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PROGRAMME PLANNING

Country programmes

THIRD COUNTRY PROGRAMME FOR PORTUGAL*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
1988-1991	IPF for 1988-1991	2 102 000
	Other resources programmed (Government cost-sharing)	<u>635 000</u>
	Total	2 737 000

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES	1 - 16	2
A. Current economic trends	1 - 4	2
B. National development strategies	5 - 8	3
C. Technical co-operation priorities	9 - 13	3
D. Aid co-ordination arrangements	14 - 16	4
II. THE COUNTRY PROGRAMME	17 - 45	5
A. Assessment of previous country programme	17 - 21	5
B. New programme proposal	22 - 45	6
C. Unprogrammed reserve	46	9
<u>Annex.</u> Financial summary		10

* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of operational funds and programmes under the authority of the Administrator; and (e) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. Current trends of the Portuguese economy can be understood more easily when placed in the context of the events which shaped the country's recent economic history, and which are still influencing the present, turbulent phase of modernizing the socio-economic structures, as a prerequisite to Portugal's gradual integration into the European Economic Community (EEC). To support this effort is also the central objective of this country programme.
2. Since 1970, macro-economic indicators have shown periodic fluctuations of very short frequency in which different trends, at the same time cumulative and contradictory, can be observed. The structural evolution was influenced during that period by a series of decisive factors, including the end of the costly wars in Africa which brought relief to the Government budget, but also led to a loss of privileged sources of raw materials and exclusive markets for Portuguese products; the absorption of one million "retornados" which inflated the labour market, particularly in the public sector; the Revolution of 1974 and the consequent democratization process, which modified institutions and attitudes, and mobilized international support facilitating the country's modernization efforts; and finally two stabilization programmes of the International Monetary Fund (IMF), in 1978 and 1983, and, on 1 January 1986, Portugal's entry into EEC.
3. Complementing this description of the structural evolution of the economy, are summary indicators quantifying long-term macro-economic trends, as shown in the table below.

Trends of the Portuguese economy
(Percentage)

	<u>1972</u>	<u>1977</u>	<u>1981</u>	<u>1984</u>	<u>1986</u>	<u>1987-1990</u> (Projection)
Gross domestic product (GDP) growth rate	8.0	4.8	0.5	-1.6	4.3	4.0
Unemployment	1.3	7.1	8.8	10.6	11.1	7.0-8.0
Inflation	8.9	27.4	20.0	29.3	11.3	8.5 <u>a/</u> 5.0 <u>b/</u>
Growth rate of exports	13.4	4.3	-3.0	14.2	6.6	4.0 <u>a/</u>
Growth rate of imports	12.3	9.8	3.7	-2.7	16.5	10.0 <u>a/</u>

a/ 1987.

b/ 1988.

4. The strong external dependence of the economy must be underlined: when Portuguese development policy is formulated, factors such as trends in the world economy, capital flows, structural adjustment to EEC membership and the implication of EEC rules and policies have a significant influence.

B. National development strategies

5. The national development strategy is based upon recent trends of the economy and reflects the objectives of a society undergoing a modernization process within a very limited time-frame.

6. Inflation control as well as the gradual reduction of the external and internal budget deficits are in conflict with the necessity of creating new jobs, with the adaptation of the productive sector to the European market and with the increased volume of community financing of infrastructure and productive investments in Portugal. Therefore, development policy must aim at achieving the optimum balance between these competing goals.

7. Owing to the significant modification of the Portuguese economy in recent years, national productivity reserves can be mobilized from both the public and private sectors. The greater sophistication of the planning, management, co-ordination and monitoring procedures on one hand, as well as the upgrading of human resources through information and motivation on the other, constitute priority preoccupations of the national development strategy. Likewise, this philosophy determines the priorities for international co-operation.

8. Under these guidelines and in accordance with EEC structural policy, the development strategy is shaped by the need to modernize public administration sufficiently to carry out more capital-intensive programmes. At the same time balanced, endogenous regional development is encouraged and incentives to rural areas aim at reduced internal migration. Furthermore, special attention is given to productive sectors utilizing the country's natural resources and those having comparative advantages in European and world markets; a structured technology research policy is being developed and support is given to small and medium industries as well as to entrepreneurial associations, trade unions and specialized institutions including the important co-operative sector.

