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**AN EVALUATION OF  
AID SHELTER PROGRAMS IN PORTUGAL**

**MAY, 1980**

**Office of Housing  
Agency for International Development  
Washington, D.C.  
20523**

## **ACKNOWLEDGEMENTS**

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The full content and findings of this study are the sole responsibility of Richard T. Pratt, Associates, Inc.

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## I. NATURE OF AID'S INVOLVEMENT IN THE PORTUGUESE HOUSING SECTOR

### Background

The Agency for International Development's involvement in the Portuguese shelter sector was the result of discussions between the United States and the Government of Portugal shortly after the Revolution of 25 April 1974. The government which assumed power in Portugal following the revolution drastically reordered the priorities of government policy. Social goals received much greater emphasis than had been the case under previous regimes. Prior to the revolution there had been very limited construction of public housing for low income families. However, the need for decent low income housing was a primary concern of post-revolution regimes. The objectives of the Government of Portugal were consistent with the policies governing U.S. assistance programs at that time. As a result, the first of the two AID combined housing guaranty and development loan (HG/DL) programs was initiated in 1975. A crisis in the construction industry in 1976 and an intensification of the housing shortage in the country due to the return of hundreds of thousands of Portuguese from former colonies of Angola and Mozambique led to the approval of the second combined HG/DL program.

### The Role of AID

The AID programs in Portugal have not been direct interventions in the housing sector, i.e. the U. S. government has not administered the planning, design, construction, allocation or management of assisted housing projects. Rather, the objectives of both programs have been to stimulate and support activities of the Government of Portugal in the provision of low income housing. The AID loans, guarantees and grants have been designed to provide financial assistance to the principal housing authority in the country, the Fundo de Fomento da Habitacao (FFH). In the early years of the assistance program, the FFH was directly responsible for most aspects of the subsidized housing production. Since 1977, many of the responsibilities of the FFH have been transferred to the local municipal housing authorities. The process of decentralization has resulted in some loss of control and coordination of programs by the FFH, and hence, by AID/Lisbon. However, even before decentralization, AID exercised a limited degree of control over the assisted projects. The primary areas where AID has imposed restrictions have been in the types of projects eligible for assistance, the size and cost of eligible housing units, and the requirements which have to be met for the FFH to receive further disbursements. More direct involvement by AID in the Portuguese housing programs probably would not have been politically feasible.

Another aspect of the AID programs has been to provide technical assistance to the FFH and related agencies to improve the planning, administrative, and management capabilities of personnel involved in formulating housing policy and developing efficient housing delivery

systems. Government officials charged with the responsibility of implementing housing policy decree laws have had little experience in low income housing construction, financing, and management. The goal of the technical assistance portion of the AID program has been to provide key personnel with the skills necessary to develop and implement sound housing policies and practices.

First AID HG/DL Program - 150-HG-001 and 150-Z-005

The first combined HG/DL program was initiated in 1975 and involved \$33.25 million in financial assistance for low income housing and \$250,000 for technical assistance. Initially, the program was to provide financial assistance to four large scale subsidized rental projects. The number of projects was later expanded to fourteen, all of which are subsidized rental projects known as "Direct Promotion". The majority of these housing projects are located in urban areas. These projects have met with a number of difficulties. One thousand sixty-eight of the units, or 26 percent, had not been completed as of December 1979, due to the bankruptcy of several contractors. Of the nine contracts which were terminated due to contractor bankruptcy, only one has been rebid. It may be some time before all of the contracts are rebid and construction is completed. Other problems which have caused delays in completion and occupancy of AID assisted units under the first HG/DL program are lack of complete infrastructure, affecting 250 units, and legal impediments to the expropriation of land for development, which has delayed the start of 38 units.

The delays in construction on the fourteen projects included in the first HG/DL program have imposed severe financial pressure on the Fundo de Fomento da Habitação. AID made its final disbursement of funds in April, 1979. The FFH has exhausted its available funds and is not financially able to complete many of the projects still under construction. Unless the current and future Governments of Portugal make a strong commitment to the housing sector, some of the housing projects financed under the first HG/DL program may never be completed.

The difficulties encountered in the projects receiving AID assistance under the first combined HG/DL program have been caused by a number of factors. There was little that AID or FFH officers could have done to prevent many of the problems which have beset the projects. The shortcomings of the first HG/DL program have been due primarily to the economic and organizational problems inherent in the public housing planning and delivery systems. The political and economic situation in Portugal since the inception of the AID assistance programs has been highly unstable, making it difficult for the FFH to carry out its programs. Several of the projects were ambitious undertakings which required extensive planning and coordination among various government agencies. Such planning and coordination were virtually impossible given the constant changes in the structure, organization and policies of the various governments which have been in power since 1975. Inflation in the housing sector also has taken its toll. The actual construction costs of most

projects have been significantly higher than the original cost estimates.

Despite the obstacles encountered in the first AID HG/DL program, the objectives of the assistance program have been at least partially achieved. The program has resulted in the creation of 1,732 housing units which are currently occupied by low income households. Occupants of these housing units are satisfied with the quality of the housing. Over 1,000 more units should be ready for occupancy in 1980 once infrastructure is completed.

#### Technical Assistance Program

In the area of technical assistance, only one AID program has been undertaken, the 1979 Housing Finance Seminar. The general response to this effort has been positive. However, the long run impact of the program cannot be ascertained. One area in which the program may have had a direct impact is rent control. The recently passed legislation to remove rent control, flawed though it may be, was supported by one of the seminar participants. In other areas, some of the suggestions made during the seminar are being considered. Rents in subsidized housing projects will be reviewed annually and increased according to the tenants' incomes, a significant improvement over the fixed rent scheme formerly employed. As a result of the seminar, there is a higher level of coordination among the various government agencies, at least on an interpersonal basis. Key housing sector officials who had never met prior to the seminar are conferring on a regular basis regarding the implications of housing policy decisions.

There is still a need for technical assistance of a very practical nature. For example, management systems within the FFH are cumbersome and planning and coordination among the various authorities involved in housing is deficient. Technical expertise could be provided to the FFH in these areas.

#### The Second Combined AID HG/DL Program - 150-HG-002 and 150-K-008

In 1975 and 1976 the construction sector suffered from a serious recession. Unemployment in Portugal contributed to political and economic instability. At this time it was determined that a second loan and guaranty program would be instituted. The thirty million dollars in funds approved under the second program not only permitted the FFH to continue to pursue its low income housing programs, but also provided an impetus to the construction industry.

The second program differed from the first program in that the range of types of eligible housing projects was broadened. In addition to the subsidized rent "direct promotion" projects, which constituted all of the AID assisted projects under the first combined program, cooperatives, municipal housing authority projects and self-help projects were eligible for assistance. The second program included 57 project sites and a total of 4,753 eligible housing units distributed throughout the country. The number of projects and the

variety of different types of projects created additional problems of coordination and management. As of the end of 1979, 2,694 of the eligible one, two, and three bedroom units had been completed and 1,446, or approximately 30 percent, had been occupied.

The second HG/DL program has faced the same problems encountered in the first program: contractor hankruptcy, construction delays, lack of infrastructure, shortages of funds due to inflation and budget constraints, and the inability of a number of municipalities to provide the needed technical assistance and financial support to cooperative and self-help ventures.

In the Final Report-Part I on Project Status Review prepared by the National Savings and Loan League, it is recommended that nine of the projects under the second program be removed. These nine projects are in severe difficulty and could not be completed for acceptance by the specified completion date of September, 1980. The report concludes that if these nine problem projects are dropped from the program, the remaining projects could be completed within the specified time.

#### Summary of the Impact of AID Assistance Programs

In summary, both of the AID assistance programs have contributed to the goal of providing decent housing to low income families in Portugal. As of December, 1979, 3,178 low income families had been housed in AID-assisted housing units. In all probability, these housing units would never have been completed had it not been for the AID shelter programs. Based on estimates made by the FFH, by the end of 1980 several thousand more AID assisted units will be ready for occupancy. AID assisted projects also helped to prevent a collapse of the Portuguese construction industry in 1975-76.

In addition to achieving the specific objective of supporting Portugal's efforts to house its poor and homeless, the AID program has also provided a measure of stability to the shelter sector. With the frequent changes of governments and reordering of political and economic priorities there has been a great deal of uncertainty as to the availability of funds for housing. The assurance that AID monies would be available has enabled programs to proceed even when the government has curtailed funding.

The financial assistance provided by AID has been intended to support, not replace, financial commitments by the Government of Portugal. At the present time, there must be a renewed commitment by the government to provide the financial capability to the Fundo de Fomento da Habitacao and the various municipal housing authorities to complete the projects they have undertaken. As stated in the Final Report-Part I on Project Status Review, the Government of Portugal should "give high priority to the completion of unfinished projects and provide the FFH with the necessary funds for this purpose". The role of AID/Lisbon should be to urge the government to make such a commitment and to provide whatever assistance it can to the FFH to achieve its objectives.

## II. RECOMMENDATIONS

1. The Government of Portugal should place a high priority on the completion of unfinished AID-assisted housing projects. Of particular importance is the completion of infrastructure to the various project sites.

2. The Fundo de Fomento da Habitacao should continue its efforts to reform and reorganize housing delivery systems to make the process more efficient.

3. The Government of Portugal and the Fundo de Fomento da Habitacao should explore the possibilities of making public housing projects more cost effective. The system of subsidized rents, the procedures on bidding, and the allocations for maintenance and capital improvement are among those areas which should be carefully analyzed.

4. The Government of Portugal and the Fundo de Fomento da Habitacao should consider alternative housing delivery systems. The country cannot bear the financial burden of providing finished housing units in the quantity required to meet Portugal's housing needs. Urban renewal, core housing and sites and services should be considered and, if appropriate, incorporated into the government's housing programs.

5. The Government of Portugal should provide the funds, technical assistance and manpower to municipal housing authorities to complete unfinished housing projects, develop master plans for residential development, organize, train, and staff operations, and formulate and administer housing policies and practices designed to meet local needs.

6. Clandestine housing settlements should be legitimized and incorporated into municipal and national housing plans.

7. The Fundo de Fomento da Habitacao and the municipal housing authorities should reevaluate their allocations for property maintenance and repair. This evaluation should address both the financial requirements and the administrative structure. If the current allocation for maintenance is inadequate, rents should be raised to provide more funds. Since public housing projects have been designed as very long term investments, it is imperative that provisions be made for maintaining the high quality of the structures. This is an area where future technical assistance on the part of the U.S. government may be feasible.

8. The provision of social services to residents of social housing projects should receive greater consideration than is currently given. The responsibility for the provision of social services should be integrated into the housing delivery system.

9. SAAL (self-help) projects which have been abandoned due to lack of funds should be reevaluated. Consideration should be given to

reviving the SAAL program in some form. Any new self-help program should be directed towards sites and services and core housing projects and the provision of financial and technical assistance to individuals who want to complete construction of their homes.

10. Serious consideration should be given to revitalizing the development contract program. Such a revised program should include incentives to small builders, particularly those who own their own land. An incentive program could include both special credit terms and technical assistance. The vast majority of Portugal's building firms consist of less than ten persons. A program of incentives targeted to these small entrepreneurs could significantly increase housing production in the country and provide a stimulus to the construction sector.

11. One of the ongoing problems faced by the Fundo de Fomento da Habitacao and the municipal housing authorities is the expropriation of land for social housing projects. Frequently no funding is provided for the acquisition of land by the housing authorities. A special fund could be established within the Fundo de Fomento da Habitacao to provide the funds to acquire and warehouse land suitable for social housing and to finance an ongoing program of site location and evaluation.

12. The Government of Portugal should reevaluate its policies regarding minimum size and quality standards for social housing with special attention given to issues of cost recovery and affordability.

13. There is an opportunity to provide assistance to the Government of Portugal in developing and implementing more cost efficient housing delivery systems. Assistance is needed in both the financial and construction management areas. The experience of AID in other countries in alternative housing delivery systems could prove valuable to Portuguese housing officials.

14. The political and economic situation in Portugal has improved greatly over the past year. However, Portugal's housing problems have not been solved. The housing shortage is a major concern of the people and the government at all levels. Housing was one of the key issues in the recent nationwide municipal elections. There appears to be a significant opportunity to help the country achieve stability in the housing sector through the provision of further financial and/or technical assistance.

### III. SUMMARY OF THE FINDINGS

1. Since the revolution of 25th of April, 1974, Portugal has experienced a high degree of political and economic instability. While all of the regimes which have been in power since the revolution have had a commitment to providing low income housing, priorities of the various administrations have varied. The resulting lack of continuity and coordination in the Fundo de Fomento da Habitacao and other ministries and agencies concerned with housing has impaired the ability of the country to achieve its housing objectives.

2. The housing problem in Portugal has been intensified by the influx of approximately 700,000 refugees from the former colonies of Angola and Mozambique since 1975. Most of these "retornados" have settled in the urban areas, exacerbating existing housing shortages.

3. The economy of Portugal was severely dislocated by the nationalization of the country's major industries and financial institutions and the expropriation of land following the revolution. Production dropped drastically, inflation accelerated, unemployment increased, foreign and domestic investment declined and confidence in the viability of the economic and financial systems was seriously undermined.

4. Despite the instability of the government, the FFH has contributed significantly to the resolution of the country's housing problems. In addition to providing an increased quantity of housing to Portugal's lower income and poorly housed families, the FFH programs have achieved their goal of supporting and stabilizing Portugal's important construction industry.

5. AID participation in the low income housing programs of the government of Portugal has not involved direct control over the construction and management of housing projects. AID has exercised control over the allocation of the funds provided by defining the types of projects into which AID funds could be channelled and by limiting eligible housing units to one, two, and three bedroom (T1, T2, and T3) units.

6. The FFH's collection experience on AID-assisted housing projects has been good. The majority of tenants pay their rents promptly; delinquency does not appear to be a problem.

7. All of the data available indicate that the recipients of AID-assisted housing units are low income families. There is no evidence that the allocation system is being abused by the various agencies within the Portuguese government responsible for the distribution process.

8. Housing standards in AID-assisted housing projects are comparable to the minimum size and quality standards employed in the U.S. and in the European community. Maintaining a high quality of construction is a policy decision of the Portuguese government. This policy is based on the long economic life of housing in the country.

9. There have been delays in the construction of AID-assisted projects due to contractor bankruptcy, problems in bringing infrastructure to project sites, legal difficulties in expropriating land, lack of sufficient financing and inadequate technical assistance to cooperatives and owners' associations.

10. Housing officials at both the national and municipal levels of the Portuguese government are acutely aware of the deficiencies existing in the system and are attempting to implement solutions. There is a widespread recognition that programs initiated without adequate planning are facing serious problems. Action is being taken on all fronts to reform and reorganize the housing delivery systems to make the process more efficient.

11. An attempt is being made to improve the cost recovery of government housing projects. The subsidized rent structure is being revised to provide for annual review of rents and incomes and upward revision of rents. However, the maximum rent which can be charged in social housing is still based on a formula which incorporates an unrealistically low capitalization rate, and what may prove to be an inadequate provision for capital improvement, maintenance and property management.

12. The government at the national and municipal levels is attempting to shift from the production of finished units at a heavy financial burden to more cost efficient housing delivery systems. Among these are financial and technical assistance to housing cooperative and owners' associations, urban renewal, core housing and sites and services. Government officials at all levels recognize that the country cannot bear the financial burden for providing the quantity of housing required to meet housing policy objectives by providing finished housing units at heavily subsidized rents.

13. While Portugal's housing problems have not been resolved, it is significant that progress has been made toward restoring a semblance of order and stability in the housing sector during a period of great political and economic disorder. The various officials interviewed are acutely aware of their problems and are attempting to institute measures to solve them. The recurring themes which tie all of the various concerns together are the lack of adequate funding to complete the projects already begun and to initiate new projects and the poor coordination among the assorted governmental agencies involved in the production, financing and delivery of housing and the provision of social services. It is a credit to the people involved in the housing programs that, in spite of serious problems, they have retained their spirit of dedication and belief in the basic soundness of the programs. They are attempting to adopt alternative solutions to the housing problem and to seek innovative methods for achieving their objectives. Based on the interviews conducted, there appears to be a significant level of effort and action instead of the bureaucratic inertia which one might expect to encounter in officials so beset by difficulties.

## THE EVOLUTION OF THE PORTUGUESE HOUSING SECTOR SINCE 1974

In order to evaluate fully the current housing situation in Portugal and the role of AID, it is necessary to understand the political and economic upheaval which has characterized the country over the past five years. Since the Revolution of 25th of April, 1974, Portugal has had eleven governments, each with its own distinct policies and objectives. As each new regime has come to power, there has been a tendency to reject programs initiated under previous regimes. As a result, in the shelter sector, as in other sectors of the economy, there has been a high degree of instability and uncertainty. The chaotic political and economic climate has not been conducive to coordinate efforts towards the achievement of housing sector goals.

### The Shelter Sector Before the Revolution

Prior to the Revolution of the 25th of April, 1974, market forces functioned relatively efficiently in the Portuguese housing market. Traditionally the Portuguese have regarded investment in real estate as very attractive. As a result, the construction industry was one of the largest and most prosperous sectors of the Portuguese economy. Exhibit 1 presents national income account data on Gross Domestic Product, Total Gross Fixed Capital Formation and Gross Fixed Capital Formation in residential buildings. As indicated in the exhibit, the rate of growth in housing investment was over 32 percent per annum from 1970 to 1974. Housing investment increased from 14.1 percent of Gross Fixed Capital Formation in 1970 to 20.4 percent in 1974.

Before the Revolution the escudo was a strong currency and the domestic financial markets operated efficiently. Despite the fact that residential rents had been frozen since 1948, the true market rents charged were largely determined by supply and demand. A landlord and tenant would establish a mutually agreed upon rent for the duration of the lease. For example, a two bedroom apartment with a living room, kitchen and bath located in central Lisbon would have rented for about esc. 4,000\$00 per month. Vacant units were advertised by affixing a small square of white paper to a window. It was customary for prospective tenants to walk about the area in which they wanted to live and inspect the flats available. Because the population was relatively stable, there was no chronic housing shortage. There was a high level of new construction of apartments both for sale and for rent. Social housing was designed primarily for the lowest income groups and for the rehousing of people living in tenements and shanty towns (barracas). Social housing was administered by the Federacao de Casa Economicas--the Federation for Economical Housing--which was later transformed into the Fundo de Fomento da Habitacao (FFH).

**EXHIBIT 1**  
**SELECTED STATISTICS ON THE PORTUGUESE ECONOMY**  
**1970 - 1978**  
**Millions of Contos at Current Prices**

	1970	1971	1972	1973	1974	1975	1976	1977	1978	Average Annual Compound Growth Rate		
										1970-1974	1974-1978	1977-1978
Gross Domestic Product	159.6	178.7	208.6	254.2	308.6	342.1	422.6	563.8	709.0	17.92	23.12	25.75
Total Gross Fixed Capital Formation	31.1	37.0	47.1	56.9	66.8	74.0	88.8	127.0	165.0	21.06	25.37	29.92
Gross Fixed Capital form. in Residential Bldg (Housing Invest)	4.4	4.9	6.7	9.2	13.6	14.3	16.0	21.3	29.8	32.59	21.67	39.91
Gross Fixed Capital Form. in Construction	17.4	20.1	24.7	31.7	40.4	47.9	57.6	76.7	96.0	23.44	24.16	25.16
Value Added in Construction Sector	8.1	11.1	13.4	16.2	21.5	22.6	27.2	36.2	46.3	27.64	21.14	27.90
Number of Dwellings completed (Thousands of units)	27.9	36.8	42.9	43.8	45.8	35.4	33.2	41.9	45.0	13.19	-0.44	7.40
Population (millions of persons)	8.5	8.45	8.44	8.45	8.57	8.89	9.11	9.15	9.49	0.21	1.76	0.44

## The Shelter Sector After the Revolution

With the Revolution of 25th of April, 1974, enormous changes were wrought. People were encouraged to occupy vacant flats and to take over houses and farms. In some cases these "squatters" remained in residence for years without paying rent. It was not politically feasible to enforce eviction or trespassing laws even if the authorities had been so disposed. As a consequence, the housing sector was totally disrupted. In many projects, builders abandoned construction completely. It is only within the last year that the political and economic situation in the country has stabilized to the extent that builders and owners are willing to undertake the additional investment required to complete projects. However, virtually all of the units have been placed on the market for sale. There is very little private construction of housing units for rent.

The social goal of the regimes which were in power during the first years after the revolution was to remove the perceived inequities in the economic system. Ambitious social programs were enacted in the areas of health, education, and housing. The housing programs consisted of the enactment of stringent rent control and the undertaking of massive subsidized housing projects.

