

SUPPORTING ASSISTANCE LOAN

HOUSING GUARANTY

PORTUGAL

PROJECT PAPER

File

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Agency for International Development
August 1976

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Table of Abbreviations

FFH	Fundo de Fomento da Habitacao
GOP	Government of Portugal
HG	Housing Guaranty
MOF	Ministry of Finance
MHUC	Ministry of Housing, Urbanization and Construction
SAAL	Mobile Services for Local Support
SER/H	Office of Housing

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3. COUNTRY/ENTITY PORTUGAL		4. DOCUMENT REVISION NUMBER <input type="checkbox"/>	
5. PROJECT NUMBER (7 digits) AID -150- 150-HG-002		6. BUREAU/OFFICE A SYMBOL NE B CODE 03	7. PROJECT TITLE (Maximum 40 characters) LOW INCOME HOUSING II Lower Income Housing
8. ESTIMATED FY OF PROJECT COMPLETION 500006		9. ESTIMATED DATE OF OBLIGATION A INITIAL FY 77 B QUARTER <input type="checkbox"/> C FINAL FY 77 (Enter 1, 2, 3, or 4)	

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. PR	C. L/C	D. TOTAL	E. PR	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL			5000			10000
GRANT						
LOAN			5000			10000
OTHER 1. HG			10000			20000
U.S. 2						
HOST COUNTRY			7000			14000
OTHER DONORS						
TOTALS			22000			44000

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY 77		H. 2ND FY 78		K. 3RD FY	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
111 SA	720		862		5000		5000		
121									
131									
141									
TOTALS									

A. APPROPRIATION	N. 5TH FY		O. 6TH FY		LIFE OF PROJECT		12. IN DEPTH EVALUATION SCHEDULED
	P. GRANT	Q. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
111						10000	
121							
131							
141							
TOTALS							

13. DATA CHANGE INDICATOR - WERE CHANGES MADE IN THE PID FACESHEET DATA BLOCKS 12, 13, 14, OR 15 OR IN PID FACESHEET DATA BLOCK 17? IF YES, ATTACH CHANGED PID FACESHEET.

1 NO
 2 YES

14. DESIGNATING OFFICE CLEARANCE SIGNATURE: <i>Donald Gardner</i> TITLE: Deputy Director, SER/II		15. DATE DOCUMENT RECEIVED IN AID, OR FOR AID, DOCUMENTS. DATE OF DISTRIBUTION DATE SIGNED: 08/27/76
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PART I SUMMARY AND RECOMMENDATIONS

A. Purpose

The purpose of this proposed follow-on program is to help the Government of Portugal (GOP) continue the major initiatives to mount a housing construction program for low-income families which were instituted following the revolution of April 1974. This assistance will be in the form of a combined \$10 million Supporting Assistance Loan and \$20 million Housing Guaranty.

B. Background

Fundamental social, political and economic changes occurred and are continuing in Portugal as a result of the revolution of April 25, 1974. In the housing sector, these changes were reflected in the new priority on public sector housing for lower-income families, and the conscious decision to use the production of this housing as a means of increasing employment and effecting a measure of income redistribution through subsidization. In this transition stage, GOP policy initially reflected the commitment to respond quickly to the needs of the thousands of people living in shanty towns and doubled up in deteriorated housing. In the face of the economic situation which had transpired and the wariness of the private sector concerning the environment for private enterprise, the GOP determined that a large, rapid investment program in housing for low-income families would have to be mounted and led by the public sector. The GOP, acting principally through the Fundo de Fomento da Habitação (FFH), the National Housing Fund, accordingly assumed the dual role of developer and housing finance agency. The FFH was reorganized and its staff and budget increased.

Financial assistance was sought from the United States, which resulted in the first AID Supporting Assistance Loan and Housing Guaranty program in 1975, with the following composition:

a. AID Supporting Assistance Loan	\$13,250,000
b. Housing Guaranty	20,000,000

The funds made available by this first program are being used exclusively to finance the construction of rental apartments by FFH for below-median income urban families. Eighty-five percent of the urbanization and construction costs of approximately 3,100 one, two and three-bedroom rental units is being financed. The AID financed units (even separate projects) are located in different Portuguese cities. Program implementation is well advanced and, as of July 1976, \$16,950,000 had been disbursed.