C. Technical co-operation priorities

9. Since 1975, Portugal has been receiving substantial external technical co-operation from bilateral and multilateral sources. While bilateral assistance has been characterized by long-term projects with somewhat limited flexibility and adaptive capacity to circumstantial changes, other programmes like those of the United Nations Development Programme (UNDP) have been more flexible, permitting quick responses to upcoming needs; this is increasingly important in the present phase of consolidation of the national development strategy.

10. In its negotiations with donors the Government of Portugal stresses the need for the technical co-operation programme to focus on the objectives and management of the programme, giving less importance to detailed a priori identification of projects (programme approach), and on activities with high multiplier effect (bottle-neck orientation). Activities strengthening management capacity, co-ordination and motivation will replace strictly technical consultancies for which there are national capacities, and preference will be given to undertakings which are complementary to ongoing projects, thus promoting synergetic effects and stimulating overall results. Projects with a practical and operational objective will be selected instead of pure studies, and joint activities of national and foreign consultants will be promoted to facilitate technology transfer.

11. The present phase of consolidation and the strategy of stabilization, which partially changed the focus from infrastructure (hardware) to a software orientation, requires technical assistance at a higher institutional level and of a more sophisticated quality than in the past.

12. In addition, the influx of increasing amounts of EEC financing requires the strengthening of institutional structures responsible for the channelling, co-ordination and monitoring of these funds. But while the present volume of external finance is of the order of \$1 billion per year, external technical co-operation, as provided mainly by the Organisation for Economic Co-operation and Development (OECD), the Federal Republic of Germany and UNDP, amounts to only \$1 million per year.

13. In order to ensure effective use of these resources in the future, avoidance of any duplication was one of the criteria used in selecting subject areas for UNDP co-operation; other criteria were the availability of local expertise, the focus of EEC policy, and previous experience with individual organizations of the United Nations system. Also taken into consideration was the Government's encouragement of private initiative, envisaging a gradual reduction of public intervention in the productive sectors.

D. Aid co-ordination arrangements

14. The establishment in 1986 of a specific agency to monitor and evaluate public investments underscores the Government's conviction that only through the strengthening of co-ordination and promotion organs can the rational utilization of structural investments be guaranteed.

15. The Monitoring and Evaluation Department of the Ministry of Planning and Territorial Administration, which was created to achieve this objective, also monitors the largest state investments and has the function of making compatible and co-ordinating technical co-operation in the framework of the national development strategy. This agency, interlocutor with external donors including UNDP, guarantees an integrated approach to the allocation of external contributions.

16. Recognizing the usefulness of programme evaluation to achieve improved programme formulation, the Monitoring and Evaluation Department, together with

UNDP, organized early in 1987 a comprehensive assessment exercise covering the past 10 years of UNDP co-operation in Portugal. Similarly, it is anticipated to carry out a mid-term review of the 1988-1991 programme, in order to draw practical conclusions, not only for the second half of its duration, but also for external technical co-operation programmes in general.

II. THE COUNTRY PROGRAMME

A. Assessment of previous country programme

17. The assessment mentioned above concluded that the United Nations system has made a significant contribution to institutional strengthening in general, and to human resources development and environmental management in particular. With the help of the United Nations system, interdisciplinary and inter-institutional working arrangements were set up, an experience from which the next country programme should also benefit. However despite UNDP's mandate to foster technical co-operation among developing countries (TCDC) and Portugal's experience in working with Portuguese-speaking African countries, the potential for such co-operation remained under-exploited.

18. The assessment report offers a number of operational suggestions for the new programme, which are reflected in the note of the Resident Representative, and it recommends areas of concentration which have been adopted by the Government for inclusion in the next programme.

19. As a result, this programme concentrates on strengthening the capacity of the Government to carry out the country's structural modernization and eventually to meet EEC standards in such important areas as the protection of the environment. In all activities foreseen under the programme, as well as in others still to be determined, attention will be given to sharing expertise with other developing countries, in line with the more active international role which the Government intends to play.

20. The second country programme in Portugal covered the period 1982-1986, followed by a one-year extension into 1987. The third cycle indicative planning figure (IPF) had originally been established at \$4 million, but after its reduction to 55 per cent, \$2,261,000 remained available for programming (inclusive of a carry-over of \$41,000 from the previous programme). In addition, \$1,658,000 was provided through Government cost-sharing.

21. The catalytic character of the programme is evident from the reduced average size of projects - below \$80,000 of IPF resources for each project, a consequence of the Government's choice to maximize exposure of as many technical departments as possible to the different capacities of the United Nations system. This became particularly evident on the occasion of the reduction of the IPF, which led to across-the-board reductions for individual projects, but not to cancellations.