### Rent Control

The rent control law which was passed in 1975 set very strict limits on rent increases. This law was enforced against landlords and led to disenchantment with rental housing among builders and investors. The result was a drastic reduction in the construction of rental housing units except for social housing. The 1975 law was revised in 1979 to include a system for updating rents. However, the program will be put into effect only after a national rent subsidy program has been implemented. In essence, the new law would shift the rent subsidy burden from the landlord to the government. The fiscal impact of the new program could prove overwhelming. Another difficulty with the proposed system is that the mechanism for updating rents is so complex that it may prove unworkable. The fate of the 1979 rent control law will be determined by the new government which was elected in December, 1979.

### Social Housing

The major thrust of the housing policies of the post-revolution regimes was in the area of subsidized social housing. The various governments made substantial commitments to housing for lower income and poorly housing families. Most of these programs were administered by the FFH. The undertaking of the FFH might have been manageable had it not been for the influx of almost 700,000 refugees from the newly independent former Portuguese colonies of Angola and Mozambique. Most of these "retornados" settled in the environs of Lisbon and other urban areas, intensifying the pressure of urbanization. Many of the refugees had little or no wealth with which to purchase housing units. The sudden and massive influx of people exacerbated the unemployment

problem which had been created by the total disruption of the economic system after the revolution. The financial system was also in a chaotic state following the nationalization of financial institutions and the expulsion of many of the country's financiers.

### **Problems of Government Housing Problems**

The sudden increase in the population combined with the chaotic political and economic climate created pressure for immediate and substantial intervention by the government in the shelter sector. The response of the government was to undertake a number of massive housing projects concentrated in the Lisbon metropolitan area where the housing problem was most acute. Projects like Almada, Chelas, and Zambujal, to be properly executed, would require extensive planning and preparation. Unfortunately, the political and economic situation and the severity of the housing shortage at the time resulted in inadequate planning and coordination as the government hastened to take some concrete action.

Considering what one journalist has called the roller coaster of Portuguese politics, it is almost a wonder that any significant amount of housing has been completed and occupied at all. Exhibits 2 and 3 present data on housing completions by sector. As the exhibits show, the shelter sector is still dominated by the private sector. In 1978, publicly assisted housing accounted for less than 20 percent of the total dwelling units completed during the year.

One of the reasons for the limited number of housing completions in the public sector is that many of the projects initiated since 1974 are still under construction. Exhibits 4, 5, and 6 present data on housing starts and completions under the FFH social housing programs. As the exhibits show, completions lagged severely behind starts from 1974 to 1977. In 1978 completions and starts were about equal. In 1979, the FFH initiated no new projects. Therefore, it is reasonable to assume that many of the dwelling units started in previous years will be completed. There are still a number of projects which remain unfinished, even after as many as eight years. One has sections of the structure still under construction as the courts unravel the tangled skeins of claims and counterclaims against a bankrupt contractor. Another is completely occupied, but lacks grading, lighting, paved roads, commercial facilities, and social services.

There are several reasons why some of the housing projects undertaken by the FFH have run into difficulties. One of the most critical problems is the high rate of inflation experienced in Portugal over the past three years. In some cases, funds simply ran out before the project could be completed. Another difficulty is the provision of infrastructure to the housing projects. The responsibility for bringing infrastructure to the project sites rests with the local municipalities, which in some cases have not been allocated the funds, technical assistance or manpower to carry out the responsibility. This is a problem which is recognized by the management of the FFH and by the municipal authorities. Significant improvement is needed and efforts are being made by the various

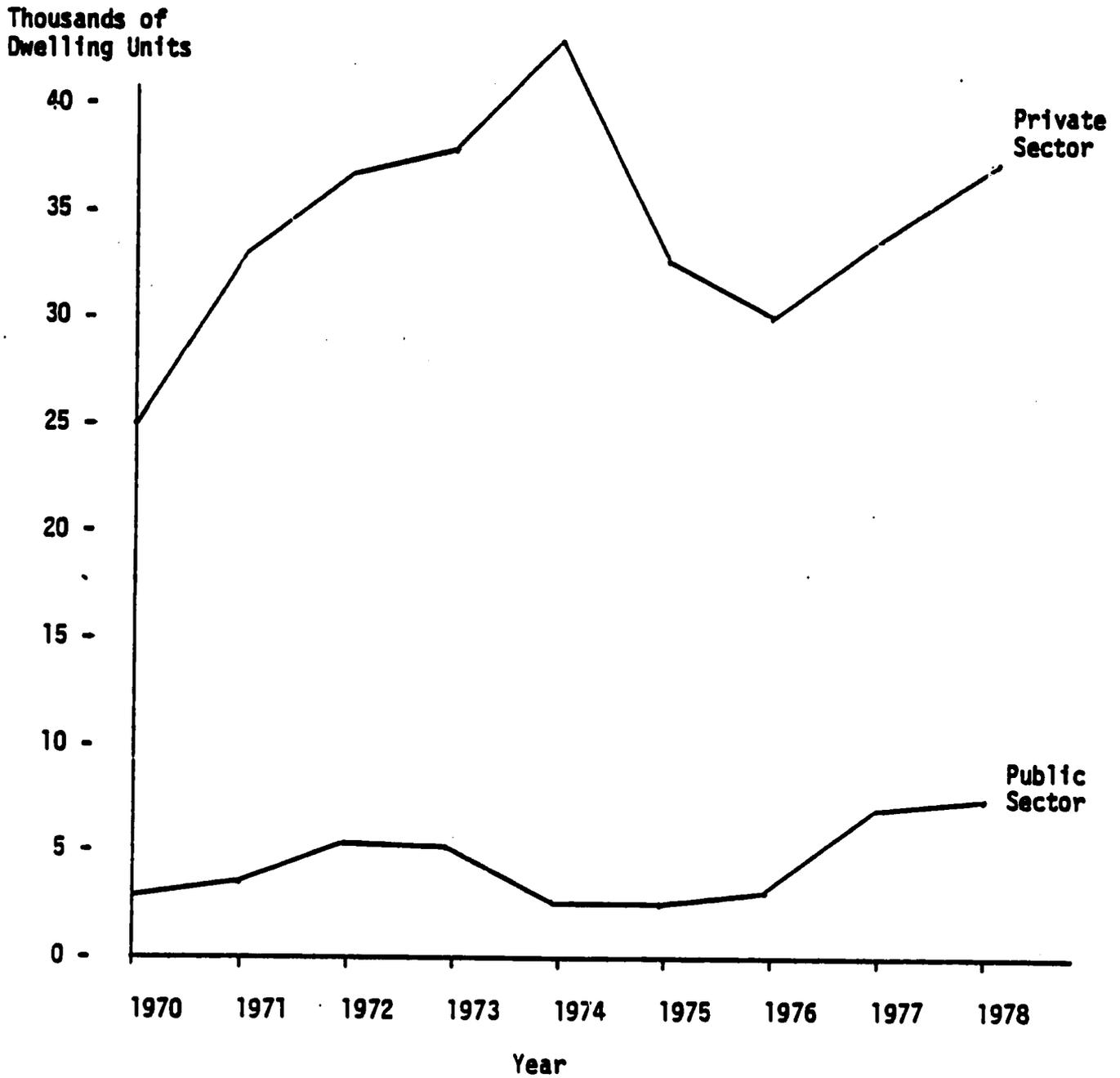
**EXHIBIT 2**  
**NUMBER OF DWELLING UNITS COMPLETED**

By Sector  
1970 - 1978  
(Thousands of Units)

<u>Year</u>	<u>PUBLIC SECTOR</u>		<u>PRIVATE SECTOR</u>		<u>TOTAL</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>
1970	3.0	10.8	24.9	89.2	27.9
1971	3.7	10.0	33.1	90.0	36.8
1972	5.4	12.6	37.5	87.4	42.9
1973	5.1	11.7	38.7	88.3	43.8
1974	2.8	5.8	43.0	93.9	45.8
1975	2.8	7.9	32.6	92.1	35.4
1976	3.2	9.6	30.0	90.4	33.2
1977	7.9	18.9	34.0	81.1	41.9
1978	8.2	18.2	36.8	81.8	45.0
<b>Total</b> 1970-78	42.1	11.9	310.6	88.1	352.7
<hr style="border-top: 1px dashed black;"/>					
<b>Average</b> <b>Annual</b> <b>Growth</b> <b>Rates:</b>					
1970-74	-1.71	-	+14.64%	+13.19%	
1974-78	+30.82%	-	-3.82%	-0.44%	
1977-78	+3.80%	-	+8.24%	+7.40%	

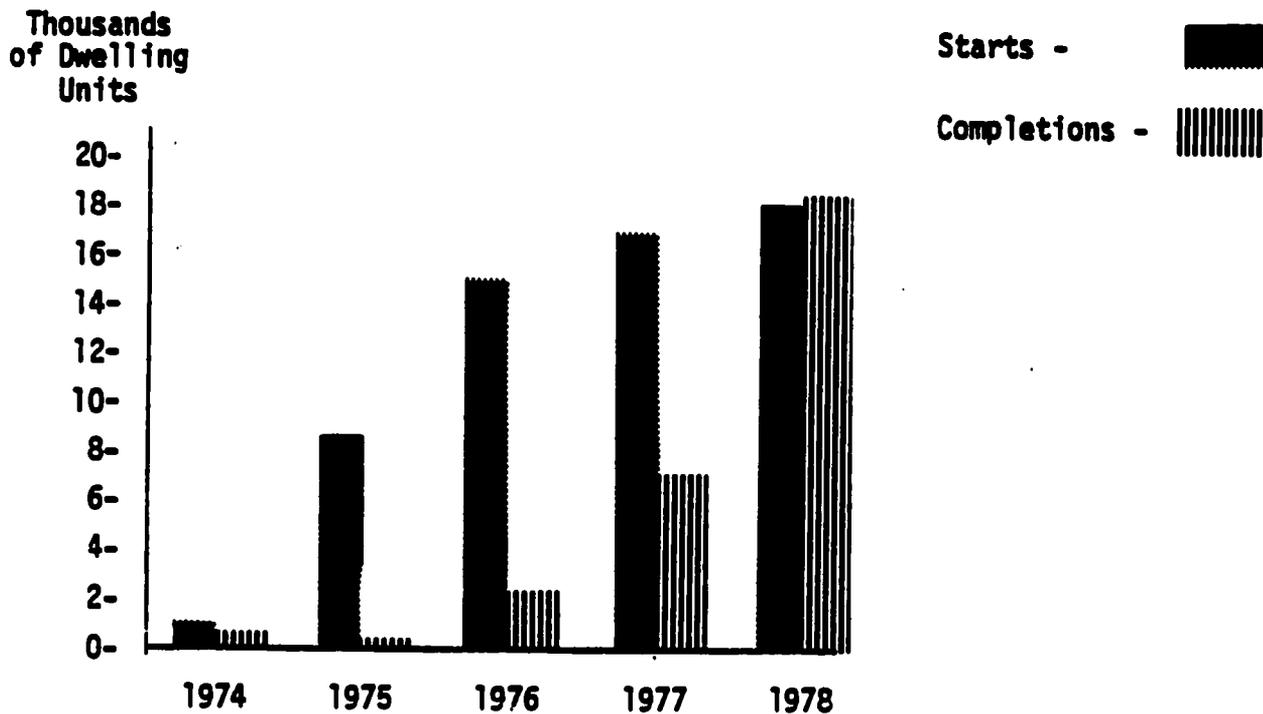
**SOURCE: F.F.H.**

EXHIBIT 3  
NUMBER OF DWELLING UNITS COMPLETED  
By Sector  
1970 - 1978

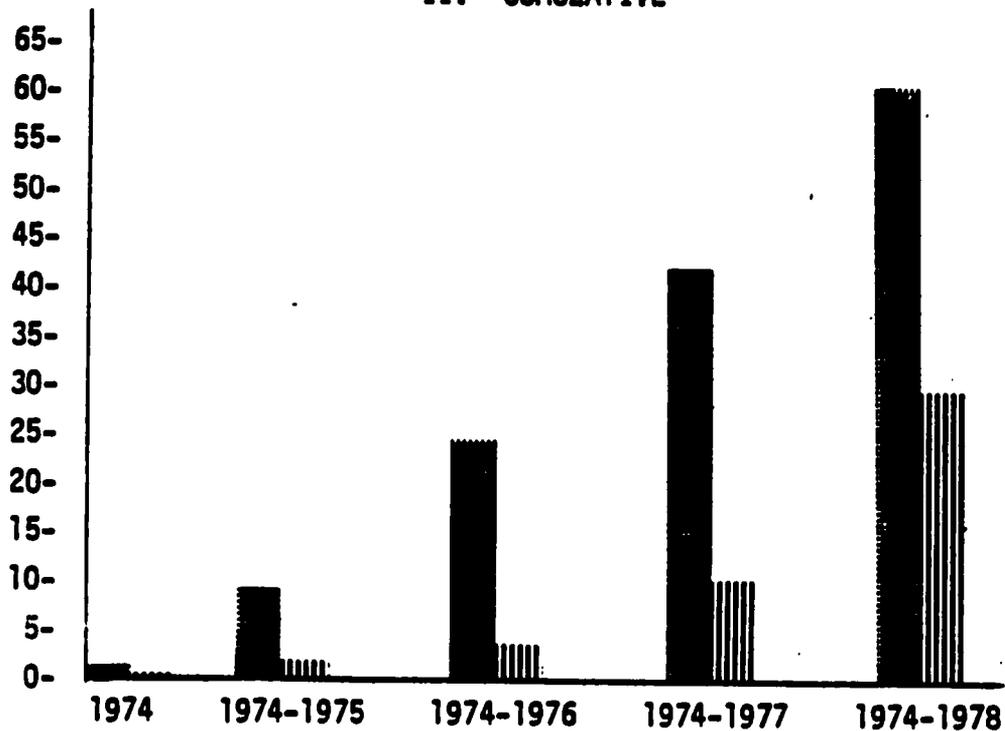


**EXHIBIT 4**  
**HOUSING STARTS AND COMPLETIONS**

**I. ANNUAL**



**II. CUMULATIVE**



**EXHIBIT 5****F. F. H.  
Housing Starts by Program  
1974 - 1978**

<b>Program</b>	<b>YEAR</b>				
	<b>1974</b>	<b>1975</b>	<b>1976</b>	<b>1977</b>	<b>1978</b>
<b>Direct Promotion</b>	<b>278</b>	<b>858</b>	<b>2661</b>	<b>4447</b>	<b>4173</b>
<b>Municipal Co- Participation</b>	<b>811</b>	<b>780</b>	<b>1976</b>	<b>934</b>	<b>2067</b>
<b>Cooperatives &amp; SAAL<sub>1</sub></b>	<b>-</b>	<b>1544</b>	<b>2210</b>	<b>1419</b>	<b>3249</b>
<b>Urban Renewal</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>40</b>	<b>4</b>
<b>PRID<sub>2</sub></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9438</b>	<b>7148</b>
<b>Self-Help</b>	<b>15</b>	<b>44</b>	<b>125</b>	<b>162</b>	<b>224</b>
<b>Loans to Municipal Authorities</b>	<b>-</b>	<b>3556</b>	<b>830</b>	<b>694</b>	<b>1499</b>
<b>Development Contracts</b>	<b>-</b>	<b>1806</b>	<b>7442</b>	<b>24</b>	<b>0</b>
<b>TOTAL</b>	<b>1104</b>	<b>8588</b>	<b>15285</b>	<b>17158</b>	<b>18364</b>

1. SAAL -- Agencies for Local Action of Slum Clearance

2. PRID -- Program for Improving Decayed Houses

Source: FFH

EXHIBIT 6

F. F. H.  
Completions of Housing Units  
By Program  
1974 - 1978

Program	Year				
	1974	1975	1976	1977	1978
Direct Promotion	825	320	449	3063	1628
Municipal Co- Participation	0	0	564	1788	2253
Cooperatives SAAL <sub>1</sub>	0	0	112	191	596
Urban Renewal	0	0	0	41	4
PRID <sub>2</sub>	0	0	0	0	10869
Self-Help	0	0	0	0	81
Loans to Municipal Authorities	0	0	1030	1557	127
Development Contracts	0	0	76	1090	3028
<b>TOTAL</b>	<b>825</b>	<b>320</b>	<b>2231</b>	<b>7230</b>	<b>18586</b>

1. SAAL -- Agencies for Local Action of Slum Clearance
2. PRID -- Program for Improving Decayed Houses

Source: FFH

government agencies to rectify the situation. Another difficulty which has been faced by the FFH has been the insolvency of contractors on some of the housing projects. In some cases, a large project was divided up among several contractors. One of the contractors may have performed, while another defaulted, resulting in a partially completed project. The FFH is in the process of resolving these difficulties. The improvement of the construction sector in terms of total employment and the number of firms engaged in construction should contribute significantly to the resolution of these problems.

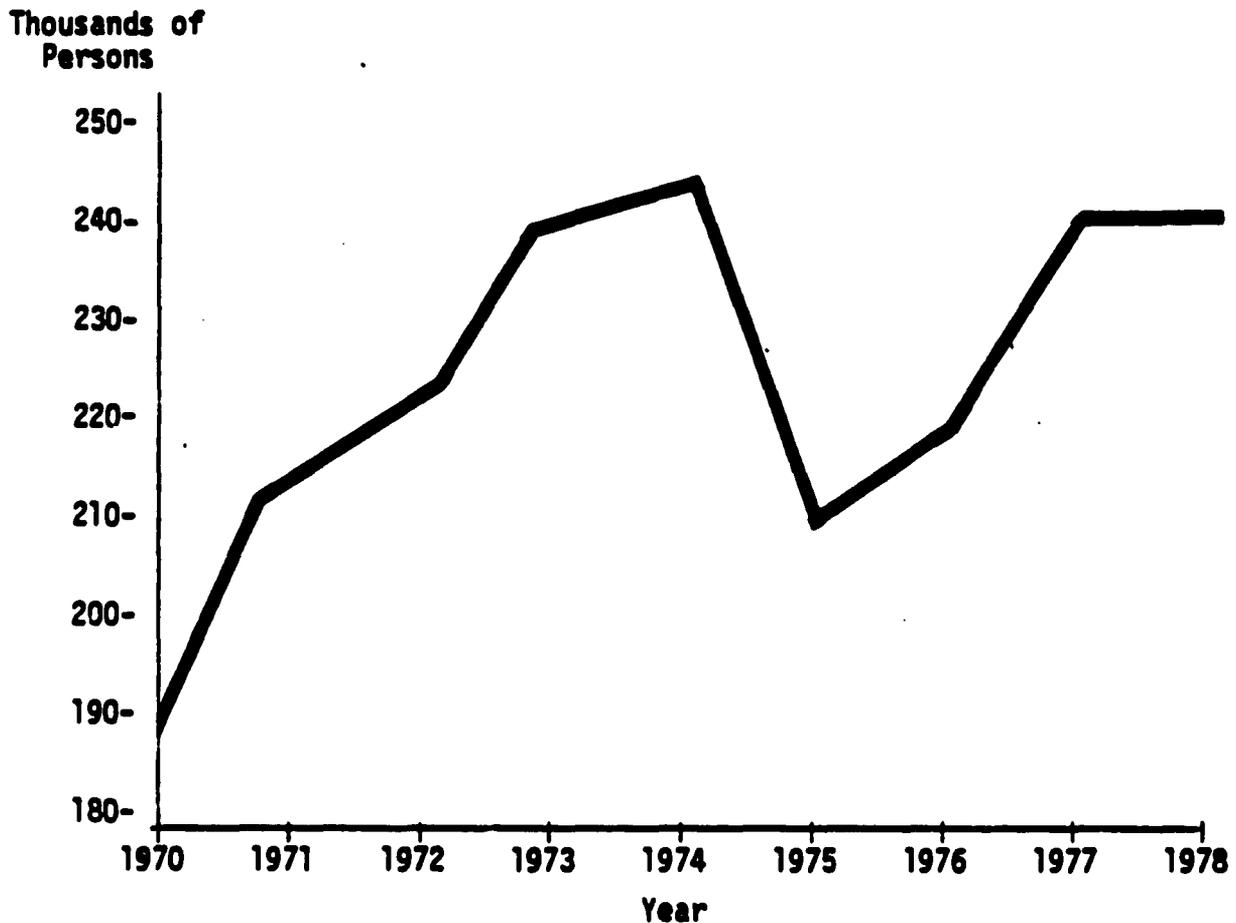
Despite the Government of Portugal's efforts to improve housing conditions, the housing problem has not diminished to any significant extent. In fact, to many people, there has been a deterioration of living standards over the last three years. The housing problem has also contributed to a decline in overall health standards. Housing which lacks sewers, running water, and sanitary facilities can create serious health problems.

#### Support of the Construction Industry

One of the goals of the government of Portugal's housing program was to provide employment in the construction sector. Exhibits 7 and 8 present data on employment in the construction sector and the number of firms operating in the sector. Construction employment dropped drastically from 1974 to 1975 and is only just regaining the pre-revolution level. The number of firms engaged in construction has increased from 27,145 in 1974 to 35,884 in 1978. It is of interest to note that there was a significant increase only among those firms with less than 10 employees. The medium size firms declined and large firms had only a slight increase. In the future it would be worthwhile to consider the possibility of more modest government housing programs targeted at the small builder. Since these firms constitute the vast majority of the construction industry, such programs could provide a strong stimulus to housing construction, employment and the overall economy.