In 1975, the Portuguese economic situation worsened considerably. The national housing need, estimated at that time to be 500,000 units, was exacerbated by the return of approximately 650,000 Portuguese following the rapid decolonization of the African territories. This "instant" population explosion was complicated by events on the economic side: an estimated 10% fall in GNP; and urban unemployment rate of 13%; and inflation approaching an annual rate of 20%.

C. GOP Housing Program

The FFH capital investment budget for 1976 is programmed to raise production/financing of new housing by that institution to an annual rate of about 33,000 units. The FFH plan is urban, nationwide in scope, and encompasses a variety of major program lines. They include such programs as:

- directly-financed construction by private contractors;
- the production of units under FFH development contracts executed in cooperation with municipal agencies;
- aided self-help programs for slum dwellers organized in cooperatives; and
- a line of mortgage guaranty authorities to private developers much in the manner of FHA programs in the USA.

D. AID Program

The primary objectives of the AID Program are:

- to support the housing construction program of the FFH for urban families with incomes below the median income in order to help meet the huge housing deficit; and
- to assist the GOP to improve the shelter delivery system so that it can be responsive to the housing needs of a greater number of lower-income families.

The AID loan-guaranty financing will be applied to two program lines:

1. Conventional "walkup" apartments in five-story buildings similar to those financed in the first AID Program. These will be rental units, with rentals calculated to amortize the units, employing an annual rate of interest of 5.5%. AID financing will cover 85% of the cost of these units, including urbanization.

Highly sensitive

2. "SAAL", or Mobile Services for Local Support. This program involves the construction of aided self-help single-family units in the "barrios de lata" (slum houses) areas by the present occupants on the same and/or adjacent site. These area residents would be organized in cooperatives, which would then become the instrument for project implementation. The cooperative would also be the owner of the completed units through the life of the single mortgage. The \$15 million amount allocated to SAAL will finance 85% of the cost of the units exclusive of the value attributed to the self-help component contributed by the cooperative members.

Specific rental apartment projects for attribution to AID financing will be mutually agreed upon at the negotiation of the AID Loan and HG Implementation Agreements.

FFH estimates it will have approximately 11,100 SAAL units at the construction stage in the course of 1976. Groups are currently at various points in this process in the barrios de lata of the three major urban areas of the country; Lisbon, Porto, and the Algarbe.

Those projects in which construction started on or after 1 January 1976 may qualify for inclusion in this program.

An integral part of the program of continuing support to the GOP housing program for low-income families will be the utilization of approximately \$250,000 for technical assistance in the areas of shelter policy, housing finance, low-cost housing design and community organization as related to shelter programs. The technical assistance is being provided from the \$750,000 technical assistance Grant Agreement already executed between the GOP and AID.

E. Financial Plan

The summary financial plan for the FFH program in 1976 is as follows:

	AID Loan		
	<u>Housing Guaranty</u>	<u>GOP Financed</u>	<u>Total</u>
SAAL Programs	\$15,000,000	\$ 25,000,000	\$ 40,000,000
Rental Apts. Program	15,000,000	35,000,000	50,000,000
Other FFH Programs	-0-	73,000,000	73,000,000
Totals	\$30,000,000	\$133,000,000	\$163,000,000

*Reimbursement
Cash trans-*

F. Borrower

The borrower will be the Government of Portugal (GOP) through the Ministry of Finance.

G. Implementing Agency

The implementing agency will be the FFH, with principal offices in Lisbon, as well as three other regional offices.

H. Builders

Urbanization work and construction for the walkup apartments will be done by private builders, selected through competitive bidding in accordance with established procedures and criteria of the FFH. The FFH will finance this construction both directly and through local municipalities. The SAAL units will utilize an aided self-help form of construction. All contracting of construction not susceptible to the self-help capabilities of the respective membership will be by the cooperative, with the advice and assistance of FFH technicians.