B. New programme proposal

22. The third country programme covers the four-year period 1988-1991 and is based upon resources amounting to \$2,737,000, of which \$2,102,000 is from IPF funds and \$635,000 from Government cost-sharing.

23. The selection of sectors is based upon the development strategy of the Government, giving special consideration to co-operation from all sources in order to avoid duplication, to the results and recommendations of the recent programme assessment exercise, and to the identification of activities for which the technical expertise of the United Nations system is best qualified.

24. Following these guidelines the programme will concentrate on (a) the Government's efforts to modernize the economy, (b) the protection of the environment to ensure the quality of life, and (c) co-operation with other developing countries, particularly in Portuguese-speaking Africa.

Modernization of the economy

25. Under this Government objective projects are included which are meant to contribute to the adjustment of the economy by assisting public, semi-public and private sector entities to adjust to the needs emerging from the recent accession to EEC.

New projects

26. A new umbrella project is foreseen with the objective of strengthening the national capacity to identify, formulate and appraise projects, drawing on experience to be gained from its planned comprehensive monitoring system overlooking the public investment programmes. Initially, this will include support for the establishment of a computerized Monitoring Centre at the Monitoring and Evaluation Department, including staff training and supply of specialized documentation; the operation of a communications network between the Department and project monitoring centres in other Government departments implementing investment programmes, including training and information seminars; the formulation of criteria and the elaboration of procedures and instruments for project evaluation, including staff training, information and documentation supply, as well as consultancies to specific projects; and the preparation and implementation of advanced training programmes for public administration staff in the fields of development strategies and project technology, as well as curricula elaboration and the supply of specialized monitors/trainers.

27. Also foreseen is the continuation of a small-scale project designed to co-ordinate, activate and monitor UNDP country programme activities as well as technical co-operation received from other sources.

28. The UNDP support requested for these projects will be complemented by computer hardware and a long-term expert supplied by the Federal Republic of Germany (\$250,000) and technical support by OECD for the elaboration of a general evaluation framework (\$80,000).

29. A regional development project aims at the training of young agents for the development of rural zones which suffered the effects of emigration. The project started under UNDP preparatory assistance, with an EEC contribution of \$460,000 in 1987. The programme foresees UNDP support for evaluation activities of the full project, which is expected to receive \$650,000 from the Social Fund of EEC.

30. Finally, preparatory assistance in 1987 has made possible the formulation of a co-operative training project for which EEC financing is expected to materialize. Once approved the authorities may consider useful a catalytic participation of the United Nations system, with special emphasis on project evaluation and the development of the project's TCDC potential, particularly vis-à-vis Portuguese-speaking countries.

Linkages

31. All of the projects listed under this objective are directly relevant for its achievement, but the final impact of the UNDP contribution will be determined by the catalytic role it has been assigned, i.e., to co-operate with the responsible authorities to shape and monitor the much larger external co-operation programme financed predominantly from EEC resources and to strengthen their capacity to do so. Linkages with development strategies of the Government are clear, as the modernization efforts specifically envision attention to regional development and the role to be played by the co-operative sector. As to linkages with the UNDP European regional programme, participation in relevant management projects is presently under consideration.

Programmed reserve

32. To cover the expenditures on other projects not yet sufficiently identified but possibly in the areas of agricultural marketing, hotels and tourism, management training, etc., a reserve of \$200,000 is established, in addition to the \$640,000 earmarked for the projects under this objective.

The environment

33. The priority allocated to the environment sector is due to its development potential as well as its decisive contribution to the population's quality of life. Proposed activities complement those already achieved with previous support from the United Nations system, which already had positive effects on government policy. The standards to be reached are those established by EEC which are, in many areas, much stricter than those presently required by existing legislation.

New projects

34. A new project to develop water and sanitation technologies aims to contribute to the improvement of water supply and sanitation services in Portugal, emphasizing small and medium municipalities and rural towns where only a small minority of the population is presently being served. The project, which is conceived within the principles and objectives of the International Drinking Water Supply and Sanitation Decade, seeks to strengthen the capacity of the Government to implement national

policies at the regional and local levels, decentralizing responsibilities for planning, implementing and managing public services.

35. The housing hygiene project consists mainly of technology transfer to create the sanitary basis for a national programme of slum elimination, including rehabilitation, marginal urban sanitation and the improvement of hygienic standards of low-cost housing. The development of a strategy and its testing in two pilot areas is seen as a first step towards improving a situation affecting between 1 and 2 million people.