The most effective program which was instituted by the FFH from 1974 to 1979 in terms of stimulating the construction industry was the development contract program. Under this program, the FFH provided technical assistance, tax exemption or reduction, subsidized loans to individual builders through the Caixa Geral de Depositos, the Credito Predial Portugues, and Montepio Geral. The FFH also guaranteed the sale of the housing units completed at a set price. In other words, if the housing units constructed under the development contract program could not be sold on the open market, the FFH would purchase the home at a predetermined price based on construction costs plus a set profit margin. Contractors and FFH officials interviewed in conjunction with this evaluation indicated that if it had not been for the intensive activity of the FFH in 1975 and 1976, the construction industry would have collapsed. The economic and social ramifications of such a calamity would have been profound. In the opinion of the people interviewed, the FFH programs, and the development contract program in particular, were successful in forestalling a serious recession in the construction sector. In 1979, while some builders

**EXHIBIT 7**  
**NUMBER OF PERSONS EMPLOYED**  
**IN THE CONSTRUCTION SECTOR**  
**1970 - 1978**



Year	Number of Persons Employed in the Construction Sector (in thousands)
1970	187.0
1971	210.6
1972	221.6
1973	239.1
1974	242.5
1975	210.5
1976	217.9
1977	239.9
1978	239.0

**EXHIBIT 8**  
**NUMBER OF FIRMS ENGAGED IN**  
**CONSTRUCTION**  
**1975-1978**

SIZED FIRM	YEAR								AVERAGE ANNUAL RATE OF CHANGE  1975 - 1978
	1975		1976		1977		1978		
	No.	%	No.	%	No.	%	No.	%	
1-9 employees	23,774	87.6%	28,306	90.2%	31,875	91.4%	32,885	91.6%	+ 11.4%
10-19 employees	1,949	7.2%	1,732	5.5%	1,650	4.7%	1,655	4.6%	- 5.3%
20-49 employees	944	3.5%	868	2.8%	879	2.5%	859	2.4%	- 3.1%
50 or more employees	478	1.7%	479	1.5%	462	1.3%	485	1.4%	+ 0.5%
<b>TOTAL</b>	<b>27,145</b>	<b>100.0%</b>	<b>31,385</b>	<b>100.0%</b>	<b>34,866</b>	<b>100.0%</b>	<b>35,884</b>	<b>100.0%</b>	<b>+ 9.8%</b>

SOURCE: FFH.

still suffer from financial difficulties and management and productivity problems, the construction industry appears to have regained a degree of stability and vitality.

### The Impact of Decentralization

Over the past several years the Government of Portugal has undertaken a program of decentralization of authority and responsibility from the central government to the municipalities. This program of decentralization has also affected the housing programs initiated by the FFH. Decree Law #797/76 of November 6, 1976, provided the enabling legislation for the establishment of Municipal Housing Services (SMH) by municipal authorities. The SMH are to be set up with administrative and financial autonomy and independent legal status. The primary functions of the SMH are to allocate and administer social housing located within their jurisdictions. Many of the housing units started under the FFH programs since 1974 have been transferred to the jurisdiction of the municipal housing authorities. In some municipalities, the SMH is organized and functioning. In other municipalities the local authorities lack the organization, staff and funds to assume the burden of administering major housing projects.

The long run impact of decentralization remains to be seen. The FFH will maintain its role as the conduit for subsidies to municipalities and other local entities as well as providing technical assistance in the areas of planning, design, construction management and property management at the option of the individual SMH's. There is some uncertainty among the administrators of the local housing authorities about the role of the municipalities in providing social services and infrastructure. These problems will have to be resolved if the transition from a highly centralized government to local authority is to be a smooth one. The primary concerns of the municipal housing authority officials interviewed in conjunction with this evaluation were the adequacy of funding and the availability of technical support from the central government.

### Clandestine Housing Settlements

One of the problems which should be resolved is that of clandestine housing settlements. Exhibit 9 presents data on clandestine housing settlements by district and Exhibit 10 presents geographic distribution. As shown in the exhibits, in 1978 there were over 83,000 housing units located in clandestine settlements, 47,444 of these, or 57.1 percent were located in Lisbon and another 16,466, or 19.8 percent in Setubal.

The clandestine settlements are unplanned developments without municipal services. The quality of housing is generally good. Clandestine settlements have been the people's solution to the inability of the authorities to provide for their housing needs. In most cases, the owners participate to some extent in the construction of the house. Small contractors are employed to erect the structure, but much of the finishing is done by the occupant. One of the

**EXHIBIT 9**

**Clandestine Housing Settlements  
by District**

**1978**

**Clandestine Housing Units**

<b><u>District</u></b>	<b><u>Number</u></b>	<b><u>% of Total</u></b>
<b>Aveiro</b>	<b>830<sup>e</sup></b>	<b>1.0%</b>
<b>Braganca</b>	<b>400</b>	<b>0.5</b>
<b>Evora</b>	<b>2,512</b>	<b>3.0</b>
<b>Faro</b>	<b>6,215</b>	<b>7.5</b>
<b>Lisbon</b>	<b>47,444</b>	<b>57.1</b>
<b>Porto</b>	<b>7,100<sup>e</sup></b>	<b>8.6</b>
<b>Setubal</b>	<b>16,466</b>	<b>19.8</b>
<b>Vila Real</b>	<b>1,000<sup>e</sup></b>	<b>1.2</b>
<b>Other Districts</b>	<b>1,048</b>	<b>1.3</b>
<b>TOTAL for Continental Portugal</b>	<b>83,015</b>	<b>100.0%</b>

**e -- Estimated.**



difficulties faced by residents of clandestine settlements is that they cannot obtain financing. Since the housing developments are not officially recognized, the houses in these areas are not eligible for mortgage loans from the government mortgage lending institutions. As a result, people frequently cannot finish their houses once personal and family resources are exhausted.

The traditional attitude of the authorities towards these developments has been proscriptive. Serious consideration should be given to recognizing the clandestine settlements and incorporating them into municipal and national housing plans. If clandestine housing were made legitimate, the owners could obtain the funds necessary to complete their homes and the government could exercise control over the design, sanitary conditions, and social services within these settlements.

### Future Housing Needs

The projected housing needs of Portugal have not been reduced from the estimates made in 1975. Exhibit 11 presents data on projected housing needs to 1990. It is estimated that from 1979 to 1990 approximately 107,000 units per year will be required to accommodate population growth, relocation of people from barracas to adequate housing and the upgrading of substandard housing. As shown in Exhibit 12, from 1975 to 1979 annual housing production averaged approximately 40,000 units and never exceeded 46,000 units. Production levels of at least 60,000 units per year would have been required to satisfy the existing housing demand.

There is some question as to whether the economy of Portugal could support the required level of housing production given all of the other needs of the country. It is the opinion of the officials interviewed during this evaluation that domestic financial resources will not be adequate to fund the amount of housing development required. The problem does not have a simple solution. One suggestion would be to experiment with less costly housing delivery systems such as sites and services and core housing. Such alternatives are being explored by Portuguese government officials.

**EXHIBIT 11**  
**PROJECTED HOUSING NEEDS IN PORTUGAL**  
**1979-1990**  
(Thousands of Dwelling Units)

	TOTAL HOUSING NEEDS 1971-1990	DWELLING UNITS CONSTRUCTED 1971-1978	PROJECTED HOUSING NEEDS					
			TOTAL FROM 1979-1984	ANNUAL 1979-1984	TOTAL FROM 1985-1990	ANNUAL 1985-1990	TOTAL FROM 1979-1990	ANNUAL 1979-1990
<b>Portugal</b>	<b>1505.8</b>	<b>328.6</b>	<b>588.0</b>	<b>117.7</b>	<b>589.2</b>	<b>98.2</b>	<b>1177.2</b>	<b>107.0</b>
<b>By District</b>								
Aveiro	86.5	20.1	33.0	6.6	33.4	5.6	66.4	6.0
Beja	27.8	3.0	12.6	2.5	12.2	2.0	24.8	2.3
Braga	96.1	22.9	36.6	7.3	36.6	6.1	73.2	6.7
Bragança	25.3	5.2	10.2	2.0	9.9	1.7	20.1	1.8
Castelo Branco	41.2	7.4	16.8	3.4	17.0	2.8	33.8	3.1
Coimbra	71.3	15.2	28.2	5.6	27.9	4.7	56.1	5.1
Évora	26.9	3.9	11.4	3.3	11.6	1.9	23.0	2.1
Faro	42.4	19.8	10.8	2.2	11.8	2.0	22.6	2.1
Guardo	35.4	7.6	13.8	2.8	14.0	2.3	27.8	2.5
Leiria	63.1	17.7	22.8	4.6	22.6	3.8	45.4	4.1
Lisboa	395.5	71.4	162.0	32.4	162.1	27.0	324.1	29.5
Portalegre	23.8	4.0	10.2	2.0	9.6	1.6	19.8	1.8
Porto	232.8	43.7	54.8	19.0	94.3	15.7	189.1	17.2
Sanjarem	76.1	16.2	30.0	6.0	29.9	5.0	59.9	5.4
Setúbal	119.4	42.9	38.4	7.7	38.1	6.4	76.5	7.0
Viana do Castelo	38.9	9.2	14.4	2.9	15.3	2.6	29.7	2.7
Vila Real	36.7	6.3	15.0	3.0	15.4	2.6	30.4	2.8
Viseu	66.6	12.1	27.0	5.4	27.5	4.6	54.5	5.0

SOURCE: F.F.H., "Projections of Construction Needs for the Periods 1971-1990, 1979-1990, and 1979-1984, May, 1978.

**EXHIBIT 12**

**Housing Completions**

**1970 - 1978**

**Dwelling Units Completed**

<u>Year</u>	<u>New Construction</u>	<u>Additions and Alterations</u>	<u>Total Dwelling Units</u>
1970	26,545	432	26,977
1971	35,309	1,092	36,403
1972	39,530	2,858	42,388
1973	41,316	2,520	43,836
1974	42,580	3,211	45,791
1975	31,172	3,097	34,269
1976	29,290	2,898	32,188
1977	n.a.	n.a.	41,900
1978	n.a.	n.a.	45,000

n.a.--not available

Source: I.N.E.

**THE ROLE OF THE FUNDO DE FOMENTO DA HABITACAO (FFH)  
AND THE  
AGENCY FOR INTERNATIONAL DEVELOPMENT IN THE HOUSING SECTOR**

**The Evolution of the Fundo de Fomento da Habitacao**

The Fundo de Fomento da Habitacao (FFH) is the central government agency charged with the implementation of national housing policies. While the FFH existed prior to the revolution of the 25th of April, 1974, its responsibilities were increased substantially under the post-revolution social housing programs. Under the current regime, the FFH is responsible for the study and analysis of housing problems, the coordination of housing programs, and the administration of housing policy at the national level. An organization chart of the FFH is presented in Exhibit 13. Until recently, FFH programs were administered from its main offices in Lisbon or through regional offices. In 1979, the FFH began to transfer some of its responsibilities to the municipalities. The primary responsibility which has been transferred to the municipal level is the allocation of social housing units.

Initially, the FFH had limited experience in low income housing construction. Prior to the revolution the FFH had built an average of about 4,000 housing units per year. The majority of the housing activity in Portugal was in the private sector. The goal of the new government was for the FFH to construct an average of 30,000 dwelling units per year for low income families.

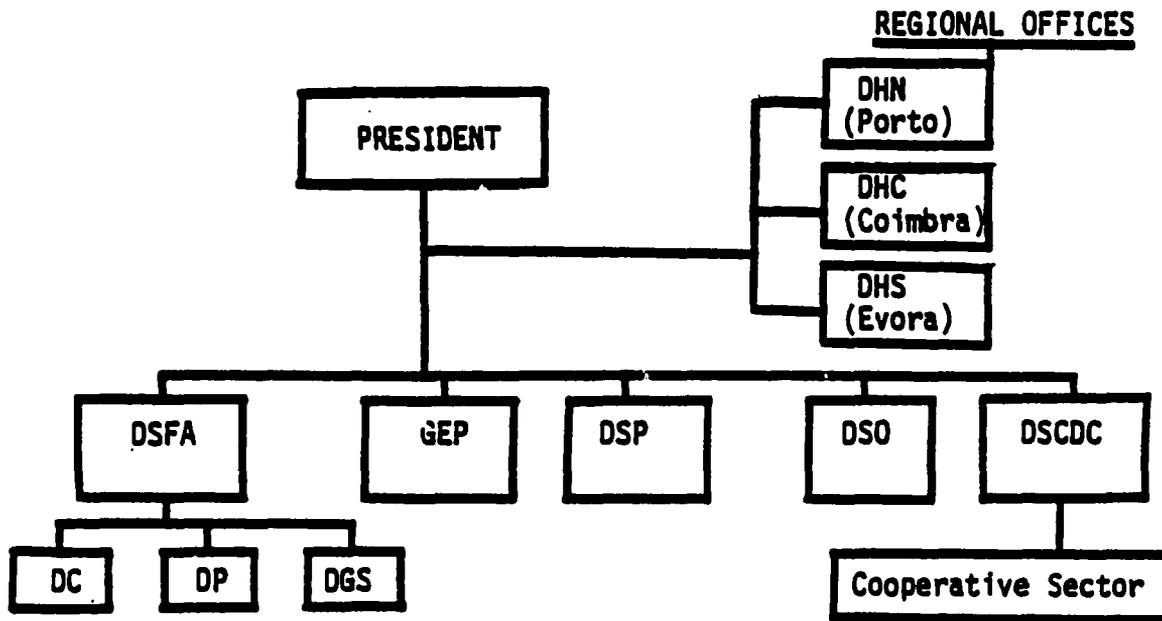
The FFH has never been able to achieve this level of production. The highest production in terms of housing starts was in 1978 when the FFH started over 18,000 units. The causes of this shortfall from planned construction goals were both financial and physical. The FFH was not able to guarantee the 30 to 40 million contos per year which would have been required to fund a construction program of the magnitude planned. Even if such funding had been available, the construction industry and the FFH itself could not have achieved housing production objectives. The system was not capable of increasing its production capacity to such an extent in a few years.

Since the FFH did not have extensive experience in the construction and management of large scale low income housing projects, their initial efforts were based on existing private sector design and construction standards. The result was the construction of housing units which could not be rented or sold at prices affordable to the target low income market. In order to meet the government's objectives of providing low income housing units, a program of rent and home financing subsidies was undertaken. The initial legislation was passed in 1974. Amendments in 1975, 1977, and 1979 revised the initial subsidy schemes.

The rent and home financing subsidy programs were designed to be temporary measures, but have become institutionalized. Although the subsidized rent system has been revised periodically as the national minimum wage has been increased, the system does not provide for full

EXHIBIT 13

ORGANIZATION STRUCTURE  
Fundo de Fomento da Habitacao



KEY	
DHN	Housing Direction for the North
DHL	Housing Direction for the Centre
DHS	Housing Direction for the South
DP	Division of Patrimony
DGS	Division of Social Administration
DSFA	Direction of Financial and Administration Services
GEP	Cabinet for Planning and Studies
DSP	Direction of Project Services
DSO	Direction of Works Services
DSCDC	Direction of Development and Building Contracts Services

cost recovery on social housing projects. The problem has been exacerbated by the delays in construction on many subsidized rental projects. The delays have had two significant effects. First, construction costs have increased substantially due to inflation. Second, the FFH does not receive income from unfinished projects. It is only in the last year or so that the FFH has begun receiving income from its projects. However, even if all FFH projects were fully occupied the income generated would not be adequate to provide full cost recovery. According to the financial managers of the FFH interviewed in conjunction with this evaluation, fiscal self sufficiency is not one of the objectives of the FFH.

### The Fiscal Impact of Subsidized Housing Promotion Programs

The full fiscal impact of the Government of Portugal's commitment to the provision of low income housing will not be felt for some time. However, the data on the sources of funds for the FFH provide some indication of the increasing subsidy burden to the Portuguese government. Exhibit 14 presents data on the sources of funds for FFH housing programs. As the data show, the allocation from the general state budget to the FFH increased from 1.4 million contos in 1975 to 4.3 million contos in 1979. Since 1977 loans from the specialized credit institutions, primarily the Caixa Geral de Depositos, have accounted for an increasing proportion of the funding available to the FFH. In 1979, funding from the credit institutions accounted for over half of the total funds available. Loans made to the FFH are at subsidized interest rates.

In addition to direct funding of the FFH, the credit institutions provide subsidized loans to home buyers. In 1978 the Caixa Geral de Depositos, the primary home financing institution in the country, provided over 8.1 million contos in subsidized loans. According to the 1978 annual report of that institution, 75 percent of the resources allocated to home purchase were subsidized loans, compared with approximately 50 percent in 1977.

The future impact of the housing subsidy programs introduced since 1974 may be the depletion of scarce housing resources and the imposition of what may prove to be an intolerable fiscal burden on the Portuguese government. When loan rates are inadequate to cover the real cost of funds, the value of funds available for housing finance diminishes and eventually is insufficient to finance a meaningful volume of sales. If the government responds to this problem by increasing budget allocations to housing, inflation is increased, housing costs escalate, interest rates rise to higher levels and the financial burden of housing subsidies becomes even heavier.

### The Role of AID

As discussed in Section I of this report, the AID assistance program in Portugal was initiated in 1975. AID loans, guarantees, and grants have been designed to support the activities of the FFH in providing housing for low income families. AID has not been involved in approving the design of housing projects or determining into which

**EXHIBIT 14**  
**SOURCES OF FUNDS FOR F. F. H. HOUSING PROGRAMS**  
**1974 - 1979**  
**(In Contos)**

YEAR	GENERAL STATE BUDGET		CARRY-OVER FROM PREVIOUS YEARS		FUNDS & AUTONOMOUS SERVICES		LOCAL AUTHORITIES		CREDIT INSTITUTIONS		TOTAL
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	
1974	226,231	74.08	76,150	24.94	---	0.0	2,995	0.98	---	0.0	305,376
1975	1,415,458	79.21	198,287	11.10	---	0.0	33,265	1.86	140,000	7.83	1,787,010
1976	1,243,495	38.49	1,149,131	35.57	---	0.0	78,148	2.42	760,000	23.52	3,230,774
1977	2,946,838	44.15	1,477,984	22.14	---	0.0	112,171	1.68	2,136,932	32.02	6,673,925
1978	3,981,207	41.13	1,972,419	20.38	---	0.0	190,950	1.97	3,534,450	36.52	9,679,026
1979 (Preliminary)	4,291,340	41.69	315,416	3.06	4,000	0.04	17,500	0.17	5,664,611	55.03	10,292,867

individual projects AID funds would be channeled. These decisions have been left to the FFH. The primary controls which AID has exercised have been in the types of housing projects financed, the restriction to one, two, and three bedroom (T1, T2, and T3) housing units and the disbursement schedules on loan and guarantee funds.

In 1975 and 1976 the construction industry in Portugal was undergoing a serious recession. At this time, it was determined that a second loan and guarantee program would be instituted. These funds not only permitted the FFH to continue to pursue its low income housing programs, but also provided an impetus to the construction industry. Under the second program funds were utilized in a variety of different housing programs. These alternative programs directed AID funds to the smaller contractors which dominate the Portuguese construction industry. They also provided for a higher degree of geographical diversification in the disbursement of funds.

### Housing Programs Under the FFH

The FFH is responsible for a variety of housing programs. However, AID does not participate in all of the programs administered by the FFH. The oldest and largest program, and the one in which AID has had the greatest involvement, is the direct promotion program. Over the past five years the FFH has diversified its housing efforts into the support of cooperatives and owners' association projects, projects in which the FFH participates with local housing authorities, development contracts, urban renewal, prefabricated housing for refugees, and loans to municipal housing authorities. AID has participated in the cooperative and owners' association and municipal co-participation programs. The specific programs in which AID has been involved will be discussed at length; the remaining FFH programs will be described briefly.

### Capital Expenditures of the FFH

Exhibit 15 presents data on FFH capital expenditures by program from 1970 to 1978. As the data indicate, only the direct promotion, municipal co-participation and self-help programs were in existence before 1975. The direct promotion program has accounted for the largest portion of the FFH budget over the entire time period. Since 1975 other programs have increased in importance. The direct promotion program was restricted to some extent in 1978 and 1979 by financial constraints imposed on Portugal by the International Monetary Fund.