I. Country Team Views

The country team concurs with the GOP assessment that housing for low-income families is a high priority, and that the FFH construction program will help to fulfill the growing aspirations of the urban poor by providing housing for low-income families and stimulating employment. The country team strongly urges approval of the proposed program.

J. Recommendations

Based upon the review of the proposal set forth in this paper, it is recommended that the subject loan and housing guaranty be approved as follows:

Supporting Assistance Loan (Terms: 25 years, <u>5% interest annually</u>)	\$10,000,000
Housing Guaranty (Terms: <u>Up to 30 years.</u> The interest rate payable to the U.S. investor(s) shall not exceed the allowable rate of interest prescribed by the AID Administrator pursuant to Section 223(f) of the FFA, and shall be consistent with rates of interest generally available for similar type loans).	20,000,000
	<hr/>
	<u>\$30,000,000</u>

PART II BACKGROUND

A. Economic Overview

Portugal has gone through a traumatic period of political upheaval, but now appears to be settling down to a more stable situation in which the division of political power will be decided through democratic processes. A basic theme which has emerged from Portugal's April 1974 revolution has been the establishment of democracy, decolonization, and the institution of a more equitable economic system. The VI provisional government successfully guided the country through the legislative Assembly elections on April 25, 1976, and the presidential elections of June 1976. The elected government has now taken office and must deal successfully with the massive economic problems left in the wake of last year's political turmoil if the emerging democratic process is to survive.

In addition to the political disruption already noted, the economic problems stem in part from the recession in Western Europe - Portugal's principal customer for exports and tourism, the rising price of imports, and the influx of some 650,000 refugees from the former African colonies. The increase in the world prices of oil and raw materials combined with the increase in direct labor costs has reduced the competitive status of Portuguese exports.

The April elections also impacted on the country's economic policies, and some of the more difficult decision, e.g., an escudo devaluation will probably not be considered until after the elected government has been firmly in place for a reasonable period of time.

Major problems facing the economy include:

- Loss of growth: GNP fell by an estimated 10% during 1975.
- Unemployment in major urban centers of around 13% which is still rising; underemployment of a similar magnitude in both urban and rural areas.
- Inflation which has been running at a rate of about 20% per year and rising.
- Shortage of housing, health and educational facilities to accommodate the population increase from returning refugees and decline in jobs available in Europe to Portuguese workers.
- A balance of payments deficit estimated to be at least \$1.2 billion in 1976, arising from a combination of factors, including reduced Western European demand and the increasing price of imports - particularly petroleum and food grains.

In response to the economic problems and a GOP request for assistance, the U.S. initiated its program in 1975 with a loan of \$13,250,000 for

low-income housing, combined with \$20,000,000 housing guaranty. In addition, at the time the refugee problem became acute, a \$7,500,000 grant was used to aid with the airlift of refugees from Angola to Portugal, and another \$35 million was made available in June 1976 in support of the GOP emergency assistance to refugees in Portugal. Also, a PL 480 Title I Credit Agreement for \$15 million to provide 50,000 tons of rice was signed on March 18, 1976, and an additional \$5 million of PL 480 cotton was provided in FY 1976. Also agreed upon to date is a CCC guaranty arrangement which will cover up to \$50 million in purchases of food products from the U.S.

Assistance on a considerably larger scale than the U.S. programs is being provided by other donors, particularly Portugal's Western European neighbors who have committed about \$1 billion, mostly in short-term balance-of-payments assistance, bilaterally and through the European Economic Community.

B. Housing Situation

1. Population

The total population of Portugal, based on 1974 estimates, is almost nine million persons. Of this total, about 70% is rural and 30% urban. Despite Portugal's relatively high birth rate of slightly over 20 births/1,000 inhabitants, the overall population actually decreased by 2% during the ten-year period 1960-1970. This pattern continued until 1973. The primary reason for the decreasing population was the high rate of emigration, in the form of workers going to European countries. It has been estimated that in 1973 there were 1.5 million Portuguese nationals living abroad. The economic recession in Europe reversed this trend; not only was the emigration of workers to Europe reduced to a minimum, but a number of Portuguese workers returned home.

