraints of limited field capacity and an inflexible human resource framework

In order to improve the management of its development co-operation, Portugal needs to increase the capacity and mobility of one of its key resources: its staff. Portugal has one of the lowest levels of decentralisation of all DAC members, with only 12% of its staff posted in the field in 2008. Being a small donor, Portugal cannot become highly decentralised; however, its limited capacity in the field constrains its ability to co-ordinate and to improve the monitoring and impact of its aid. Portugal has created only a small number of new field positions since the last peer review. The current framework for recruitment is also an obstacle to making further progress in building skills and capacity in the field. Staff who work in field offices are recruited on short-term contracts and they cannot transfer to Lisbon. This means valuable field experience is neither transferred to headquarters, nor retained in the field. Meanwhile, in headquarters IPAD can only recruit from a general civil service pool; development specialists can only be recruited on strictly short-term contracts. To fulfil its role and to ensure continuing improvement in the management of Portuguese aid, IPAD will need to be able to recruit, develop and deploy development expertise and move staff between the field and headquarters.

Progress on evaluation and the next steps for results-based management

The last peer review called on Portugal to build a “culture of evaluation” – IPAD has made progress in this direction. The evaluation function within IPAD now reports directly to the organisation's president and has its own budget line, giving it some autonomy. It has established follow-up mechanisms and has drafted an evaluation policy, which now needs to be approved. IPAD's next step is to spread the growing culture of evaluation to the line ministries and others involved in delivering development co-operation. Portugal also needs to use results-based management across its development co-operation. IPAD needs to ensure the use of appropriate output and outcome objectives at the design stages of individual projects and for country programmes. It needs to ensure that monitoring also measures progress towards these objectives, in addition to existing detailed financial monitoring.

Recommendations

Portugal has already made progress in improving the co-ordination and management of its aid. To build on this it should:

- Review its overall business model to reduce the fragmentation of the system and the budget and to further improve co-ordination, oversight, efficiency, effectiveness and accountability. Over the long term it should increase consolidation of the ODA budget within the institution responsible for overall co-ordination of development co-operation.
- Agree in writing, that IPAD should be involved right from the early stages of line ministries' project formulation, not just at the project approval stage.
- Agree strategic partnerships with municipalities in order to align development co-operation priorities and activities.
- Reform the human resources framework to enable greater staff mobility and the recruitment and retention of specialists. In its six main partner countries it should also delegate more authority to, and ensure the right type of skills to increase capacity in its embassies.

Practices for better impact

Implementing aid effectively

Commitment to effective aid despite practical constraints

Portugal is committed to making the delivery of its aid more effective; it has developed detailed action plans to help it implement the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. The guidelines for country strategies cite the importance of alignment (and shadow alignment in fragile states), predictability and the use of programme-based and harmonised approaches. There is also awareness of the aid effectiveness principles amongst both IPAD staff and those from other ministries who are closely involved in development co-operation. In practice, Portugal has made progress against the aid effectiveness principles. However, further advances are constrained by two main organisational barriers: (i) the limited delegation of authority and decentralisation of staff to the field, which hinders Portugal's ability to engage in country-level policy dialogue or aid co-ordination mechanisms; and (ii) the Portuguese approach involving many small projects and multiple actors who traditionally do not all work through formal co-ordination mechanisms in-country. Despite these constraints Portugal has made some advances and it can use the planned update of its country strategies and changes to the budget process to help make further progress.

Good examples of how Portugal can support ownership, alignment and harmonisation

Portugal has made progress in aligning its aid with partner countries' policies and priorities. It also tends not to use parallel implementation units. While Portugal also situates or aligns some of its projects within partner-led programmes, this should now be done systematically. The next step is to make greater use of partner country systems, such as financial management and procurement. The current low use of partner country systems partly relates to Portugal's limited use of programmatic approaches or investment projects. Portugal also needs to increase the proportion of its technical co-operation which is co-ordinated with partner countries' capacity development strategies. This should be a priority for Portugal since technical co-operation is such an important part of what it does and how it aims to support partner country ownership.