The various programs administered by the FFH have different target markets. The direct promotion and cooperative programs are aimed at the lowest socio-economic strata. Development contracts are designed to assist low to middle income housing. Programs which involve municipal housing authorities are designed to be responsive to local needs. In most cases these needs are for the rehousing of families living in barracas or displaced by natural disasters such as the floods of the winter of 1978-79 and for the housing of technical personnel such as teachers and engineers, who otherwise would not have

**EXHIBIT 15**

**F. F. H.**

**CAPITAL EXPENDITURES**  
**in Housing Programs**

**1970 - 1978**

**In Current Prices**  
**(values in contos)**

Program	Year								
	1970	1971	1972	1973	1974	1975	1976	1977	1978
Direct Promotion	83,081	124,416	215,188	240,293	274,287	821,101	1,022,755	1,845,138	2,857,585
Pre-fabricated Housing (CAR)	-	-	-	-	-	-	-	1,243,887	678,391
Municipal Participation Program	1,802	12,963	20,555	11,776	14,647	144,524	521,248	342,224	696,423
Cooperatives and Owners Association (includes SAAL)	-	-	-	-	-	60,263	304,180	466,036	1,054,919
Urban Renewal	-	-	-	-	-	4,000	44,496	40,000	114,804
PRID	-	-	-	-	-	-	-	329,624	674,060
Self-Help	2,456	289	1,798	584	484	1,461	3,188	9,421	93,784
Loans to Municipal Housing Authorities	-	-	-	-	-	527,028	483,070	390,259	662,050
<b>TOTAL</b>	<b>87,339</b>	<b>137,668</b>	<b>237,441</b>	<b>252,653</b>	<b>289,418</b>	<b>1,558,377</b>	<b>2,378,937</b>	<b>4,666,589</b>	<b>6,832,016</b>

been willing to move to some areas. Urban renewal and PRID (Program for Improving Decayed Housing) programs are designed to upgrade substandard housing, primarily homes in historic districts in the urban areas.

There is some question about the emphasis of housing programs in the future. There is a general recognition that large scale projects such as those initiated from 1974 to 1976 are expensive undertakings and require a number of years to complete. There appears to be a shift within the FFH towards greater emphasis on small to medium scale projects, particularly those in which the future occupants can participate to some extent. At the municipality level, there is also concern about which housing programs are the most effective in delivering the greatest amount of housing at the lowest cost. In Evora, for example, the municipal housing authority is experimenting with a sites and services project in which the municipality will provide the land at a low cost and install the infrastructure. Individual owners will purchase sites and will receive technical assistance from the local housing authority. The individual will be responsible for the construction of the housing unit, which will have to meet local building standards.

In December, 1979, the outgoing Pintassilgo administration sponsored a resolution (335/79) authorizing expenditures on housing programs in 1980. The sa Carneiro government is not bound to follow through with this program, but it is worthwhile to examine the distribution of housing units and investment by program. A summary of the resolution is presented in Exhibit 16. As the data show, direct promotion would account for 30.2 percent of the total housing units and 40.0 percent of the total annual investment. The primary source of funds for the implementation of the proposed plan is loans from the specialized credit institutions, primarily the Caixa Geral de Depositos. The FFH has negotiated loan terms with the credit institutions and the current rate that will be charged to the FFH is 19.5 percent. This rate is somewhat lower than the 22.5 percent being charged on unsubsidized housing loans, but represents much less of a subsidy than rates charged to the FFH in the past.

#### Direct Promotion

AID has had its greatest involvement in the Direct Promotion program. All of the \$33.25 million disbursed under AID loan 150-Z-005 and Housing Guaranty 150-HG-001 were expended on direct promotion projects. The majority of the \$30 million committed under AID loan 150-L-008 and Housing Guaranty 150-HG-002 were for direct promotion projects. A list of the AID funded direct promotion projects is present in Exhibit 17. Under the direct promotion program, the FFH provides finished dwelling units for rent at highly subsidized rents. The target market for direct promotion dwelling units consists of families at the lower end of the income distribution and families living in barracas or other substandard housing. Most of the direct promotion housing projects are located in urban areas. Because many of Portugal's poorest families live in the rural sections of the country, direct promotion programs may not be reaching the very lowest

**EXHIBIT 16**  
**PROPOSED F. F. H. PROGRAMS**  
**Amounts Approved by Resolution 335/79**  
**December, 1979**  
**For the Year 1980**

PROGRAM	NUMBER OF UNITS TO BE FINANCED IN 1980	ANNUAL INVESTMENT IN 1980 (Thousands of Contos)	SOURCES OF FUNDS (Thousands of Contos)		
			INCOME OF THE FFH	LOANS FROM CREDIT INSTITUTIONS	ALLOCATIONS FROM THE GENERAL STATE BUDGET
Direct Promotion	10,000	4,900	900	2,000	2,000
Loans to Municipal Authorities	2,000	1,100	600	500	---
Loans to Cooperatives	8,100	3,500	---	3,500	---
PRID	7,000	1,000	200	500	300
Prefabricated Houses for Refugees (CAR)	6,000	2,400	---	1,900	500
<b>TOTALS</b>	<b>33,100</b>	<b>12,900</b>	<b>1,700</b>	<b>8,400</b>	<b>2,800</b>

## EXHIBIT 17

AID-ASSISTED HOUSING PROJECTS  
DIRECT PROMOTION

PROJECT	NUMBER OF AID FINANCED UNITS (T <sub>1</sub> , T <sub>2</sub> , T <sub>3</sub> )	HG/DL PROGRAM
Porto Viso	296	Housing I
Zambujal	282	Housing I
Almada	880	Housing I
Evora	444	Housing I
Beja	195	Housing I
Chelas II	705	Housing I
Guimaraes I & III	466	Housing I
Guimaraes II	286	Housing II
Maia	95	Housing I
Matosinhos II	140	Housing I
Mirandela	195	Housing I
Braganca	93	Housing I
Macedo de Cavaleiros	102	Housing I
S. Joao da Madiera	69	Housing I
Giesta-Gondomar	104	Housing I
Sobreiro-Maia I & II	410	Housing II
Ponte Danta I & II	247	Housing II
Araucaria	216	Housing II
Fafe-Cumieira	168	Housing II
Monte Crasto	140	Housing II
Setubal II & III	153	Housing II
Funchal I-2, II-1,2,3, III	177	Housing II
Alagoas-Regua	105	Housing II
Ramalde de Meio	110	Housing II
Peniche II-1,2	153	Housing II
Horta-Faial	39	Housing II
<b>TOTAL DWELLING UNITS</b>	<b>5,984</b>	Housing I (150-HG-001 & 150-Z-005) Housing II (150-HG-002 & 150-K-008)

income groups in the country. However, large rental housing developments are not the most suitable solution for rural housing problems. Cooperatives and self-help projects are more appropriate for rural housing.

### Design and Construction Costs

The Direct Promotion program of the Fundo de Fomento da Habitacao provides finished dwelling units for rent. The GOP has established a policy that all social housing should be of good quality and should meet the minimum housing standards for public housing in European countries. As a result of these policies, social housing units are relatively comfortable in terms of living area, quality of construction and amenities. The average size of a T2 unit is 70 to 75m<sup>2</sup>; a T3 unit ranges on the average from 90 to 95m<sup>2</sup>.

In past evaluations, criticism has been voiced about the inefficiency of the floor plans of the units; that space is wasted in vestibules and hallways. The design of the housing units reflects the cultural and social values inherent in Portuguese society. As one architect explained, the Portuguese do not like to open their homes to the view of strangers; hence, the vestibule and the segregation of each room in the house. An attempt was made in Olivais North to design a combined dining room-living room area and to eliminate the vestibule. The residents would use a bedroom for a dining room and build partitions in the living room to create an entry hall. The architects at the FFH are attempting to make better utilization of space in the units while still incorporating traditional designs into the floor plans.

Another comment which has been made regarding construction is the use of marble for sills, stairs, and counters and the use of parquet flooring. It should be recognized that marble is an indigenous product and that the use of marble stimulates the national economy. The use of marble is also consistent with the government's policy of building housing with a long economic life and minimal maintenance. The use of parquet flooring can be justified on the same basis.

The provision of finished housing units of high quality at heavily subsidized rents may not be feasible as long range housing policy. The resources required for such a program are beyond the capacity of the government budget. Construction costs have increased to approximately 8,000 escudos per m<sup>2</sup> in the south and 12,000 escudos per m<sup>2</sup> in the north.

### Distribution of Housing Units

Until mid-1979, the FFH administered the application and distribution of social housing through its central and regional office. Since that time, the municipalities have had the responsibility for processing applications and distributing units.

The application procedure was established in 1977. The availability of social housing units is advertised in local media about four months prior to expected completion of the units. The advertisements provide information about the number of units available, the type of program, the types of units available, the locations where applications can be filed, and the criteria for qualification. The photographs shown in Exhibit 18 show the display advertising for a municipal housing authority project in Evora.

Applicants complete and file an application form which is presented in Exhibit 19. The application form asks for information about the current housing situation of the applicant, the family structure, and the family income by wage-earner. Each measure is weighted by a point allocation system. The total points for each applicant are computed and the applicants are arrayed in descending total point order. The units are distributed to those applicants with the highest total points until all units have been awarded. A list of the applicants and the families who have received units is posted in a public place. Unsuccessful applicants are given the opportunity to appeal the decision.

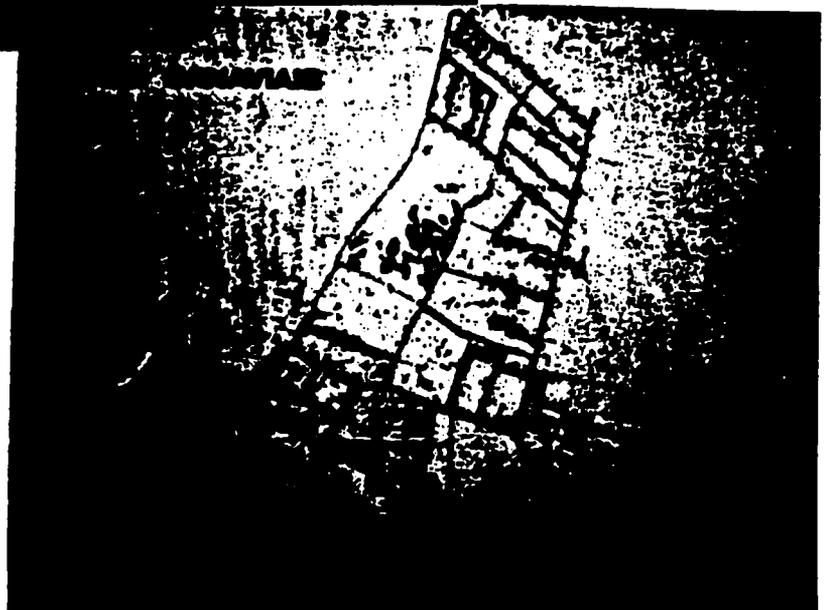
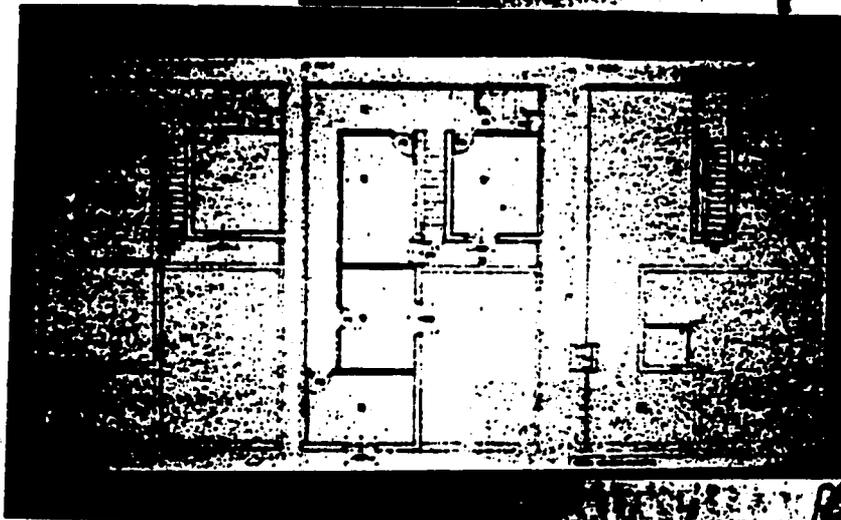
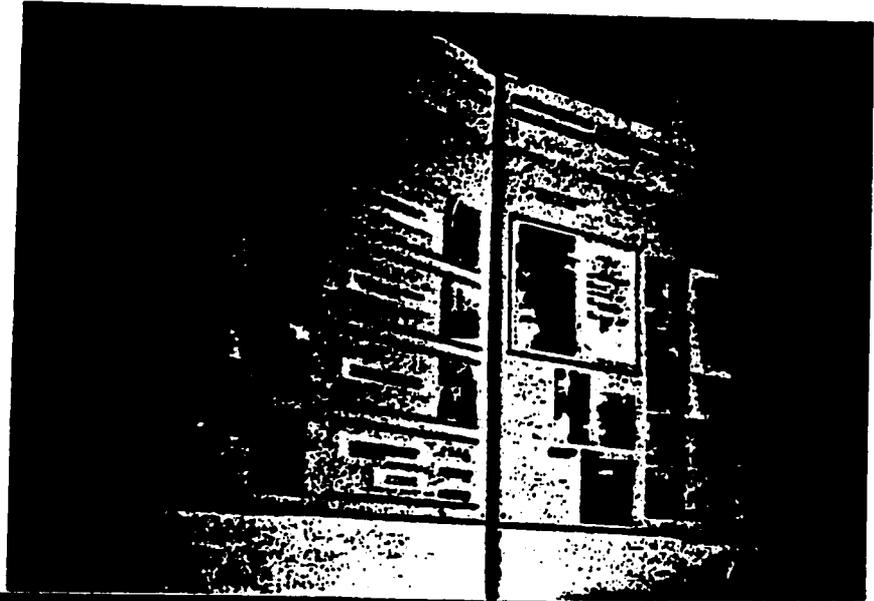
The system of distributing housing units is an equitable one. Basically, the system is designed to favor those families currently living in the poorest conditions, particularly those in barracas. The major problems arise from inadequacies and inconsistencies in the application form and the arbitrary restrictions imposed by the government on the maximum number of persons per housing unit. An example illustrates some of the problems of the current system. A family with eleven persons residing in a barraca with a bare subsistence income could not qualify for a social housing unit because the government limits the number of persons per unit to a maximum of eight. Therefore, the family of 11 must return to its barraca. As this example illustrates, the system discriminates against large families who frequently are the families most in need of social housing. Currently FFH officials are attempting to have legislation passed to make the regulations restricting the number of persons per housing unit more flexible.

One of the difficulties which has faced the officials responsible for the evaluation of applicants and the distribution of social housing units is the verification of the information given on the application. Social workers overwhelmed by the sheer volume of applications are unable to verify every case. The current system of verification is based on a declaration by a parish official and a salary certification from the applicant's employer. Where it is possible, a social worker will visit the family. With the decentralization of the application and distribution process from the FFH to the municipalities, the process of verification has been made somewhat easier. An example of the employer verification form is given as Exhibit 20.

Another inadequacy in the system is the lack of any centralized data collection and analysis. There is no source of information on the socio-economic characteristics of applicants and beneficiaries of

EXHIBIT 18

DISPLAY ADVERTISING FOR SOCIAL HOUSING  
EVORA MUNICIPAL HOUSING AUTHORITY



**SERVIÇO MUNICIPAL DE HABITAÇÃO  
Municipal Housing Services**

**QUESTIONÁRIO PARA INSTRUÇÃO DO PROCESSO DE ATRIBUIÇÃO  
DE HABITAÇÕES SOCIAIS DO SECTOR PÚBLICO  
Questionnaire for application to a state housing unit**

arrendamento\*   
rent

propriedade resolúvel\*

número\* \_\_\_\_\_  
number

**NOTA IMPORTANTE**

A este questionário deve responder-se com a maior exactidão, pois a prestação de falsas declarações determinará a exclusão do candidato da lista de inscrição, ou a rescisão do contrato de atribuição da casa que, eventualmente, com ele seja celebrado.

Leia tudo até ao fim antes de começar a responder

This questionnaire must be answered accurately because false declarations will lead to the exclusion of the candidate's application or to the cancellation of any contract which may have been drawn up allocating him a house. Read right through form before starting

AGrupamento Habitacional de:\* to answer questions.

\_\_\_\_\_  
\_\_\_\_\_

**1. IDENTIFICAÇÃO**

Nome Name \_\_\_\_\_

Morada Address \_\_\_\_\_

Localidade Locality in the parish \_\_\_\_\_

Freguesia Parish \_\_\_\_\_

Concelho Regional Division \_\_\_\_\_

Distrito District \_\_\_\_\_

\* a preencher pelos serviços  
To be filled in by the Services

SITUAÇÃO HABITACIONAL ( marcar X no <input type="checkbox"/> que interessa )	RESPOSTAS	PONTOS *
<p>Do you Não tem habitação? Have no house?</p> <p>Vive em barraca? Live in a shack?</p> <p>Vive em prédio ou moradia? Live in an apartment house or a detached house?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="text"/></p> <p><input type="text"/></p> <p><input type="text"/></p>
<p>Are you a tenant living É inquilino e vive só com a família? with your family?</p> <p>Are you a tenant taking in lodgers? É inquilino da casa e tem hóspedes? Quantas divisões tem a casa? How many rooms has the house? Quantas pessoas residem em casa? How many people live in the house? Quanto paga de renda? What rent do you pay</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p>_____ \$ _____</p>	<p><input type="text"/></p> <p><input type="text"/></p> <p><input type="text"/></p> <p>Índice ocupado</p> <p><input type="text"/></p> <p>Renda / Rendimento</p>
<p>Vive em habitação de função ou em alojamento de porteira? Do you live in the janitor's quarters?</p> <p>Vive em alojamento de natureza precária? Is the housing of a temporary nature?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="text"/></p> <p><input type="text"/></p>
<p>É hóspede? Are you a lodger?</p> <p>Vive em casa de familiares? Do you live in a relative's house?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>	<p><input type="text"/></p> <p><input type="text"/></p>
<p>Has the house: A CASA TEM:</p> <p>Esgotos? Drains?</p> <p>Água canalizada? Mains water Running water?</p> <p>Retrete? W.C.?</p> <p>Banheira ou chuveiro? Bath or Shower?</p> <p>Electricidade? Electricity?</p>	<p>SIM NÃO</p> <p><input type="checkbox"/> <input type="checkbox"/></p>	<p><input type="text"/></p> <p><input type="text"/></p> <p><input type="text"/></p> <p><input type="text"/></p> <p><input type="text"/></p>
<p>NA ZONA ONDE MORA HÁ: In the area in which you live have you:</p> <p>Transportes públicos? Public transport?</p> <p>Escola primária? A primary school?</p> <p>Liceu ou Escola Técnica? Secondary or technical school?</p> <p>Lojas de comércio? Shops?</p> <p>Equipamento médico-sanitário? Health facilities?</p>	<p>SIM NÃO</p> <p><input type="checkbox"/> <input type="checkbox"/></p>	<p><input type="text"/></p> <p><input type="text"/></p> <p><input type="text"/></p> <p><input type="text"/></p> <p><input type="text"/></p>
<p>Concelho de residência actual In which regional division do you live at present?</p> <p>Reside neste Concelho há quantos anos? How long have you resided in this division?</p>	<p><input type="text"/></p> <p><input type="text"/></p>	<p><input type="text"/></p> <p><input type="text"/></p>
<p>SITUAÇÃO FAMILIAR ( marcar X no <input type="checkbox"/> que interessa ) Family situation</p>	<p>SIM NÃO</p>	<p><input type="text"/></p>
<p>É solteiro? Are you single?</p> <p>Constituiu família há quantos anos? How long have you had a family?</p>	<p><input type="checkbox"/> <input type="checkbox"/></p> <p><input type="text"/></p>	<p><input type="text"/></p>

\*: coluna a preencher pelos serviços

a) Indique no quadro seguinte os membros do agregado familiar que irão residir na habitação a que concorre  
**Gross annual income**

CASA L E FILHOS SOLTEIROS	Nome Name	Profissão Occupation	Data do nascimento Date of birth	Vencimentos e outros rendimentos		*  Grupos e/ou Chefe de família
				Importância anual líquida		
1			/ /		\$	
2			/ /		\$	
3			/ /		\$	Filhos residentes
4			/ /		\$	
5			/ /		\$	Total do rendimento
6			/ /		\$	Rendimento mensal
7			/ /		\$	Rendimento mensal "per capita"
8			/ /		\$	Rendimento em % SHN
				Total		
b) Indique no quadro seguinte os familiares, ou outros residentes a seu cargo, que irão residir na habitação <b>relatives and other dependents who will reside in house</b>						
FAMILIARES E OUTROS RESIDENTES A CARGO DO CONCORRENTE	Nome	Parentesco Relationship	Data do nascimento	Vencimentos e outros rendimentos		*  Acidentes residentes
				Importância anual líquida		
1			/ /		\$	
2			/ /		\$	
3			/ /		\$	
4			/ /		\$	
				Total		

	Yes	No	
LOCALIZAÇÃO DO EMPREGO (marcar X no <input type="checkbox"/> que interessa) Place of work	SIM	NÃO	
Does the applicant work in the regional area in O CONCORRENTE trabalha no Concelho onde reside? which he lives?	<input type="checkbox"/>	<input type="checkbox"/>	
Tem transporte público directo para o local de trabalho? Has he public transport to place of work?	<input type="checkbox"/>	<input type="checkbox"/>	
O tempo de transportes é superior a 45 min. (1 percurso)? Is the one-way journey over 45 minutes long?	<input type="checkbox"/>	<input type="checkbox"/>	
Does the wife/husband work in the regional area? O CONJUGE trabalha no Concelho onde reside?	<input type="checkbox"/>	<input type="checkbox"/>	
Tem transporte público directo para o local de trabalho? has he/she public transportation to place of work?	<input type="checkbox"/>	<input type="checkbox"/>	
O tempo de transportes é superior a 45 min. (1 percurso) Is the one-way journey over 45 minutes long?	<input type="checkbox"/>	<input type="checkbox"/>	
SITUAÇÕES ESPECIAIS (marcar X no <input type="checkbox"/> que interessa) Special cases	SIM	NÃO	
Have you any physically or mentally handicapped person in your family? Medical certificate to confirm.	<input type="checkbox"/>	<input type="checkbox"/>	
COMPOSIÇÃO DO AGREGADO FAMILIAR Number in family			
De quantas pessoas se compõe o agregado familiar que vai residir How many members in the family which is to live in para a casa a que concorre. the house applied for.	<input type="checkbox"/>		

\* | coluna a preencher pelos serviços

Declaro, por minha honra, que respondi aos quesitos com exactidão e que conferi o preenchimento  
I declare on my honor that I have replied to the questions accurately  
and have checked the form.