The Ministry of Housing, Urbanization and Construction (MHUC) estimates that at this point in time, 30,000 new housing units annually are required, solely as a result of new family formation and internal migration.

2. Refugee Problem

A very serious new dimension has been added to population pressure on housing stock and the housing delivery system in the form of the return of approximately 650,000 Portuguese following the rapid decolonization of the African territories. Approximately 30,000 "retornados" are temporarily living in hotels at the expense of the GOP, while the balance are living in overcrowded conditions with relatives and friends or in other makeshift arrangements. Based

on present information, this source of "instant" population explosion by itself represents the need for approximately 120,000 new housing units.

3. Housing Stock

The 1970 census reported the total national housing stock at about 2.3 million units. Of this total, approximately 60% were without plumbing. Approximately 10% of the total had three or more persons per room, a clearly overcrowded and unsatisfactory condition.

During recent years, housing construction has failed to keep pace with demand, particularly demand arising from the population shift from rural to urban areas, and has met only a relatively small percentage of the total market. The results are especially evident in Lisbon and Oporto. As a result, Lisbon, for instance, has experienced the growth of squatter areas, where approximately 20,000 families live in the "barrios de lata". There has also been considerable doubling up of families and general overcrowding.

4. Summary of Housing Need

A study on national housing needs, prepared by the FFH in July 1975, concluded that 500,000 units were needed. New family formations, migration from rural to urban areas, the need to replace inadequate, delapidated housing, and an inadequate housing supply were the reasons for the identified housing deficit.

As previously mentioned, this situation has further deteriorated, and been made more acute by the influx of 650,000 Portuguese returning from the former Portuguese African colonies requiring immediate shelter.

Even in its peak production year of 1973, total housing production was only 41,923 units. Since then production has diminished considerably as a result of the international recessionary problems, and more significantly, as a result of the social/political displacements following the 1974 revolution. The FFH plans call for that institution building up to an annual rate of housing production in 1976 of a, proximately 33,000 units. Efforts will have to be made to bring private developers back into the housing production system in greater force than that displayed in 1975, when their production is estimated to have dropped to a level of 10,000 starts annually.

★ Present efforts notwithstanding, it can only conclude that present housing demands in Portugal are enormous. Most important is the pent-up demand for better living conditions which has built up over the years, and which the new government feels it must address with programs that can be rapidly implemented.

Added to this is the precarious existence of 650,000 "returnees" which lends an air of immediacy to considerations of coping with the housing deficit when added to the existing housing problems identified in Portugal's urban areas. It is to this end that AID supports the FFH's construction program for lower-income urban families.

C. National Housing Policy

The revolution of April 1974 initiated profound political, economic, and social changes in Portugal. In housing terms, the new priority became the provision of housing for lower-income families.

The current GOP housing program for low-income urban families calls for a substantial allocation of government resources on a subsidized basis. Such a program cannot meet its objectives over the long run. It must be substantially revised if the GOP wants to be able to serve a greater number of families and continue to reach the lowest income strata.

This is being recognized within the GOP and a newly available report, published by the MCUH in April of 1976, and titled "The Housing Problem, a Sectorial Analysis and Principles for Future Orientation," indicates that a more comprehensive approach to the sector is being considered. The highlights of this report are as follows:

1. The housing sector should be directed and closely monitored by the government. The Ministry of Housing, and Urbanization and Construction has been created for this purpose.
2. Housing planning is to be regionalized and stronger local input and direction solicited in an attempt to produce housing programs responsive to local needs with maximum citizen participation. Emphasis is to be on programs to house the poorest strata of Portuguese society.
3. By use of FHA-type programs, increased participation of private developers will be sought.
4. Experimental loan programs to be run through the three nationalized savings and loan-type institutions will seek to stimulate saving for homeownership, attempt to limit housing subsidy and come to grips with the total housing market, not just that represented by the lowest-income strata.
5. Strong emphasis is to be placed on the need to recuperate those GOP monies invested in housing in order to more easily replicate the housing program of the public sector.