Portugal has made efforts to harmonise with other actors at country level, though in many cases this remains limited to information sharing, rather than substantive co-ordination. Portugal has now had some positive experiences with its involvement in country-level aid co-ordination mechanisms – such as the general budget support groups in Cape Verde and Mozambique – and with joint sector

programmes, such as in Timor-Leste. Portugal should build on these examples to make these co-ordinated approaches the norm in the longer term. This would reduce transaction costs for itself and its partners and increase the impact of its limited budget.

Improving the predictability and transparency of Portuguese aid is also important. Specifically, Portugal should ensure its annual disbursements reflect its annual commitments as closely as possible and that multi-annual projects are supported by multi-annual budgets. It should also ensure its ODA is recorded in partners' national budgets. So far it has done this in Mozambique, Sao Tome and Principe, Timor-Leste, and to a lesser extent in Cape Verde. Portugal should look at these examples to see how it can systematically ensure timely and regular aid information which can be recorded in partners' budgets.

Improving tying status reporting and the untying of ODA

Portugal should continue to untie its aid in line with its international commitments. Portugal's reported figures indicate good progress in untying its aid. In 2008, Portugal reported that 91% of its bilateral ODA was untied, compared to 71% in 2007. For LDCs specifically it reported 95% of its ODA as untied in 2008 and 91% in 2007. These good figures are threatened, however, by planned increases in the use of tied loans and the approach to reporting tying status. Portugal has recently signed a series of lines of credit which are tied. Most are for middle income countries, but some were also signed with LDCs such as Angola, Mozambique and Sao Tome & Principe. Use of tied loans to LDCs, in particular, is counter to the 2001 DAC Recommendation on Untying. Portugal should ensure that any future lines of credit with LDCs are untied. It should also discuss revising the terms of the existing lines of credit with its partners. Furthermore, even though Portugal's technical co-operation is generally reported as untied, most of it is provided in kind (i.e. projects delivered by Portuguese civil servants with sector-specific expertise, imputed student costs and scholarships). These activities are usually not open to tender, which means they are essentially tied. They should be reported as such, even though technical co-operation is not included in the 2001 Recommendation.

Learning from special topics

Capacity development: from new principles to better practices

Portugal is putting in place a policy and guidance framework to support capacity development. IPAD has recently developed guidelines for capacity development which are closely aligned with international good practice. The task IPAD now faces is to ensure they are applied in practice – not only by its own staff but also by those ministries who deliver much of Portugal's technical co-operation. Clearer prioritisation of capacity development within the next iteration of the overarching Strategic Vision would help IPAD to ensure widespread application of the good practice outlined in the guidelines. It would also help if all those planning projects were required to consider, at the appraisal stage, how projects will contribute to sustainable capacity development.

Portugal should focus on enhancing the sustainable and transformative impact of its technical co-operation on partners' capacity. It has already introduced important and welcome reforms to its scholarship programme – to ensure it supports capacity development in partner countries, rather than facilitating brain drain. This addresses one of the recommendations in the last peer review. Portugal should now examine how it can use its technical assistance and training to maximise the sustainable impacts on partner country capacity. To do so, it will need to co-ordinate more of its technical co-operation with its development partners, in line with its commitments under the Paris Declaration. It will need to create incentives for the line ministries which provide technical co-operation to measure their impact for sustainable capacity development and skills transfer and to plan their own exit once capacity is built. In addition, Portugal should make more use of local or regional resources to deliver technical co-operation, potentially reducing costs while maximising regional skills transfer.

Security and development: strengthening engagement in a high priority area

Building on its long-term engagement in the security sector both with ODA and other forms of international co-operation, Portugal made “security and development” a government-wide priority with its 2009 National Strategy on Security and Development. The national strategy has been endorsed at the highest level in Portugal. It describes how Portugal sees security and development as two sides of the same coin, making the links between them and the importance of co-ordination explicit. For Portugal this is crucial, since in 2008 support to the security sector (for conflict and peace-related projects and judicial reform) accounted for nearly a quarter of Portuguese bilateral aid. This commendable whole-of-government approach and prioritisation may also provide lessons for other DAC members. In practice, while it is too soon to see any clear impact of the national strategy, there are signs that co-ordination among the different actors involved is improving.