Data \_\_\_\_ / \_\_\_\_ / 197 \_\_\_\_

The applicant  
O Concorrente.

---

**CONFIRMAÇÕES: \*\***

Confirmo a declaração constante do verso, que rubriquei, referente à composição do agregado familiar.  
I confirm the declarations overleaf, which I have countersigned, about  
the members of the family.

Data \_\_\_\_ / \_\_\_\_ / \_\_\_\_

The Chairman of the Parish Council  
O Presidente da Junta de Freguesia

Assinatura \_\_\_\_\_

\*\*1a preencher pela Junta de Freguesia  
To be filled in by the Parish Council



SOCIEDADE QUÍMICO-TÉCNICA, S.A.R.L.

EXHIBIT

Sample Employer's Salary Certification  
Porto Viso  
Direct Promotion Project

DECLARAÇÃO

Para os devidos efeitos, declaramos que o Sr. ~~XXXXXXXXXX~~  
~~XXXXXXXXXX~~, exerce a profissão de Semi-especializado, nesta  
Empresa, desde 3-5-1976, auferindo mensalmente a importância de  
Esc. 6.500\$00, bem como os Subsídios de Férias e de Natal, de  
igual valor.

Padrão da Lésua, 15 de Dezembro de 1977

SOCIEDADE QUÍMICO-TÉCNICA, S.A.R.L.

*[Handwritten signature]*  
REGISTRO Nº 1  
*[Handwritten signature: Rui Aides Pereira]*

*[Handwritten signature]*  
*[Handwritten signature]*

114-7 ... 10/11/77

R. DA ARROTEIA - PADRÃO DA LÉSUA - APART. 6 - S. MANEDE DE INFESTA - TEL. 881221/2-887223-880388-880388 - TEL. 880388

Tinta POTRO

the social housing program. This is a serious deficiency, but understandable considering the size of the program and the lack of staff to accomplish such tasks. It is hoped that in the future, complete data files will be maintained on each project of the FFH. This is an area where future technical assistance could be provided. Ideally these data would be maintained in a computer data bank which could be updated as family situations change.

In general, it can be said that the procedure for evaluating applicants and distributing social housing units is fair and equitable. Abuse of the system appears to be minimal. The social workers involved in the system appear to be genuinely concerned that those families most in need receive preference.

### Rent Structure

The rent structure in direct promotion rental housing is tied to the technical rent. The technical rent is not the market rent for a unit of a similar size and quality. It is calculated by amortizing the cost of the unit over 50 years at an annual interest rate of 7.5 percent plus 21 percent for maintenance and management. While the amortization period may be reasonable considering the quality of construction and the long term nature of occupancy, it is not reasonable considering the amortization period allowed for the loans used to finance housing. In addition, the 7.5 percent rate is low in light of the existing interest rate structure in the economy. The FFH itself must pay 19.5 percent for the funds borrowed to build direct promotion projects. Even if a more rational interest rate were used, it is unlikely that the technical rent would be equal to the fair market rent.

The social or subsidized rent charged an individual family is a function of the family income and the size of the family. All families must pay at least esc. 400\$000 per month. The maximum income a family can earn to qualify for social rent is three times the national minimum wage, currently set at esc. 7500\$00 per month. The maximum family income to qualify for the social rent is esc. 22,500\$00 per month.

Exhibit 21 presents a schedule of social rents at various income levels and household sizes. As an example, a family of four earning 16 contos per month would pay esc. 3,750\$00 per month in rent, or 23.44 percent of its gross monthly income. A family of eight with a total monthly household income of 8 contos would pay esc. 750\$00 per month in rent, or 9.375 percent of its monthly income. A family of 4 earning the maximum of 22.5 contos would pay esc. 7,260\$00 per month in rent, or 32.3 percent of their gross monthly income. If a family's income is above 22.5 contos per month, the technical rent would be charged. Currently about 10 percent to 11 percent of the occupants of direct promotion projects are paying the technical rent.

Under previous laws, there was no provision for rent escalation over time. Therefore, a family would continue to pay rent based on the family income at the time their unit was allocated to them.

**EXHIBIT 21**  
**SYSTEM FOR THE DETERMINATION OF RENTS**

Total Monthly Income (in contos)	Adjustment Percentage Percentage $p=1.25R+5$	Monthly Rent in Escudos by Number of Persons Per Household							
		2	3	4	5	6	7	8	
4	10	400	a	a	a	a	a	a	
5	11.25	570	510	450	a	a	a	a	
6	12.50	750	690	630	570	500	440	a	
7	13.75	970	900	830	760	690	620	550	
8	15	1,200	1,130	1,050	980	900	830	750	
9	16.25	1,470	1,390	1,300	1,220	1,140	1,060	980	
10	17.50	1,750	1,670	1,580	1,490	1,400	1,320	1,230	
11	18.75	2,070	1,970	1,880	1,790	1,690	1,600	1,500	
12	20	2,400	2,300	2,200	2,100	2,000	1,900	1,800	
13	21.25	2,770	2,660	2,550	2,450	2,340	2,240	2,130	
14	22.5	3,150	3,040	2,930	2,820	2,700	2,590	2,480	
15	23.750	3,570	3,450	3,330	3,210	3,090	2,970	2,850	
16	25	4,000	3,880	3,750	3,630	3,500	3,380	3,250	
17	26.25	4,470	4,330	4,200	4,070	3,940	3,810	3,680	
18	27.5	4,950	4,820	4,680	4,540	4,400	4,270	4,130	
19	28.75	5,470	5,320	5,180	5,040	4,890	4,750	4,600	
20	30.00	6,000	5,850	5,700	5,550	5,400	5,250	5,100	
21	31.25	6,570	6,470	6,250	6,100	5,940	5,790	5,630	
22	32.50	7,150	6,990	6,830	6,670	6,500	6,340	6,180	
22.5	33.75	7,600	7,430	7,260	7,090	6,920	6,750	6,590	
Over 22.5	Technical Rent <sup>c</sup>								

<sup>a</sup>Will pay the minimum rent of 400\$00.

<sup>b</sup>The maximum number of persons permitted to occupy social housing (T5) is 8.

<sup>c</sup>Technical rent ( $R_t$ ) =  $r_m + .15r_m + .05R_t$ .

$r_m$  = amortization of capital investment + 7.5% interest for 50 years

$.15r_m$  = maintenance allowance

Incomes have been increasing at a relatively rapid pace since the decree law establishing the social rent system was passed in 1975. At that time the minimum wage was 4.5 contos per month and the maximum income permissible for social rent was 13.5 contos per month. In 1977, the minimum wage had risen to 5.7 contos per month and the maximum income to 17.1 contos. Currently the minimum monthly wage is 7.5 contos and the maximum permissible income is 22.5 contos.

The implications of the fixed rent policy became obvious to government officials and in 1979 a decree law was passed to provide for annual income and rent reviews. The first such adjustment was made in September, 1979. One of the difficulties in implementing the annual review process is the verification of income. Currently the only verification available is a salary certification from the tenant's employer. This system will be revised when a national income tax reform act is put into effect. Under the proposed tax reform all taxpayers will be given an identification number. This identification number will be used by the managers of the social housing projects to verify income against tax returns.

Even with the periodic rent and income reviews, the basic problems of the rent structure remain. First the technical rent bears little, if any, relationship to the fair market rents in a given market which would be required to recover the costs of development. Second, the ceiling on eligibility for social rent is set at a level such that middle income households who might be able to pay market rents will receive a subsidy.

Consideration should be given to revising the rent setting system to correlate better with market rents and family income levels in a given market area. The FFH should also consider selling off housing units when the incomes of residents reach a pre-determined level.

#### Rent Collection Procedure

The rent collection procedure incorporates a computerized billing system. The procedure followed is that a rent receipt is sent to the local office of the Caixa Geral de Depositos. The tenant then has 8 days to pay the rent. If the rent is not paid within this time, the receipt is returned to the FFH or the municipality and a welfare worker requires that the delinquent tenant explain the reasons for nonpayment. If the tenant is unable to pay, he is given a period of grace. When he finds work, or recovers from whatever financial setback caused the delinquency, the amount in arrears is prorated over the number of months of delinquency.

The FFH's collection experience has been good. The majority of tenants pay their rent promptly. In 1976, delinquency was 7.02 percent of aggregate rent receipts, that is, the total gross scheduled income accruing from the initial occupancy of the project to the current date. It is estimated that the current delinquency rate is approximately 6 percent. Delinquency does not appear to be a problem. There is a "hard core" of about 2 percent in uncollected rents.

However, this situation is more the result of politically motivated rent strikes than a generalized laxity in meeting rental commitments and in enforcement. The enforcement problem is one which could prove troublesome. Since the revolution, it has been extremely difficult to evict tenants. With the changing political climate, enforcement and eviction may be more easily facilitated through the courts.

### Property Management

The management of direct promotion rental housing is the responsibility of either the FFH or the local municipality. The municipality is given the option to assume management responsibility for the project. If it elects not to manage a project, the management remains with the FFH. The FFH has 24,000 housing units, 180 shops and 36 social service centers under its management and the municipalities, 4000 to 5000 units. The responsibilities of the property management department of the FFH have expanded significantly in recent years due to the rate of public housing construction. As of December 31, 1972, the FFH managed only 1,000 housing units.

In addition to the Direct Promotion housing projects, the FFH is responsible for 4,000 to 5,000 prefabricated housing units for refugees built under the CAR program. The CAR program is a joint effort to provide housing for refugees from the former Portuguese colonies. It has been less than completely successful. The prefabricated method of construction has a shorter economic life than traditional construction and has had a high degree of consumer resistance.

Of the 24,000 housing units managed by FFH, 16,000 will be sold to the current tenants. This is the first public housing to be converted from renter to owner occupancy. The 16,000 units will be sold using a 25 year amortization with escalating payments tied to the occupant's income.

The remaining 8,000 units managed by FFH are rental units. It is assumed that when the AID-assisted projects are completed, they will be managed in the same fashion as existing public housing. The staff available for property management in FFH appears to be quite limited. It is estimated that there is one management person for every 1,200 units.

Neither the FFH nor the municipalities have had extensive experience in the management of large scale housing projects. Since most of the FFH's projects have been completed within the last five years, maintenance and capital improvements have been minimal. Tenants are responsible for interior maintenance, but there does not appear to be any policy regarding the performance of interior maintenance if the tenant is unable or unwilling to do so. The only provision for maintenance is an allocation of 15 percent of the rent receipts. There is some question as to the adequacy of this allocation as the buildings age and deteriorate. The general skepticism towards the 15 percent allocation is reflected in some municipalities' refusal to assume the responsibility for maintenance

of the FFH projects within their jurisdiction. The lack of any provision for capital replacement may become a serious factor over the next ten to twenty years.

It is recommended that the FFH and the municipalities evaluate the financial requirements and administration of property maintenance and capital improvement. If the current allocation for maintenance proves inadequate, rents should be raised. Since the public housing projects have been designed as very long term investments, it is imperative that provision be made for maintaining the high quality of the structures.

### Social Services

The lack of coordination between the housing delivery system and the social services delivery system creates serious problems. The decentralization of authority to the municipalities should help to alleviate some of these problems, if the funding is provided to the municipalities along with the responsibilities. Social services range from schools, community centers, transportation and medical facilities to counseling and training for rehoused families. For families who may have never lived in a home with a floor, running water, a toilet, and electricity, the reeducation process can be critical. Training may be as basic as showing a person how to flush a toilet or carry out the garbage. Under the present system, efforts to educate new residents of social housing have been undertaken on an ad hoc individual basis. There is a serious lack of analysis of social needs and a shortage of trained personnel to deliver social services.

The provision of services to residents of social housing projects should receive greater consideration than is currently given. The responsibility for the provision of social services should be integrated into the housing delivery system.

### Characteristics of Residents of AID-Assisted Direct Promotion Housing Projects

There is no system within the FFH or any other government agency in Portugal for collection of socio-economic data on the recipients of social housing units. Therefore, it was difficult to determine with any degree of certainty the demographics of residents of the AID-assisted direct promotion projects in Portugal. Data were available from the FFH and various municipal housing authorities on residents of the Porto Viso, S. Joao da Madeira, Alagoas-Regua, Evora, and Beja projects. However, these data were not presented in a consistent manner. Information from Porto Viso and Alagoas-Regua were based on small samples. Twenty applications of families awarded housing units in the Porto Viso project and thirteen in the Alagoas-Regua projects were sampled. Data on Evora and S. Joao da Madeira were taken from reports made by the respective local municipal housing authorities. Data on the Beja project were drawn from a survey of families rehoused in the project and a summary statistical report of successful applicants prepared by the municipal housing authority.

## Family Income

Income statistics for residents of the direct promotion projects on which data were available were compared with national income data as presented in a 1978 study by the Ministry of Housing, Department of Planning and Control, entitled Estimates of the Distribution of Families by Income in 1977. The income data on the housing projects were from 1976 to 1978 and therefore, were regarded as comparable to the 1977 national income estimates published in the Ministry of Housing report.

Exhibits 22 and 23 present data on the distribution of family income in Portugal in 1977. As these exhibits show, the median monthly family income was esc. 10,400\$00. The median income for smaller families was below the median for the total population, while the median income for larger families was above the national median, indicating that in most families there is more than one wage earner. In many instances families consist of parents and grown children who are in the labor force.

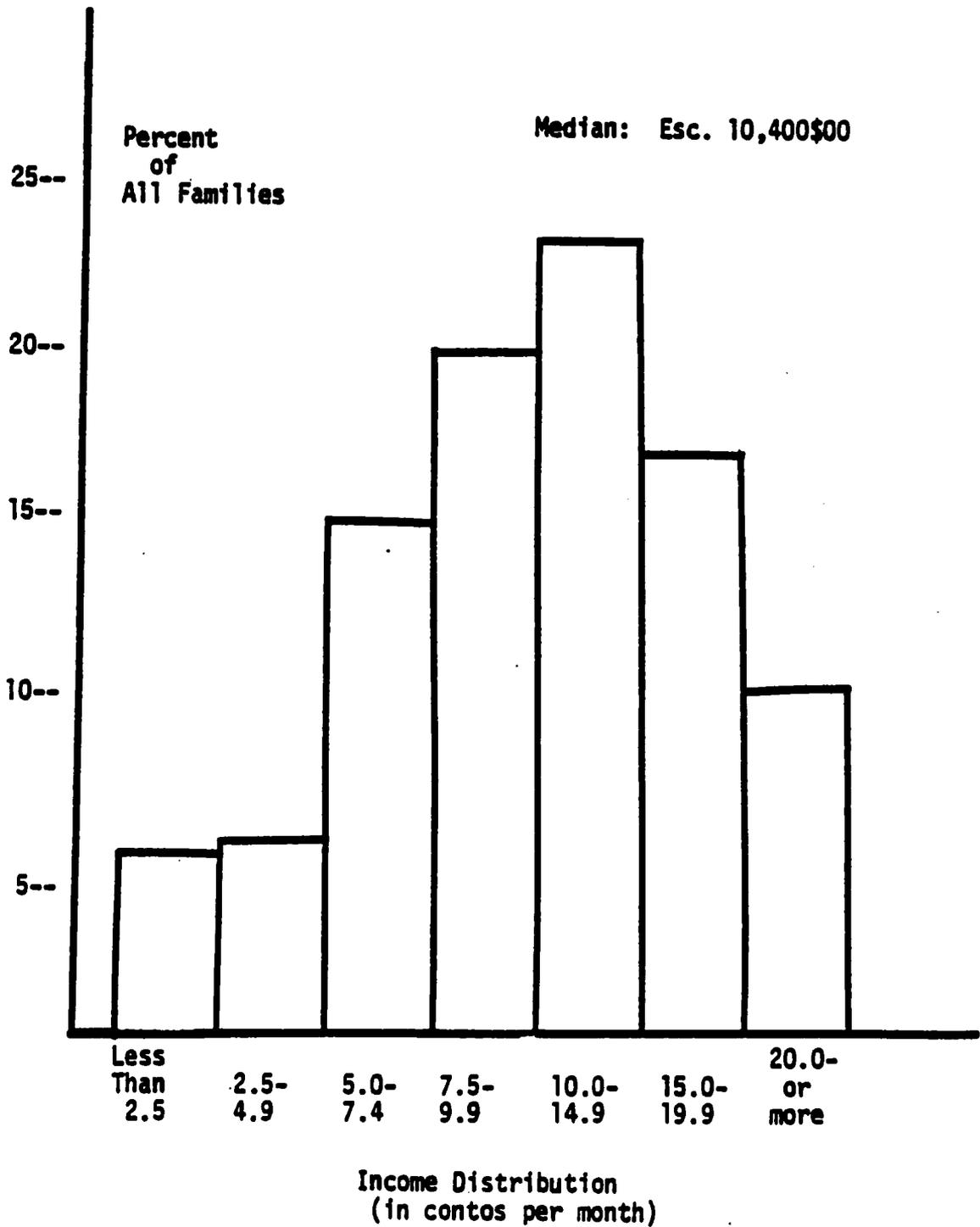
Exhibits 24 and 25 present data on the concentration of family income. The Lorenz Curve shown in Exhibit 24 indicates that in 1977 there was a more equitable distribution of family income than in the previous survey periods of 1973/1974 and 1967/1968. The Lorenz Curve shows the concentration of income among the population. The 45 degree line represents an income distribution where no one segment of the population accounts for a greater percentage of the total income in the country than any other segment of the population. The closer the income curve is to this 45 degree line the more equitable the income distribution. The data in Exhibit 25, taken from the Lorenz Curve, show that there has been a shift in income distribution in Portugal. The percent of families in the lowest quartile of the income distribution has decreased from approximately 56 percent in 1967/68 and 1973/74 to 45.5 percent in 1977. The percent of families in the highest quartile has increased to over 9 percent; the percent of families in the second quartile has increased from 14 percent to 18 percent.

Exhibit 26 presents a distribution of family income in 1977 by percentile. As the exhibit shows, 10 percent of the families in 1977 had monthly incomes of esc. 4400\$00 or less, 25 percent of the families had monthly incomes of esc. 6500\$00 or less, 75 percent of the families have monthly incomes of esc. 15,900\$00 or less. Only 5 percent of the families had incomes of esc. 25,000\$00 or more.

The family income data available on residents of AID-assisted direct promotion projects are presented in Exhibits 27 through 31. As these exhibits show, while median family incomes in all of the projects were below the national average there is substantial variability among the projects. Much of this variability is due to the location of the projects surveyed. For example, in Alagoas-Regua the median monthly family income was only esc. 3200\$00 ranking families in this project in the lowest income decile. Since Alagoas-Regua is located in a rural area, it is not surprising that

EXHIBIT 22

Family Income Distribution  
in 1977



Source: Ministry of Housing, Department of Planning and Control, "Estimates of the Distribution of Families by Income in 1977" November, 1977.