36. In the framework of the institutional and legal restructuring of the management system for the national water resources, the Government has recently launched the Integrated Management of the Water Resources of the Tagus Basin Project which, following on previous UNDP support, will give attention to the management of the river basin and the establishment of a future Board of the Tagus Hydrographic Region, as a pilot experience for other water boards to be created in the future.

37. Since 1982 UNDP has supported the drawing up and implementation of a National Water Plan, to formulate and create a systematic planning process for the rational selection of strategies, policies, programmes and projects for water resources development and its contribution to regional and global development. The final activities of the project will be carried out by the recently established General Directorate for Natural Resources.

Linkages

38. The importance of improving the management of the country's resources while preserving the environment has sensitized the Government towards all aspects of the quality of life. As a result, within the framework of its development strategy, considerable resources have been channelled into the necessary strengthening of the institutional structure and the training of the required personnel, including through external multilateral (World Bank, EEC, UNDP) and bilateral (Federal Republic of Germany, France) technical and financial co-operation.

39. Water and the quality of life are common denominators of the projects under the environment objective, and interdisciplinary approaches to solution finding have been adopted following the recommendations of the assessment report and facilitated by institutional restructuring; close co-ordination among associated implementing agencies is foreseen for all projects, including those of the UNDP regional programme, as they come under the responsibility of the Ministry of Planning and Territorial Administration and/or its Environment and Natural Resources Secretariat.

Programmed reserve

40. In addition to the \$450,000 earmarked for specific projects concerned with the environment, an amount of \$100,000 is allocated to projects to be identified in this area in the future, with emphasis on a catalytic role to be played by UNDP and the other organizations of the United Nations system.

Co-operation with other developing countries

41. Portugal's experience in co-operating with Portuguese-speaking African countries, and its interest in building on its privileged relations and expanding them to other areas, can be usefully combined with the UNDP mandate to promote technical co-operation among developing countries.

New projects

42. Under a new umbrella project, tentatively costed at \$350,000, efforts will be deployed towards the identification of expertise available in Portugal which would be of potential interest to developing countries, particularly in Portuguese-speaking Africa. On the basis of such a survey, the transfer of technologies would take place through national training programmes which would be attended, free of charge, by Portuguese-speaking participants from developing countries in other regions, as well as through consultancies provided by Portuguese experts in the field.

Linkages

43. The objective is related to EEC policy vis-à-vis Africa, in whose realization Portugal is playing an important role, given its special relationship with Portuguese-speaking African countries. During the recent past, this relationship has been strengthened by reciprocal official visits and by Portugal's stated readiness to provide economic and technical support. The strengthening of the ties with Portuguese-speaking countries is part of the Government programme.

44. It should also be noted that the expected results of a number of the projects listed under the first two objectives of this programme have definite TCDC potential which will be taken into consideration already during project formulation.

Programmed reserve

45. In order to introduce TCDC elements into any aspect of this programme, and to support similar initiatives considered to be of priority by future authorities, a programmed reserve of \$10,000 is being set aside.

C. Unprogrammed reserve

46. The Government programme envisages the formulation of a regionally differentiated national development plan covering the same period as the country programme; in order to provide the necessary flexibility allowing for support to priorities yet to be defined, an unprogrammed reserve of 10 per cent (\$210,000) of IPF resources has been established.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

<u>A. UNDP-administered sources</u>	<u>\$</u>	<u>\$</u>
Carry-over from previous years	342 000 <u>a/</u>	
Fourth cycle IPF	1 760 000 <u>b/</u>	
Subtotal IPF		2 102 000
Special Measures Fund for Least Developed Countries		
Special programme resources		
Government cost-sharing	635 000	
Third-party cost-sharing		
Operational funds under the authority of the Administrator		
UNDP special trust funds		
Subtotal, UNDP non-IPF funds		635 000
<u>B. Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise		
Parallel financing from non-United Nations sources		
Subtotal, other sources		<hr/>
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<hr/> <hr/> <u>2 737 000</u>

II. USE OF RESOURCES

Ongoing projects	997 000	
New project proposals	1 130 000	
Programmed reserve	400 000	
Subtotal, programmed resources		2 527 000
Unprogrammed reserve		210 000
TOTAL USE OF RESOURCES		<hr/> <hr/> <u>2 737 000</u>

a/ Third cycle IPF balance plus one fifth of total fourth cycle IPF less estimated 1987 expenditure.

b/ Four fifths of \$2,200,000, the total fourth cycle IPF for 1987-1991.