Portugal is closely engaged in providing technical assistance for security sector reform in its partner countries. One aspect that would add quality to its engagement would be to connect with programmes that also support the oversight and accountability of the security sector – an area which has been pinpointed as crucial for sustainable reform.

Portugal has also been closely involved in piloting and implementing the OECD DAC Principles for Good International Engagement in Fragile States. In line with these principles, Portugal can be commended for focusing on state building as a central objective and for staying engaged over the longer term. The new national strategy also acknowledges that it should aim to respond more quickly and flexibly. In addition, Portugal should ensure its staff have a solid understanding of the “do no harm” principle and of the importance of “conflict sensitivity”. These concepts are about designing and running activities so that they do not have unintended consequences on local conflict or political dynamics. Portugal may find that conducting conflict analyses jointly with other actors is a cost-effective option.

Recommendations

To increase further the effectiveness and impact of its aid, Portugal should:

- Ensure that the next generation of country strategies explicitly commit Portugal to: (i) use partner country systems; (ii) make use of programme-based approaches and ensure small projects are situated within or closely linked to larger programmes; and (iii) increase co-ordination with other donors.
- Increase the predictability and transparency of its aid by securing multi-year figures in its state budget and by providing regular information on aid commitments and disbursements to all partner countries, so that they can be reflected in their budgets.
- Continue to untie more of its ODA and protect the progress it has already made in untying by reviewing the tying terms of its existing lines of credit and ensuring that any future lines offer untied loans only. It should also ensure that the tying status of both its grants and loans is properly reported.
- Turn its commitment to capacity development into practice by (i) co-ordinating more of its technical co-operation; (ii) reducing the dominance of expatriate expertise in favour of local or South-South exchanges; (iii) identifying incentives for line ministries to focus on building capacity with a view to phasing out their involvement; and (iv) requiring all ODA-eligible activities to identify how they will contribute to capacity.
- Reinforce its strong engagement in security and development by (i) giving a higher priority to civilian oversight and transparency when working in security sector reform; and (ii) increasing staff and high-level awareness of the “do no harm” principle and of the importance of conflict sensitivity when programming in fragile contexts. It should engage in joint conflict analyses and use the findings to inform the design and management of its country programmes.

Portugal and the good humanitarian donorship principles

A clear, co-ordinated policy for humanitarian action would enhance overall impact

Portugal faces ongoing challenges in delivering co-ordinated and effective humanitarian programming, mainly due to the lack of an umbrella policy or a co-ordinated strategic approach for the various ministries involved in providing humanitarian aid. Lessons from recent disaster response operations and disaster preparedness programmes could help guide and focus a much needed humanitarian policy. In addition, Portugal should focus on enabling effective inter-ministerial humanitarian co-ordination mechanisms, building on the National Operations Co-ordination Centre model. It would also benefit from mainstreaming humanitarian concerns, particularly disaster preparedness, into the PICs, and it should develop a set of funding guidelines that promote stronger strategic partnerships with humanitarian organisations.

Portugal's National Civil Protection Authority is likely to remain the key humanitarian delivery mechanism. International accreditation for this organisation and further training for its deployable personnel, especially in humanitarian principles, would be useful. Staff across IPAD could also benefit from such training.

Portugal is by far the smallest humanitarian donor amongst the DAC members and allocates on average only 0.17% of its ODA to humanitarian programming. Nevertheless, Portugal could benefit from allocating its funding more strategically and in line with the Good Humanitarian Donorship (GHD) principles, particularly those related to increasing predictability, avoiding earmarking, providing longer-term funding and allocating funding according to the severity of a crisis.

Recommendations

To capitalise on its recent humanitarian experiences, Portugal should:

- Develop an overarching policy and funding guidelines for humanitarian action that embody the GHD principles and focus on areas where Portugal could clearly add value, such as disaster response and preparedness. Adequate humanitarian action staff should be allocated to develop and implement this policy.
- Formalise an inclusive cross-ministry Portuguese humanitarian co-ordination body and conduct regular humanitarian emergency simulation exercises.