EXHIBIT 23

Family Income Distribution by Size of Family

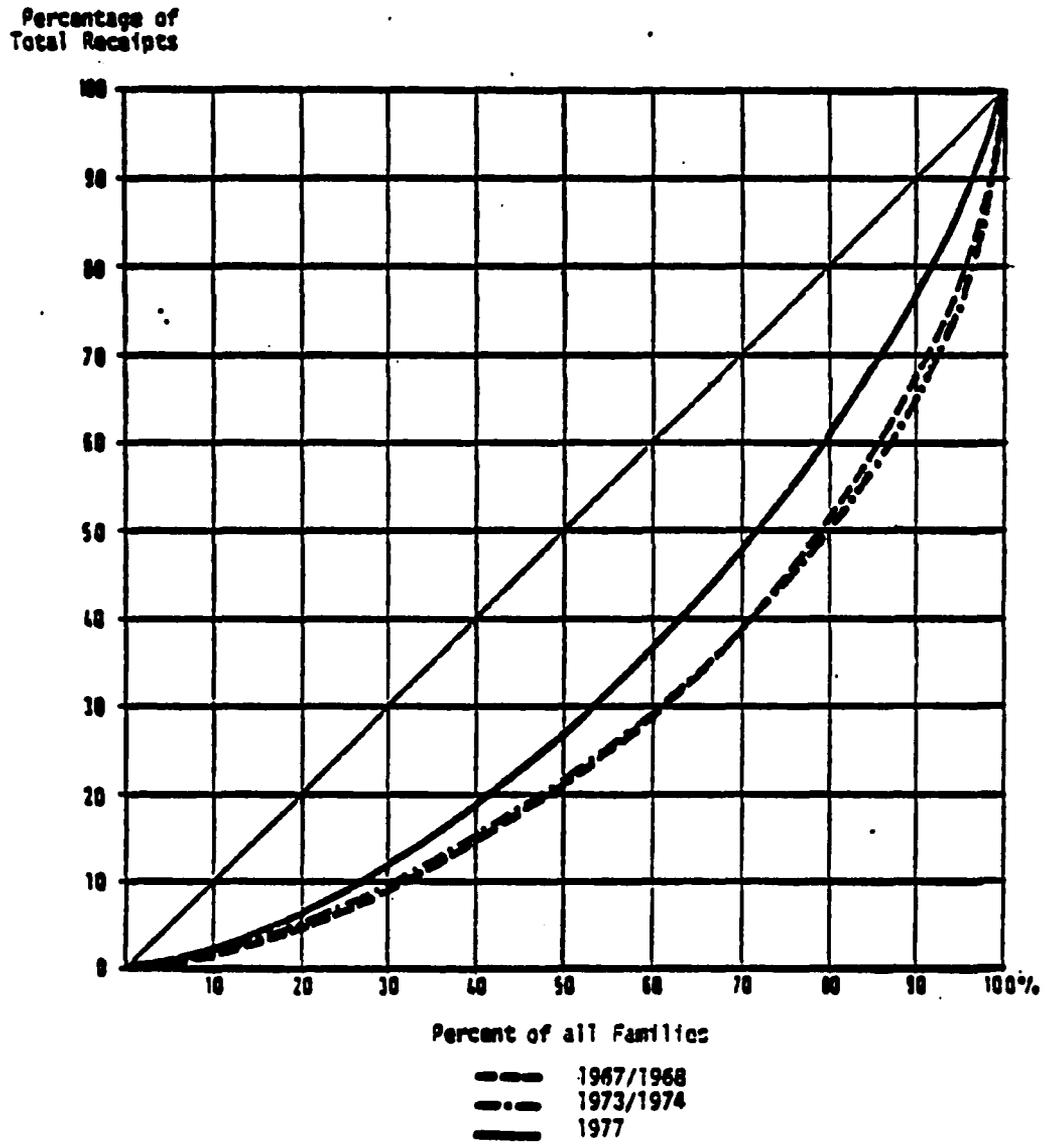
1977

<u>Monthly Income</u> <u>(1,000 Escudos)</u>	Percent of Families Consisting of						<u>All</u> <u>Families</u>
	<u>1</u> <u>Person</u>	<u>2</u> <u>Persons</u>	<u>3</u> <u>Persons</u>	<u>4</u> <u>Persons</u>	<u>5</u> <u>Persons</u>	<u>6</u> <u>Persons</u>	
less than 2.5	25.6%	8.0%	5.4%	1.4%	1.2%	0.5%	6.1%
2.5 to 4.9	24.1	7.6	4.1	3.1	1.1	0.7	6.3
5.0 to 7.4	19.7	16.8	16.0	12.7	9.3	11.2	14.7
7.5 to 9.9	15.5	23.2	22.5	21.5	17.1	20.7	21.0
10.0 to 14.9	8.5	22.8	26.5	28.3	31.5	21.6	24.0
15.0 to 19.9	5.7	15.9	15.7	21.0	25.0	23.7	17.7
20 or more	0.9	5.7	9.8	12.0	14.8	21.6	10.2
Median	5.04	9.40	10.19	11.00	11.69	11.96	10.40

source: Ministry of Housing, Department of Planning and Control, "Estimates of the Distribution of Families by Income in 1977" November, 1977.

EXHIBIT 24

Curve of the Concentration of Family Income in Portugal in 1967/68, 1973/74, and 1977 (Lorenz Curve)



**EXHIBIT 25**

**Distribution of Families by  
Family Income Quartiles**

**1967/68, 1973/74, 1977**

<u>Quartile</u>	Percentage of All Families			Change		
	1967/68	1973/74	1977	68-74	73-77	67-77
First	6.2%	7.3%	9.2%	+1.1%	+1.9%	+3.0%
Second	14.4	14.1	18.0	-0.3	-3.9	+3.6
Third	23.2	22.3	27.3	-1.0	+5.0	+4.0
Fourth	56.1	56.3	45.5	+0.2	-10.8	-10.6

**Source:** Ministry of Housing, Department of Planning and Control, "Estimates of the Distribution of Families by Income in 1977" November, 1977.

**EXHIBIT 26**

**DISTRIBUTION OF FAMILY INCOME  
IN PORTUGAL IN 1977  
BY PERCENTILE**

<b>Monthly Family Income (in escudos)</b>	<b>Percent of Families with Monthly Income Below Level Indicated</b>
25.000	95%
20.000	90%
17.500	80%
15.900	75%
14.500	70%
12.500	60%
10.400	50%
8.700	40%
7.500	30%
6.500	25%
6.400	20%
4.400	10%
2.200	5%

**Source:** Ministry of Housing, Department of Planning and Control, "Estimates of the Distribution of Families by Income in 1977", November, 1977.

**EXHIBIT 27**

**FAMILY INCOME DISTRIBUTION  
OF RESIDENTS OF ALAGOAS-REGUA  
AID-ASSISTED DIRECT PROMOTION HOUSING PROJECT**

Monthly Family Income (in Escudos)		No. of Families T <sub>2</sub>	Percent of Families
0 - 1,499		2	15.4%
1,500 - 2,999		4	30.8
3,000 - 4,499		2	15.4
4,500 - 5,999		1	7.7
6,000 - 7,499		1	7.7
7,500 - 8,999		3	23.1
<b>Total</b>		<b>13</b>	<b>100.0%</b>
<b>Median Monthly Family Income</b>	<b>3,200</b>		

**Source: Based on a sample of 13 families.**

**EXHIBIT 28**

**FAMILY INCOME DISTRIBUTION  
OF PORTO VISO AID-ASSISTED  
DIRECT PROMOTION HOUSING PROJECT**

<b>Monthly Family Income (in Escudos)</b>	<b>No. of Families T<sub>2</sub></b>	<b>Percent of Families</b>
0 - 1,999	3	15%
2,000 - 3,999	4	20
4,000 - 5,999	2	10
6,000 - 7,999	5	25
8,000 - 9,999	2	10
10,000 -11,999	3	15
12,000 -13,999	1	5
<b>Total</b>	<b>20</b>	<b>100.0%</b>
<b>Median Monthly Family Income</b>	<b>6,500</b>	

**Source: Based on a sample of 20 families.**

**EXHIBIT 29**

**DISTRIBUTION OF PER CAPITA INCOME  
OF RESIDENTS OF CRUZ DA PICADA, EVORA  
AID-ASSISTED DIRECT PROMOTION HOUSING PROJECT**

<b>Monthly Per Capita Income (in escudos)</b>	<b>Number of Families</b>	<b>Percent of Families</b>
Less than 1,499	83	17.3
1,500 to 2,499	131	27.4
2,500 to 4,499	206	43.0
4,500 to 5,499	48	10.0
5,500 to 6,800	11	2.3
<b>Total</b>	<b>479</b>	<b>100.0</b>
<b>Median Per Capital Monthly Income</b>	<b>2,745</b>	
<b>Estimated Median Family Income<sub>1</sub></b>	<b>8,647</b>	

1 Data on per capita income and family size were provided. Estimate of family income was made by multiplying the median per capita income by the average number of persons per family of 3.15.

**Source:** Report of Evora Municipal Housing Authority.

**EXHIBIT 30**

**FAMILY INCOME DISTRIBUTION  
OF RESIDENTS OF BEJA AID-ASSISTED  
DIRECT PROMOTION HOUSING PROJECT**

Monthly Family Income (in escudos)	Families Rehoused from Alleys and Courtyards		Families Allocated Units Through PAS*		TOTAL	
	No.	Percent	No.	Percent	No.	Percent
0 - 4,499	24	38.7%	1	0.7%	25	12.6%
4,500 - 5,999	10	16.1	8	5.8	18	9.0
6,000 - 6,999	4	6.5	11	8.0	15	7.5
7,000 - 7,999	7	11.3	12	8.7	19	9.5
8,000 - 8,999	9	14.5	15	11.0	24	12.1
9,000 - 9,999	2	3.2	22	16.1	24	12.1
10,000 - 10,999	3	4.8	25	18.3	28	14.1
11,000 - 11,999	1	1.6	11	8.0	12	6.0
12,000 - 12,999	0	0.0	7	5.1	7	3.5
13,000 - 13,999	2	3.2	5	3.7	7	3.5
14,000 and over	0	0.0	20	14.6	20	10.1
<b>TOTAL</b>	<b>62</b>	<b>100.0</b>	<b>137</b>	<b>100.0</b>	<b>199</b>	<b>100.0</b>
<b>Median Monthly Family Income</b>	<b>\$5,550</b>		<b>\$9,975</b>		<b>\$8,935</b>	

\*Public Allocation System

Source: Report of the Beja Municipal Housing Authority.

**EXHIBIT 31**

**FAMILY INCOME DISTRIBUTION  
OF RESIDENTS OF S. JOAO da MADEIRA  
AID-ASSISTED DIRECT PROMOTION HOUSING PROJECT**

<b>Monthly Family Income (in escudos)</b>	<b>Number of Families</b>	<b>Percent of Families</b>
less than 5,700	4	4.8
5,701 - 7,800	13	15.5
7,801 - 8,900	18	21.4
8,901 - 10,000	9	10.7
10,001 - 11,000	3	3.6
11,001 - 12,100	4	4.8
12,101 - 13,200	6	7.1
13,201 - 14,200	7	8.3
14,201 - 15,700	9	10.7
15,701 - 17,100	8	9.5
17,101 - 18,500	2	2.4
18,501 - 20,000	1	1.2
<b>Total</b>	<b>84</b>	<b>100.0</b>
<b>Median Monthly Family Income</b>	<b>9,755</b>	

**Source: Report of S. Joao da Madeira Municipal Housing  
Authority**

family incomes there were below those of residents of projects in more urbanized areas and the national median. The regional differences in income levels should be taken into account when comparing income data. However, the Ministry of Housing study did not disaggregate income data by geographic area. Therefore, the comparisons of median family incomes in the surveyed projects with the national income distribution may not give a completely accurate picture.

In spite of the limitations of the data available, it is possible to draw some conclusions regarding the effectiveness of AID-assisted housing projects in reaching the lower income target market. In all the projects surveyed median family incomes were below the national median. There is no evidence that middle or upper income families are being awarded housing units. The application process and the point system of distributing social housing appears to be functioning effectively in insuring that only eligible families receive social housing units. The only exception to this general practice is in areas where housing is needed for technical and professional personnel. In such areas some social housing units will be allocated temporarily to these people. Beja and Evora are cases where the municipalities determined that in order to attract technical and professional people to the area housing would have to be made available. Some of the housing units in the AID-assisted housing projects administered by these two municipalities were reserved for this purpose. In Beja approximately 50 of the housing units in the AID-assisted project were allocated to technical personnel. The distribution of a limited number of social housing units to technicians and professional personnel needed in a community is justifiable.

#### Previous Housing Condition

High priority is given in the social housing distribution process to applicants residing in substandard or over crowded housing conditions. The previous housing condition of most of the residents of the AID-assisted direct promotion housing projects surveyed was poor. Many lived in barracas or in make-shift shelters in open courtyards or alleyways. Other applicants shared housing with several other families. The previous housing condition of the residents of the five projects surveyed is summarized in Exhibit 32.

#### Municipal Co-Participation Program

As discussed earlier in this study, Decree Law 797/79 of November 6, 1976 established SMH's, municipal housing authorities. The municipal co-participation program consists of financial and technical support to these local housing authorities. The FFH administers the financial aspects of construction of social housing projects and establishes criteria for participation in the program. For example, land and infrastructure should be available and the local authority should have a master plan for development within their jurisdiction. The FFH supervises the disbursement of funds, but the actual construction and management of the projects are the

EXHIBIT 32

Previous Housing Conditions of Residents of  
Selected AID-Assisted Direct  
Promotion Housing Projects

<u>Selected Housing Conditions</u>	Percent of Residents			
	<u>Porto Viso</u> <sup>1</sup>	<u>S. Joao da Madeira</u>	<u>Alagoas Regua</u> <sup>1</sup>	<u>Beja</u> <sup>1</sup>
Family Lived in a Barraca <sub>2</sub>	45%	59%	41%	68%
Previous Housing Lacked:				
Sewers	90%	85%	77%	64%
Water	90%	67%	55%	56%
Toilet	85%	76%	77%	84%
Bath or Shower	95%	84%	77%	89%
Electricity	50%	2%	23%	34%

<sup>1</sup> Based on samples of 20 for Porto Viso, 22 for Alagoas-Regua, and 216 for Beja

<sup>2</sup> Includes 71 families rehoused from temporary quarters in courtyards and alleyways.

responsibilities of the municipalities. Dwelling units constructed under the co-participation program must be allocated according to the same criteria as those followed for direct promotion housing units. The subsidized rent structure is also the same as that previously discussed.

AID has been involved in a number of municipal co-participation projects under the second loan and guaranty program. A list of the AID-assisted municipal co-participation housing projects is provided in Exhibit 33. Socio-economic data were available on two AID-assisted municipal co-participation projects, Chelas II and Portalegre. Both projects were initiated as direct promotion projects and were later transferred to the jurisdiction of the municipalities.

The Chelas II project has been designated for the rehousing of families currently residing in the Quinta do Narigao barraca in Lisbon. The data available on the future residents of the Chelas II project were taken from statistics collected by the social workers responsible for allocating the units. These included all families, not just those eligible for AID-assisted units. Although there are no data relating specifically to those residents who would receive AID-assisted units, it is reasonable to assume that the recipients of these units will have socio-economic characteristics similar to all families eligible for T1, T2, and T3 units in the project. All 548 families lived in a barraca. The median family income, as shown in Exhibit 34, was esc. 6,128\$00, ranking future Chelas II residents in the second lowest decile nationally. Because family incomes tend to be higher than the national average in Lisbon, the income status of recipients of Chelas II housing units is lower than that indicated by comparison with the national income distribution. In the 1974 income survey it was found that the median household income in Lisbon was esc. 7,427\$00, compared with the esc. 5,103\$00 national average. The ratio of the median income in Lisbon to the national median was 1.46. If this same ratio were applied to the national median income in 1977, the estimated median family income in Lisbon would have been esc. 15,080\$00. Therefore, the median income of the families to whom the Chelas II units will be allocated would have been 40.6 percent of the estimated median for the Lisbon metropolitan area and probably would have ranked in the lowest income decile for the area.

The data on families in the Portalegre project are for all allocated housing units, including 30 T4 housing units which would not have been included in the AID-assistance program. It is reasonable to assume that these units would have been allocated to the larger families. These families were excluded from the calculation of the income distribution for the AID-assisted units.

Exhibit 35 presents a distribution of monthly family income of T1, T2, and T3 families in the Portalegre project. The median income was esc. 10,240\$00 per month. No families had a total household income of less than esc. 7,800\$00 per month.

At Portalegre, twenty-seven percent of the project residents had lived in barracas. Another 18 percent had lived in group quarters.

**EXHIBIT 33****AID-ASSISTED HOUSING PROJECTS  
PROJECTS WITH MUNICIPALITY CO-PARTICIPATION****(All in Housing II)**

<b>PROJECT</b>	<b>PROJECT LOCATION (DISTRICT)</b>	<b>NUMBER OF AID FINANCED UNITS (T<sub>1</sub>, T<sub>2</sub>, T<sub>3</sub>)</b>
<b>Pedralvas</b>	<b>Lisbon</b>	<b>44</b>
<b>Chelas II</b>	<b>Lisbon</b>	<b>130</b>
<b>Quinta do Chalet</b>	<b>Lisbon</b>	<b>148</b>
<b>Musgueira Nordeste</b>	<b>Lisbon</b>	<b>80</b>
<b>Boavista</b>	<b>Lisbon</b>	<b>80</b>
<b>Telheiras</b>	<b>Lisbon</b>	<b>66</b>
<b>Portalegre 1</b>	<b>Portalegre</b>	<b>61</b>
<b>Portalegre 2</b>	<b>Portalegre</b>	<b>25</b>
<b>Portalegre 3</b>	<b>Portalegre</b>	<b>54</b>
<b>Portalegre 4</b>	<b>Portalegre</b>	<b>53</b>
<b>Vila Franca do Campo</b>	<b>Ponta Delgada</b>	<b>12</b>
<b>Vilar da Andorinho</b>	<b>Porto</b>	<b>80</b>
<b>TOTAL</b>		<b>833</b>

EXHIBIT 34

AID-ASSISTED HOUSING PROJECTS  
SOCIAL HOUSING COOPERATIVE

(All in Housing II)

PROJECT	PROJECT LOCATION (DISTRICT)	NUMBER OF AID FINANCED UNITS (T <sub>1</sub> , T <sub>2</sub> , T <sub>3</sub> )
Entroncamento 1, 2, 3	Santarem	272
Golega	Santarem	32
Lumiar	Lisbon	62
Canha-Montijo	Setubal	50
Pontes	Setubal	70
Cobata B, C	Evora	58
Evora	Evora	81
Torre de Coelheiros	Evora	48
Vila do Bispo	Lagos	94
Faralhao (Setubal)	Setubal	147
Alverca	Lisbon	71
TOTAL		985

**EXHIBIT 35**  
**STATUS OF THE COOPERATIVE HOUSING PROGRAM (CHE)**  
**As of September 30, 1979**

	Region				Total for Portugal
	Northern	Central	Lisbon	Southern	
Number CHE's Established	53	21	80	33	187
Number of Members of Established CHE's	15,550	6,500	25,734	9,690	57,474
Completed Dwelling Units -					
Number of CHE's	-	-	8	3	11
Number of Units	-	-	533	89	622
Dwelling Units Under Construction -					
Number of CHE's	5	1	12	13	31
Number of Units	519	237	1,197	1,262	3,215
Dwelling Units Out for Tender (Bid) -					
Number of CHE's	6	5	11	5	27
Number of Units	598	539	1,133	382	2,652
Dwelling Units in The Planning Stage -					
Number of CHE's	28	3	24	8	63
Number of Units	2,110	570	6,327	1,254	10,261
Land Allocated to CHE's -					
Number of CHE's	28	13	50	24	115
Number of Hectares	107	-	372	129.6	608.6
Financing Requested -					
Number of CHE's	9	6	26	15	56
Number of Units	1,117	776	2,799	1,733	6,425
Total Financing - Authorized	**	**	**	**	1,706,602,411\$10
Processed					608,099,126\$10

The residents' previous housing units lacked some or all facilities; 62.5 percent did not have a bath or shower, 51.2 percent lacked a toilet, 36.7 percent did not have sewer service, 30.1 percent had no running water and 28.5 percent lacked electricity.

### **Social Housing Cooperatives (Cooperativas de Habitacao Economica-CHE)**

Cooperatives have existed in Portugal since 1894. However, they have received the greatest impetus since November, 1974 with the passage of Decree Law 730 which initiated the program of social assistance to social housing cooperatives. Subsequent decree laws expanded government assistance. Under legislation currently in force there are no legal restrictions on eligibility to organize a social housing cooperative. The FFH assists in the organization of cooperatives and offers technical assistance to cooperatives to make them self-sufficient. Cooperatives also receive preferential financing terms on loans for housing development.

The cooperative movement has received a great deal of emphasis in recent years due to the concern of the Portuguese government with increasing the cost effectiveness of its social housing programs. In addition, the socialist regimes which were in power until the end of 1979 regarded the cooperative as a desirable compromise between strictly private development and direct promotion. As a result, the number of cooperatives has increased substantially. As of December 1979, there were 200 social housing cooperatives in Portugal involving approximately 16,000 families. AID has participated in eleven cooperative housing programs with a total of 985 eligible units. A list of AID-assisted cooperative projects is given in Exhibit 34.

Cooperative social housing programs have been regarded by a number of housing officials as a more effective and efficient means of solving Portugal's housing shortage than other government programs due to the self-help aspect of such endeavors. Ideally, members of cooperatives would be highly motivated. They would build the number and type of housing units needed. In most cases, the cooperative members would do most of the construction work themselves. A builder might do some of the major work, but the members would choose to do much of the work themselves to reduce costs. As a result, more housing could be produced per subsidy conto invested. A recent government report cited the lower subsidy element in cooperative housing programs relative to direct promotion. The report stated that an initial investment of 6.673 million contos is required to start 12,500 direct promotion dwelling units, compared with an initial investment of 3.336 million contos for the same number of cooperative units.

The social housing cooperative program in Portugal has been less than completely successful. Cooperative members frequently lack the skills and technical expertise to plan and execute a well designed project. This expertise should be provided by the government, either through the municipality or the FFH. Self-help projects tend to take a long time to complete. The members devote time and money as it is

available. Therefore, many cooperative projects will not be completed according to a predetermined schedule. Exhibit 35 presents the status of all social housing cooperatives in Portugal as of September 30, 1979. As the exhibit shows, only 622 units had been completed. Another 3,215 units were under construction.

The AID experience with social housing cooperatives has been similar to the national experience. AID-assisted cooperative projects have accounted for approximately 85 percent of all the cooperative units which have been completed. The AID-assisted projects have encountered the same problems as other social housing cooperatives across the country, but it appears that these projects have received greater technical assistance and support due to AID's participation. If the social housing cooperative program is to be successful in Portugal, the government will have to make a greater commitment of funds and manpower than it has in the past.

Social housing cooperatives were originally intended to solve the housing needs of the lower income strata. However, these people are the most deficient in technical expertise. As they have evolved, the majority of the cooperatives have been organized among lower middle and middle income families. Therefore, it is not surprising that cooperative members tend to have higher incomes than the recipients of direct promotion or municipal co-participation dwelling units. Exhibit 36 presents data on the average income and family size of cooperative members by district for selected districts. The average monthly per capita and family incomes of cooperative members were slightly below the estimated national average. It is reasonable to assume that the members of AID assisted cooperatives have socio-economic characteristics similar to the characteristics of all cooperative members.

#### **Owners' Association (Formerly SAAL-Agencies for Local Action on Slum Clearance)**

The SAAL program was established by a joint dispatch of the Minister of Home Affairs and the Secretary of State for Housing and Planning in 1974. The objective of the SAAL program was to support local action groups involved in slum clearance and the rehousing of people living in substandard housing in both urban and rural areas. Initially the SAAL projects were financed through a direct grant from the FFH of 90,000 escudos per unit. The remainder of the financing was supplied through loans from the specialized credit institutions at interest rates ranging from 0 percent to 3 percent. Due to financial constraints and difficulties in carrying out the SAAL program, on October 27, 1976, the SAAL programs were transferred to the municipal authorities. The SAAL programs which had been initiated prior to the issuance of the October 27 joint dispatch were either abandoned or organized into owners' associations. AID-assistance was involved in nine SAAL projects as shown in Exhibit 37. These projects are continuing in the owners' association form of organization.

As it was originally conceived, the SAAL program suffered from more than a lack of adequate financing. Once local action groups were

**EXHIBIT 36**  
**SOCIO-ECONOMIC CHARACTERISTICS**  
**OF CHE MEMBERS**  
**1978**

Area	Number of Members	Average Monthly per Capita Income	Average Monthly Family Income	Average Family Size
Santarem	255	3,700	11,778	3.22
Lisbon	1,587	4,180	14,295	3.44
Setubal	1,529	3,517	12,300	3.32
Algarve	338	3,598	12,502	3.48
<b>Total</b>	<b>3,709</b>	<b>3,820</b>	<b>12,900</b>	<b>3.38</b>

**SOURCE:** FFH/SCDC, "Housing Cooperatives in Portugal,"  
February, 1979.

EXHIBIT 37

AID-ASSISTED HOUSING PROJECTS  
OWNERS' ASSOCIATION (SAAL)

(All in Housing II)

PROJECT	PROJECT LOCATION (DISTRICT)	NUMBER OF AID FINANCED UNITS (T <sub>1</sub> , T <sub>2</sub> , T <sub>3</sub> )
Bairro da Liberdade	Lisbon	46
Alcacer Sal-Montevil	Setubal	49
Batateiro-Seixal	Setubal	73
Monte Gordo	Faro	125
Loule, Quarteira	Faro	62
Bairro D. Leonor	Lisbon	140
Linda-A-Velha	Lisbon	110
Bairro Santo Antonio	Lisbon	94
Fazendas de Almeirim	Santarem	39
TOTAL		738

organized, they were provided with legal, technical, and financial assistance, but were then given total responsibility for contracting, subcontracting and dealing with the municipal authorities regarding building licenses, construction standards, etc. As many of the members of the SAAL groups could neither read nor write, the tasks set before them were almost impossible to accomplish. This is one of the primary reasons why the SAAL program never became fully operational.

In those SAAL programs in which the members were able to organize a viable operation, the people participated more enthusiastically and with a greater sense of dedication and purpose than would have been exhibited if they merely had been moved into a housing project.

Another problem which beset the SAAL program was the lack of land available at an affordable price to the municipalities. The municipal authorities, when they received the responsibility for the oversight of SAAL, did not have land which they could place at the disposal of SAAL groups. Because the real estate market was in a depressed state at the time the transfer of responsibility took place, local landowners reacted very strongly against expropriation by the municipal authorities. The price which they would have been paid would have been far below the price which they felt could be achieved when the market improved.

The SAAL program could have been successful if greater thought had been given to the requirements of the beneficiaries of the program, the types and extent of assistance required, and the organization of the program. The social aspects of rehousing large numbers of very poor people were not taken into account. Social workers were faced with the problem of teaching the very basics of home care and maintenance and family hygiene.

The concept of the SAAL program was basically sound; it was the implementation that proved deficient. SAAL was the one program which was specifically aimed at the lowest income stratum. It is possible that the SAAL program could be revived, given proper planning and execution. There are many sound projects which were abandoned that should be considered for renewed support. One case was cited by a social worker interviewed in conjunction with this evaluation.

There was a SAAL project in Setubal for 450 units. The land had been acquired and prepared and the infrastructure laid out. This project was designed to rehouse a community of 1,819 persons who had been living in a shanty town known as Bairro da Figueira or Viso. The land for the SAAL project was situated very close to the existing shanty village. After the people had been moved into their new houses, the shanty town could have been rehabilitated to house an additional 100 families. In this case the residents of the village waited for the wheels of bureaucracy to turn. The SAAL program was terminated before construction was begun. According to the social worker interviewed, the units were well designed and would have cost 390 contos per unit. The project would have been funded partially through a direct grant of 90 contos per unit with the balance

furnished by the FFH. When funding for the SAAL programs was exhausted, the project was abandoned. This is a project where every case had been individually verified; every employer had given a statement of employment. It is a community with a strong social structure where the residents were committed to the project. They have a functioning owners' association called the Associacao de Moradores do Casal das Figueiras.

Of the nine AID-assisted Owners' Association (SAAL) projects, work has not yet begun on three. These three projects account for 226, or 30.6 percent, of the 738 T1, T2, and T3 units supported under the AID program. In the remaining six projects 324 (63.3 percent) of the total of 512 eligible units have been completed and 303 have been occupied. The completion and occupancy rates on the AID-assisted former SAAL projects have been comparable to AID-assisted projects under the other programs. The AID experience demonstrates that SAAL-type programs can be successful if given adequate financial and technical support.

#### Summary of Characteristics of Recipients of AID-Assisted Housing Units.

Exhibit 38 presents a summary of the median incomes for recipients of AID-assisted units compared to the distribution of family income in Portugal. As the exhibit demonstrates, the recipients of AID-assisted units were lower income families. Median incomes of families in AID-assisted projects ranged from the lowest decile to just below the national median. These data indicate that the AID programs have been effective in achieving their objective of providing housing to lower income families.

#### Non-AID Assisted FFH Housing Programs

AID has not been involved in several programs of the FFH. There has been no assistance in the development contract program, urban renewal, Program for Improving Decayed Houses/(PRID), or in loans to regional or municipal housing authorities.

The development contract program was initiated by Decree Law 663/74 in 1974. The objective of the development contract program was to stimulate the private construction sector. Eligible builders could receive financial assistance for favorable financing guaranteed by the mortgage credit institutions and a guaranteed sale by the FFH. The housing units constructed had to meet cost criteria established by the government. This program was a temporary emergency measure and has had little activity in the last two years.

The urban renewal and PRID programs are intended to rehabilitate urban areas of historic value and upgrade substandard housing. The municipalities bear the primary administrative responsibility for these programs. The FFH's involvement is to provide the financing, overall planning and supervision, technical assistance, and coordination of programs.

**EXHIBIT 38**

**MEDIAN FAMILY INCOMES OF RESIDENTS  
OF AID-ASSISTED HOUSING PROJECTS COMPARED  
WITH NATIONAL FAMILY INCOME DISTRIBUTION**

<b>Decile</b>	<b>Family Income Interval</b>	<b>AID-Assisted Project</b>	<b>Median Family Income of Project Residents</b>
<b>Median</b>	<b>10,400\$00</b>		
<b>6th</b>	<b>8701 - 10,400</b>	Portalegre S. Joao da Madeira Beja Evora	10,240 9,755 8,935 8,647
<b>7th</b>	<b>7501 - 8700</b>		
<b>8th</b>	<b>6401 - 7500</b>		
<b>9th</b>	<b>4401 - 6400</b>	Porto Viso Chelas II	6,500 6,128
<b>10th</b>	<b>4400 or less</b>	Alagoas-Regua	3,200

Under the loans to municipal authorities program the FFH provides funds to local housing authorities to be used in financing housing constructed by the private sector.

### Alternatives to Existing Housing Programs

#### Self-Help Programs

There are thousands of cases which come to the attention of social workers at the FFH and the municipalities which are urgent, but which must be denied because there are no allowances under the regulations of the FFH or the individual municipalities which take these cases into account. Many of these cases are very poor people who would be willing to undertake self construction of their houses. Alternatives to existing social housing programs which could be considered are core housing and sites and services types of systems. In any programs of this type special attention should be given to providing ongoing technical assistance to the recipients. Special care should also be taken to provide adequate social and public health services to such communities, e.g. schools, public toilet facilities, garbage removal, health care. The absence of adequate social and public health facilities leads to a deterioration of the environment.

Another type of program which could be initiated is assistance to families who want to complete the construction of their houses. Typically, these families have saved up enough money to build a basic structure, but when these funds have been exhausted, construction ceases until the family can accumulate enough money to complete another phase of work. Since many of these homes are located in clandestine communities, the families cannot avail themselves of institutional sources of funds. This inability to have access to subsidized loans combined with a rapid escalation in the cost of construction materials has created the situation where many families are unable to complete construction. Any program aimed at this segment of the market would have to include the legitimization of the clandestine communities including granting legal title to the land, installing infrastructure and providing social services.

#### Incentive to Small Builders

Another area of assistance which could be considered is a program of incentives to small builders who have their own plots of land. These builders could build, let us say, eight houses or a small block of flats, but lack the financial capability to do so. Since the vast majority of the nation's building firms are small firms, a program of incentives in the form of special credit terms could result in a significant increase in the quantity of housing built and would also stimulate the construction sector of the economy. At the present time the FFH does not have any assistance program which provides for small undertakings. A program of assistance to small entrepreneurs should provide both financial and technical assistance.

## Expropriation of Land

The shortage of land available for social housing projects is another serious impediment to the implementation of successful low income housing delivery systems. The FFH does not actually expropriate the land. This is done by the appropriate government agency. Frequently there is not enough funding available to pay for the land which is expropriated. A special fund could be established within the FFH to provide the funds to warehouse land suitable for social housing and also to finance an ongoing program of site location and evaluation in conjunction with the various ministries and municipal authorities involved. Both the SAAL program and the cooperative programs have been faced with the serious obstacle of the lack of land for construction.

## TECHNICAL ASPECTS OF AID-ASSISTED SOCIAL HOUSING PROJECTS

In evaluating the quality and cost of Portuguese social housing, it is necessary to determine which standards will be used for comparison. The Portuguese government employs European building standards as set forth by the United Nations. Under this standard of comparison, Portugal ranks at the bottom of the list, superior only to Turkey. If Portugal were compared to Third World countries, the building standards would be high. It is important to consider that the Portuguese government considers the country within the European community and as such regards the housing situation as poor. This official position provides the rationale for the establishment of relatively high building standards.

The minimum building standards employed in Portugal may not be consistent with the ability of the population to afford such housing. Comparative income statistics developed by the World Bank in their 1979 World Development Report, 1979 ranks Portugal below almost all other European countries in per capital GNP. Per capital GNP in Portugal in 1977 was estimated at \$1840 compared with \$3,260 for Spain, \$2,950 for Greece, \$2100 for Yugoslavia, \$7500 for France, \$3,530 for Italy. The low income levels in Portugal relative to those in other European countries suggest that the use of European building standards may not be entirely appropriate. The result of a policy of building housing which the majority of the country's population cannot afford is a heavy subsidy burden on Portugal's limited resources. In addition, less housing can be built for the amount of funds available for housing investment. The Government of Portugal is evaluating their policies on construction standards and housing delivery systems to determine if more cost efficient and affordable methods are available. AID's experience in other countries could be valuable in assisting the Portuguese government in developing alternative shelter policies.

### Construction Costs and Standards

Since the Revolution construction cost and minimum housing unit size standards have been established by the Ministry of Housing. Standards are updated periodically to reflect inflation in building materials and changes in demand.

#### Construction Costs

Maximum construction costs per square meter are established by size of unit. These cost ceilings are updated semiannually, with the most recent revision going into effect on December 3, 1979. Exhibit 39 presents the regulated construction costs per m<sup>2</sup> by size of unit from 1976 to 1979. Regulated construction costs have been increasing at rates from 20 percent to 24 percent per year over the three year period.

In addition to the base cost per square meter, builders are permitted to add 38 percent to the basic cost to cover the costs of improvement of the land, financing, indirect costs and profit. This

**EXHIBIT 39****TRENDS IN CONSTRUCTION COST  
PER GROSS SQUARE METER BY SIZE OF UNIT****December, 1976 and 1979**

m <sup>2</sup>	Average Cost Per m <sup>2</sup> in Contos		Average Annual Rate Of Increase 1976-1979
	12/76	12/79	
50 or less	5.24	9.39	21.5%
51 to 55	5.20	9.34	21.6
56 to 60	5.13	9.26	21.8
61 to 65	5.06	9.19	22.0
66 to 70	5.01	9.12	22.1
71 to 75	4.95	9.05	22.3
76 to 80	4.89	8.98	22.5
81 to 85	4.84	8.92	22.6
86 to 90	4.79	8.87	22.8
91 to 95	4.75	8.81	22.9
96 to 100	4.70	8.76	23.1
101 to 105	4.66	8.71	23.2
106 to 110	4.63	8.66	23.2
111 to 115	4.58	8.62	23.5
116 to 120	4.55	8.57	23.5
121 to 125	4.50	8.53	23.8
126 to 130	4.47	8.49	23.8
131 to 135	4.44	8.45	23.9
136 to 140	4.40	8.41	24.1

**SOURCE: Ministry of Housing**

allowance has also been increased since the enabling decree law went into effect.

### **Size Standards**

The Ministry of Housing has also established minimum size standards for social housing units. Exhibit 40 presents trends in minimum size standards from 1974 to 1977. The standards apply to usable building area which is defined as gross building area less exterior walls, hallways, stairwells, and elevators. As the data show, the minimum size standards declined from 1974 to 1977. Under the standards which are currently in force, the minimum allowable sizes for social housing units in Portugal are consistent with those which have been established by the United Nations for European countries. They are also in line with standards for subsidized housing in the United States.

### **Building Efficiency**

Building efficiency is the percent of the gross building area which is usable. The greater the percent of gross building area that is usable, the more efficient is the building design. The building efficiency ratios of social housing projects undertaken by the FFH range from 74 percent to 80 percent. This range of building efficiency ratios is consistent with standards in similar types of buildings in Western Europe and the United States.

### **Quality of Construction**

The quality of construction in AID-assisted housing projects is generally good. The Government of Portugal has established a policy of building high quality social housing which would have a long economic life. This policy is consistent with the long term nature of occupancy evident in Portuguese society. However, this policy has led to the construction of social housing in which full cost recovery is difficult if not impossible under the existing subsidized rent structure.

### **The Rate of Construction of AID-Assisted Housing Units**

#### **First Combined AID HG/DL (150-HG-001 and 150-Z-005)**

The final disbursements on the first AID HG/DL were made in April, 1979. At that time, some of the projects involved in the AID programs had not been completed and all eligible units had not been accepted by the FFH. The funds were disbursed upon the assurances by the FFH that the required work, primarily infrastructure, would be completed within six months of the disbursement. Site visits conducted by Mr. Abad Ramirez of the National Savings and Loan League in December, 1979, revealed that in those projects which had been completed, the occupants were pleased with the quality of construction and the design of the buildings. However, of the fourteen projects funded under the first AID program half had not been completed and occupied. In some projects the bidding process has not been

**EXHIBIT 40**  
**TRENDS IN MINIMUM USABLE**  
**AREA BY TYPE OF UNIT**  
**1974 - 1979**

Type of Unit	Minimum Square Meters as of:		
	11/76	12/76	8/77
T <sub>0</sub>	-	30	30
T <sub>1</sub>	50	42	42
T <sub>2</sub>	60	58	58
T <sub>3</sub>	85	73	73
T <sub>4</sub>	95	82	82
T <sub>5</sub>	105	99	99
T <sub>6</sub>	-	110	110

**SOURCE:** Periodic Regulations Published by the Ministry of Housing

completed. Exhibit 41 presents a summary of the status as of December, 1979, of the projects funded under the first program.

### **Causes of Delays in Construction**

Mr. Ramirez, in his report on project status review for the AID programs in Portugal, has outlined the primary causes for construction delays in the AID-assisted projects. His findings are as follows:

#### **1. Termination of Contracts due to Bankruptcy**

The problem of contractor bankruptcy affected five projects, Mirandela, Braganca, Chelas II, Zambujal, Evora, and Almada, which included a total of 1,068 AID-assisted units. One large contractor, ENOBRA, had been awarded four projects, totaling 435 AID-assisted units. Because of the bankruptcy of the prime contractors on these five projects, the construction contracts have had to be re-bid, resulting in extensive delays.

#### **2. Infrastructure**

The other major problem has been delays in putting infrastructure in place. The projects, Almada and Macedo de Caveleiros, with a total of 982 AID-assisted units have suffered delays because of the lack of all or part of the infrastructure. In the Macedo de Caveleiros project, all units have been completed but are not habitable because of the lack of water, sewer and electricity. At Almada, completed units remain vacant because the municipality has not completed the main water line to the site.

#### **3. Expropriation**

At Giesta-Gondomar the construction of 38 AID-assisted units cannot commence because of legal difficulties encountered in completing the expropriation of a small landholding at the site.

#### **4. Financial and Bureaucratic Difficulties**

The cumbersome bureaucratic mechanism and the lack of financial capacity of the FFH have impaired the ability of FFH officials to solve the problems besetting these housing programs.

In his report, Mr. Ramirez recommended that the Government of Portugal give high priority to the completion of the first AID program housing projects. Further allocation of funds by the government to the FFH will be necessary. In addition, the Government of Portugal should take whatever measures are necessary to expedite the rebidding procedures for the projects delayed due to contractor bankruptcy. The municipalities facing difficulties in the completion of infrastructure to housing project sites should be given whatever financial or technical assistance may be necessary.

EXHIBIT 41

STATUS OF FIRST AID HG/DL PROJECTS

PROJECT	TOTAL T <sub>1</sub> , T <sub>2</sub> , T <sub>3</sub> Units	T <sub>1</sub> , T <sub>2</sub> , T <sub>3</sub> Units Comp. & Accepted For Occup.		T <sub>1</sub> , T <sub>2</sub> , T <sub>3</sub> Units Occupied		
		No.	% of All	No.	% of All	% of Complet.
Porto Viso	296	296	100	296	100	100
Zambujal	282	276	98	34	12	35
Almada	880	250	28	86	10	34
Evora	444	363	82	121	27	33
Beja	195	195	100	195	100	100
Chelas II	705	443	63	98	14	22
Guimaraes I & II	466	466	100	466	100	100
Maia	95	95	100	95	100	100
Matosinhos II	140	140	100	140	100	100
Mirandela	195	101	52	66	34	65
Braganca	93	0	0	0	0	60
Mac de Caveleiros	93	0	0	0	0	0
S. Joao da Madeira	69	69	100	69	100	
Geista - Gondomar	104	66	63	66	63	100
<b>TOTAL FIRST HG/DL</b>	<b>4,066</b>	<b>2,862</b>	<b>70</b>	<b>1,732</b>	<b>43</b>	<b>61</b>

Source: Ramirez, Abad, Final Report, Part I, on Final Status Review, National Savings and Loan League, January 11, 1980.

The second AID program involved 57 project sites and a total of 4,756 eligible units widely dispersed throughout the country. The size and diversity of the second combined program made coordination and effective management difficult. As of December, 1979, 2,694 or 57 percent of the housing units, 2,694, had been completed. Of the completed units, 1,446 units, or 54 percent, had been occupied. The status of the second AID HG/DL projects is summarized in Exhibit 42.

The second program has suffered the same problems faced in the first program: contractor bankruptcy, infrastructure delays, legal problems in expropriation, shortage of funds, beauracritic inertia, and inability of the individual municipalities to meet their technical and financial commitments. About 50 percent of the completed units are not habitable due to lack of infrastructure.

Mr. Ramirez summarized the problem areas for the individual AID-assisted projects under the second HG/DL program which are suffering setbacks.

### 1. Contractor Bankruptcy

Contractor bankruptcy has delayed completion of 130 AID-assisted units in the Chelas II project and 216 units in the Araucaria project.

### 2. Infrastructure

Infrastructure problems have delayed completion on the Sobreiro-Maia I and II projects, with a total of 410 AID-assisted units; the Ramalde do Meio project with 110 units; the Peniche II project with 50 units; the Horta Faial project with 71 units; the Alverca project with 71 eligible units and the Telheiras project with 66 eligible units.

In most of the above cases the delays are due to problems in bringing the infrastructure to the project site. These problems are the result of the lack of technical expertise and/or funding in the local municipalities required to complete the necessary work.

### 3. Expropriation

At Sobreiro-Maia 44 AID-assisted units cannot be started due to legal difficulties in expropriating the land upon which these units are to be constructed.

### 4. Lack of Technical Assistance to Owners' Associations and Cooperatives

In the Monte Gordo and Loule, Quarteira owners' association (formerly SAAL) projects and the Torre dos Coelheiros cooperative project, the owners' organizations have not received the technical assistance from either the municipalities or the FFH which is needed for them to proceed with the projects. These three projects contain 235 housing units eligible for AID-assistance.

## STATUS OF SECOND AID HG/DL PROJECTS

PROJECT	TOTAL T <sub>1</sub> .T <sub>2</sub> .T <sub>3</sub> UNITS	T <sub>1</sub> .T <sub>2</sub> .T <sub>3</sub> Units Comp		T <sub>1</sub> .T <sub>2</sub> .T <sub>3</sub> Units Occupied		% OF COMP T <sub>1</sub> .T <sub>2</sub> .T <sub>3</sub>
		NO.	%	NO.	%	
<b><u>DIRECT PROMOTION:</u></b>						
Sobreiro Mata I&II	410	388	95%	0	0%	0%
Ponta-Danta I&II	247	181	73	20	8	11
Araucaria	216	0	0	0	0	0
Fafe-Cunha	168	168	100	0	0	0
Guimraes II	286	0	0	0	0	0
Setubal I&III	153	0	0	0	0	0
Funchal I, 1-2, II, 2&3, III	177	59	33	32	18	54
Alagoas - Regua	105	105	100	105	100	100
Ramada do Meio	110	110	100	17	15	15
Peniche II, 1 & 2	153	50	33	0	0	0
M rta-Fatei	39	39	100	0	0	0
<b>Total Direct Promotion</b>	<b>2,064</b>	<b>1,100</b>	<b>53%</b>	<b>174</b>	<b>8%</b>	<b>16%</b>
<b><u>COOPERATIVES:</u></b>						
Entroncamento 2,3	272	208	76%	208	76%	100%
Golega	32	32	100	32	100	100
Lumiar	62	62	100	62	100	100
Canha-Montijo	50	31	62	31	62	100
Pontas	70	0	0	0	0	0
Cobata B & C	58	29	50	29	50	100
Evora	81	28	35	28	35	100
Terre de Coelhoiros	48	0	0	0	0	0
Vila do Bispo	94	70	74	0	0	0
Fareilhao	147	0	0	0	0	0
Alverca	71	71	100	0	0	0
<b>Total Cooperatives:</b>	<b>985</b>	<b>531</b>	<b>54%</b>	<b>390</b>	<b>40%</b>	<b>73%</b>
<b><u>OWNERS' ASSOCIATIONS (SAAL):</u></b>						
Bairro da Liberdade	46	46	100%	46	100%	100%
Alc. Sal-Montevil	49	49	100	49	100	100
Batatera-Seixal	93	73	100	73	100	100
Monte Gordo	125	0	0	0	0	0
Louie, Quarteira	62	0	0	0	0	0
Barrio O. Leonor	140	84	60	63	45	75
Linda-A-Velha	110	40	36	40	36	100
Bairro Sto. Antonio	94	32	34	32	34	100
Fuzendas de Almarim	39	0	0	0	0	0
<b>Total Owners' Association</b>	<b>738</b>	<b>324</b>	<b>44%</b>	<b>303</b>	<b>41%</b>	<b>94%</b>
<b><u>MUNICIPAL COPARTICIPATION</u></b>						
Pedralvas	40	40	100%	40	100%	100%
Chelas II	130	0	0	0	0	0
Quinta do Chalet	148	130	88	130	88	100
Musqueira Nordeste	80	80	100	80	100	100
Boavista	80	80	100	80	100	100
Telheiras	66	16	24	0	0	0
Portalegre 1,2,3,4	193	193	100	169	88	88
Vila Franca do Campo	12	0	0	0	0	0
Vilar de Andorinho	80	80	100	80	100	100
<b>Total Municipal Coparticipation</b>	<b>829</b>	<b>619</b>	<b>75%</b>	<b>579</b>	<b>70%</b>	<b>94%</b>
<b>GRAND TOTAL SECOND AID HG/DL</b>	<b>4,756</b>	<b>2,694</b>	<b>57%</b>	<b>1,446</b>	<b>30%</b>	<b>54%</b>

Source: Ramirez, Abad, Final Report, Part I, on Final Status Review, National Savings and Loan League, January 11, 1980.

The progress of construction on AID-assisted housing projects under both the first and second HG/DL programs has been less than fully satisfactory. However, in light of the myriad problems facing the FFH and the various governments which have been in power since the inception of the assistance programs, substantial progress has been made. The legal, financial, and bureaucratic difficulties with which the FFH has had to contend have made efficient construction management virtually impossible.

The FFH expects to be able to complete a large proportion of the AID-assisted projects in 1980 and 1981. Their ability to meet these goals will be largely dependent on the new government's commitment to financing the needed construction. It is hoped that the Government of Portugal will make a strong commitment to the resolution of the problems facing the FFH.

## EVALUATION OF TECHNICAL ASSISTANCE PROGRAMS AND RECOMMENDATION FOR FUTURE ACTIVITY

In 1977 a comprehensive plan for technical assistance programs was prepared by FFH. The technical assistance programs proposal covered a broad range of activities. As of this date, only the program on housing finance policy has been initiated. The initial program was a housing finance seminar conducted in Salt Lake City, Utah and Washington, D. C. in February, 1979. The seminar was conducted by Richard T. Pratt Associates, Inc. The overall response to this seminar was favorable. The major criticism of the seminar was that the program was too general in nature, that is, the discussions did not address themselves specifically to the Portuguese housing finance situation. This deficiency was caused by the fact that the seminar leaders did not have the national monograph prepared by the Portuguese participants in the seminar in advance. Therefore, a substantial amount of time was spent during the seminar explaining the structure of the Portuguese housing finance system which could have been better employed in discussing problems and solutions.

### Future Technical Assistance Programs

#### Housing Finance

The provision of housing finance remains a central concern of the FFH and the Government of Portugal. Although all of the objectives of the housing finance technical assistance program undertaken in 1979 were not achieved, some very important beginnings have occurred. The various institutions involved in housing finance are beginning to develop a cadre of people who know each other and work with each other. These are the people who often times will help to set the financial policy of the government.

It is recommended that consideration be given to a follow-up program in the housing finance area to be held in Portugal. However, such a program should be undertaken only with the most thorough planning and preparation. By this it is suggested that the full outline of the content of the seminar, the background of the participants and the relevance of the program to the housing finance system in Portugal must be carefully integrated into the planning process. Consultants involved in such a program should be thoroughly briefed on the structure and operations of the Portuguese housing finance system, the political realities of implementing programs in the country and the unique problems of the existing system well before the seminar or training program is initiated. The objectives of any technical assistance program in housing finance cannot be achieved simply by bringing people into Portugal who are experts in housing finance. What is clear is that housing finance and finance generally is going to be very important to the current Portuguese government and the opportunity of providing valuable input to the government's financial decision-making process should not be lost.

The areas in which technical assistance in housing finance could be provided are:

- (1) Alternatives to the rent control/rent subsidy system for providing affordable housing to low income families.
- (2) Alternative mortgage instruments.
- (3) Alternative forms of subsidy programs for low income families.
- (4) Fiscal and financial incentives to the private sector.
- (5) Alternative sources of funds.

#### **Management Control Systems**

The second area requiring significant technical assistance is in the area of management controls both at the project level and at the national level. After five years of intensive activity in the provision of low income housing, there is still no systematic technical regulatory process for government assisted housing. The frequent changes in administration which have occurred since 1974 have precluded the orderly development of an efficient management control system. The technical assistance which could be provided to the FFH and other housing agencies could embrace such areas as local planning, zoning, and building codes, simulation of project costs, the process of technical and economic review of projects, production management systems. The expertise which is required could be provided by consultants who have extensive experience in large and medium scale low income housing projects. It would be essential that the design of any systems which would be proposed by U. S. consultants relate to construction methods feasible in Portugal. Technical assistance in this area should provide an integrated approach to the entire production problem, with an overall planning scheme and specialists in each area of the planning process.

#### **Urban Policy**

The third area which should be considered for future technical assistance is urban policy. The technical assistance should be directed towards the functions of the municipal housing authorities, which are assuming much of the burden for housing production and delivery. Technical assistance in urban policy and planning does not have as high a priority as the programs in housing finance and management control systems, but such a program should be integrated into any long range plan for the provision of technical assistance in housing to the Government of Portugal.

### Current Status of AID Technical Assistance Programs

In December, 1979, the AID program office met with representatives of the Ministry of Housing to review the status of AID technical assistance program. It was determined that once the new government has made appointments to the Ministry, these representatives will meet with representatives of AID to establish areas technical assistance is needed. Programs will depend on whether the needs of the Government of Portugal are consistent with the objectives of AID programs.

**A P P E N D I X**

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Missing

Ministry of Housing  
Decree-Law No. 797/76  
November 6, 1976

Decree-Law No. 608/73 of November 14, 1973 was supposed to set up the means by which houses were allocated but in fact little has been done. As many housing units are nearing completion it has become necessary to restructure the system.

For this purpose, SMH (Municipal Housing Services) are to be set up with administrative and financial autonomy and legal status.

The main function of the SMH will be to allocate housing units but their complementary function will be to deal with all matters relating to tenancy and housing.

Decree-Law No. 278/71 of June 23, 1971 (article 6) also foresaw the creation of municipal services for the administration and preservation of buildings belonging to the municipalities but the diploma was not properly carried out.

Another of the functions of the new services SMH is to see that the system of allocation of housing be unified.

#### ARTICLE 1 -- CREATION

Municipal Housing Services (SMH) may be set up by the Local Authorities and once legally created these can form federations with other local authorities.

Wherever any Local Authority cannot, for varied reasons, set up a SMH the Central Administration Service may be entrusted by the appropriate Ministries with carrying out the functions of the SMH.

#### ARTICLE 2 -- NATURE & CONSTITUTION

The SMH will be classified as special services with administrative and financial autonomy and legal status.

Where necessary, the approval of any steps taken in the SMH rests with the Local Authority or the federation of Local authorities according to the system adopted.

The articles creating the SMH must contain:

- a) the date the Local Authorities made the decision to create them.
- b) the place chosen as headquarters.
- c) the regulation governing the constitution and the specification of power in each section.
- d) the area over which it has jurisdiction.
- e) the specification of the function of the services.

ARTICLE 3 -- AIMS

The main function of the SMH, besides ensuring the administration of the housing in the area (parque habitacional) is to allocate the housing units built or acquired for housing purposes by the State by its autonomous organisms, by public personalized institutions, by collective persons of legal status, by welfare institutions (previ dencia) and by the Misericordia

The SMH become immediately responsible for the allocation of:

- a) economic housing units (Laws of 1933, 53, 55, 56, 58, 61, and 376/76)
- b) Houses for poor families (Laws 1945, April 6th, November 6th)
- c) Low rental houses except those built by firms for their employees by mutual benefits societies and by building co-ops for their own members.
- d) Limited rent houses regulated by Decree-Law 36212 608/73 7,4.47 14th Nov.

The SMH are also responsible for:

- a) carrying out a survey of the requirements in the area in respect of housing taking into account the composition of the family and total family income.
- b) making a survey of housing units available or shortly to become available in the area and the characteristics, whether from state or private origin.
- c) cooperating in the preservation and repair of all housing in the area including all social (schools, hospitals) property belonging to the state or other entities specified in paragraph (1) of Article 3.
- d) participating in all matters concerning the disposal or administration of state property.
- e) carrying out any other functions with which they may be entrusted by law or by the competent municipal administration.
- f) informing the public of the different opportunities available to them from the building or recuperation of housing already being undertaken or about to be started.
- g) cooperating in the special program for the recuperation of rundown property (PRIDE: Programa de Recuperacao de Imoveis em DEgradacao).

ARTICLE 4 -- LEGAL POWERS

The person with executive powers in the SMH will have full legal authority to draw up contracts with no rights withheld and reserved for owners or administrators of the housing units to be let or to be expropriated.

They may also be given powers to carry out their responsibilities with reference to c) and d) of the third section of Article 3 and also a) of Article 3.

ARTICLE 5 -- AUTHORIZATION

The SMH will act in accordance with the present diploma, with other regulations which may be made by the necessary authorities of the Central and local Administration and with the Internal Administrative regulations of the services themselves.

ARTICLE 6 -- FUNDS

Monies allocated:

- a) Monies allocated by the Ministry of Housing for the creation and structurization of the SMH.
- b) The contribution (comparticipation) of the MINISTRY of HOUSING to a,b,e of paragraph three of ARTICLE 3 (survey of applicants and of housing).
- c) Compensations and salaries due for services rendered with reference to No. 1 and also to c) and d) of paragraph three of ARTICLE 3 to be paid by the owners or administrators of the properties in question.
- d) Compensations and salaries with reference to services rendered in PRIDE to be paid by the FUNDO de FOMENTO da HABITACAO.
- e) Fines paid by private owners for failing to inform the municipalities of vacant properties, properties in the limited rent sector which should be allocated by lottery.
- f) Forfeits of options paid by applicants who withdraw their application or are excluded for committing some irregularity.
- g) Any amounts obtained by landlords for rents in excess of stipulated sums for limited rent housing.
- h) Interest in deposit accounts accruing by legal means.

ARTICLE 7 -- CONCESSION TO BUILDING CO-OPS

The SMH can, on their own authority, cede the conservation of state property and recuperation of rundown buildings to building cooperatives.

**ARTICLE 8 -- ALLOCATION**

- 1) The allocation of:
  - a) housing units built by or on behalf of the state or similar entities (see No. 1 of Article 3).
  - b) limited rental housing or conditioned rental is by 'concurso' making a bid.

The regulations for this 'concurso' will be approved by the Ministers of Internal Affairs and of Housing according to the directives set out in the following numbers and articles.

- 2) People entitled to apply for the housing must be:
  - a) Portuguese nationals,
  - b) Whose present living quarters are inadequate for their needs, and
  - c) who wish to reside in the area of the local authority where a 'concurso' has been opened.
- 3) Allocation will be according to a points system except in the case of limited rental housing which are distributed by lottery.
- 4) There will be separate "concursos" according to the method of allocation and in the case of classification by points according to the salary scales.

**ARTICLE 9 -- EXCEPTIONS**

Departments dependent on the Ministry of Housing and the municipalities can, for proper reasons, withdraw houses under their jurisdiction from the 'concursos' for allocation to other persons in the following cases:

- a) emergency situations.
- b) need for rehousing caused by townplanning.
- c) need to provide housing for people who fulfill a public need in the area.

All these allocations must have the approval of the Minister of Housing.

**ARTICLE 10 -- AVAILABILITY OF HOUSING**

- 1) For the allocation of limited rental housing by lottery, the owners must inform the SMH of their availability and give the necessary details for identification of same.
- 2) The information must be given within fifteen (15) days of obtaining the license stating the building is inhabitable or of the house falling vacant on pain of fines ranging from 2% to 2% of the value of the house. These fines revert to the funds of the respective SMH.

3) The state entities referred to in paragraph 1 of Article 3 must inform the SMH four months beforehand of all housing they foresee will be ready for allocation.

ARTICLE 11

Allocation of housing units built by or belonging to welfare institutions (previdencia) will not be dependent on the applicants being members or beneficiaries of such institutions.

ARTICLE 12

Any housing units already in the process of being allocated by former legislation do not come under this new law but contracts which are not drawn up in accordance with Decree-Law 608/73 will need to be readjusted.

ARTICLE 14 -- (Temporary measures)

This diploma will only be applicable to housing belonging to welfare institutes (previdencia) after a further regulation jointly put out by the Ministers concerned has been published.

ARTICLE 15

Article 26 of Decree-Law No. 583/72 of December 30, 1972, is revoked although regulations published to ensure compliance with it continue in force until the publication of the decree referred to in Article 8.

Chapters v and vii of Decree-Law No. 608/73 of November 14, 1973 will be altered by a Decree from the Minister of Housing in accordance with the decree mentioned in No. 1 of Article 8.

Any reference to Bolsas de habitacao created by Decree-Law 608/73 of November 14, 1973 will now refer to the SMH.

**CAIXA GERAL DE DEPOSITOS**  
**HOUSING AND BUILDING CREDITS**

New operations

(Million escudos)

	1977		1978	
	Number	Value	Number	Value
<b>Homeownership:</b>				
Subsidized by the State	10,417	3,836	17,610	8,144
Not subsidized by the State	8,149	3,744	4,797	2,777
Credit savings schemes	76	26	353	136
Housing savings schemes	--	10	--	3
<b>Building industry:</b>				
Development contracts regime	64	1,060	44	1,184
Free regime	--	3,995	--	6,897
<b>Other</b>	--	8	--	0.7

Source: Caixa Geral de Depósitos  
Annual Report - 1978

CAIXA GERAL DE DEPOSITOS

LOANS FOR HOMEOWNERSHIP

New Operations

(Million escudos)

	1976		1977		1978	
	No.	Value	No.	Value	No.	Value
<b>Houses:</b>						
Up to 500 thousand escudos	6,215	2,465	8,602	3,617	8,067	3,600
Over 500 thousand escudos	4,507	3,046	9,964	6,362	14,340	10,248
<b>Total</b>	<b>10,722</b>	<b>5,511</b>	<b>18,566</b>	<b>9,979</b>	<b>22,407</b>	<b>13,848</b>
<b>Loans:</b>						
Up to 400 thousand escudos	8,171	2,232	9,962	3,399	8,830	3,276
Over 400 thousand escudos	2,551	1,387	8,604	4,181	13,577	6,645
<b>Total</b>	<b>10,722</b>	<b>3,619</b>	<b>18,566</b>	<b>7,580</b>	<b>22,407</b>	<b>10,921</b>

Source: Caixa Geral De Depositos  
Annual Report - 1978

**CAIXA GERAL DE DEPOSITOS**  
**CONSTRUCTION LOANS**  
**BUILDING CREDIT**  
**FINANCING OF THE BUILDING INDUSTRY**

VALUE ATTRIBUTED BY CGD OFFICIAL PER M <sup>2</sup> OF COVERED AREA.	MAXIMUM LOAN AS A % OF THE SECURITY OFFERED	NO. OF YEARS	RATE OF INTEREST
<b><u>Housing Construction</u></b>			
Below 9 contos	85%	3a5 a)	19.25%
From 9 - 11 contos	80%	3a5 a)	20.5%
Above 11 contos	75%	3a5 a)	21.25%
<b>Building, purchase, rennovation, transformation or addition to work-shops, warehouses, shops, schools, private and offices.</b>			
Construction for Sale	80%	3a5 a)	21.25%
Investment or personal use	80%	10	19.25%
Purchase	80%	10 a0	22%

a) No amortization in the first two years.

The CgD reserves the right to refuse credit for buildings whose value per M<sup>2</sup> exceeds the norm established in current housing policy.