Housing
We feel that those considerations are the first steps by the GOP to come to grips with the development of a program that can be expanded and will be essentially self-supporting. Meanwhile, the pressures are such that the GOP must move ahead with the program it has under way, to provide housing for the poor. AID recognizes that the subsidy element is considerable, and that in some cases the standards may be too high. However, we believe that the basic thrust of the GOP to provide housing for the poor is in the right direction, and that there are political pressures on the Government to act quickly. Consequently, we feel that provision of the AID assistance for the programs as described is justified. At the same time, we intend to provide technical assistance as needed and requested toward developing more economic programs.

D. Institutional Framework

1. Ministry of Housing, Urbanization and Construction

As a concrete demonstration of the high priority given to housing in the post-revolution period, in February 1976 a new Ministry of Housing, Urbanization and Construction was established. This Ministry will set national policy and establish priorities and budgets.

2. Fundo de fomento da Habitacao (FFH)

The operating agency for carrying out national housing policy in Portugal is the FFH. This institution was created in 1969, and was given the responsibility for undertaking what at that time was a very modest government-sponsored public housing program.

At the start of FFH operations, some units, already initiated with social security funds, were turned over to FFH for completion and subsequent management. From the point of its inception in 1969 to the April 1974 revolution, FFH was responsible for the development of about 4,000 units of housing.

With the new priority given to housing for lower-income families and the tremendous growth of the role of the public sector in implementing this policy, the FFH has taken on signal importance among housing sector institutions.

The FFH is headed by the president of its four-man Board of Directors. It has a total of more than 700 employees in four regional offices, with the main office located in Lisbon. It has the capacity to handle all aspects of housing, including the technical, administrative, financial and social aspects. In a typical direct FFH housing project, plans and specifications will be developed by FFH architects for a project to be built on land owned by FFH or to be acquired by purchase or expropriation. The FFH then prepares bid documents and conducts

public bidding before awarding a contract to a private company which handles the actual construction. FFH architects and engineers provide onsite inspection and technical control. Upon completion of the project, the FFH selects the occupants using a point system to determine the eligibility and priority among those applying for FFH housing.

While undoubtedly an institution which has undergone profound changes over the past 24 months, the FFH has clearly demonstrated its ability to execute a complex, high-volume housing program.

3. Present FFH Program

The \$163 million capital investment budget of FFH for 1976 shows an allocation of available funds across nine distinct program lines, briefly identified below.

Direct Programs

a. Economic Houses

This is a relatively minor program of the FFH, still somewhat experimental and tentative in nature, for the production of expandable core housing.

b. Scattered Site Housing

This is a program under which the institution seeks to utilize smaller sites previously acquired for the production of small-scale, or "pocket" housing projects in urban areas.

c. Integrated Plans

This is the largest single program line of the institution, and finances the development of large-scale, urban projects of multi-story rental apartment buildings. FFH staff designs the project and sends it out to bid and subsequent construction by private construction firms.

Indirect Programs

a. Participating Programs

This is a program of support to municipalities and local governments in the implementation of locally developed programs. Under this program, FFH participates with the respective municipalities in the provision of long-term financing for municipally-sponsored housing projects. Approximately \$15 million is budgeted for this activity for the current budget period.

b. SAAL

The acronym translates to "Mobile Services for Local Support," and describes a program for employing technicians to carry the technical and financial assistance of FFH to slum dwellers. An existing site is secured for a project, the inhabitants are organized into a cooperative, and new units are produced using a system of aided self-help. This program seeks to actively involve the slum dweller in the solution of his housing needs, with minimum disruption of the economic life support mechanisms previously developed. It provides for home ownership through cooperatives.

c. Cooperatives - Other Social Interest Programs

This program is still in the stage of definition, and the budget allocation appears to be tentative and optimistic. The program intends for FFH to support the development efforts of independent cooperative technical service organizations by making a line of credit for housing finance available to cooperative organizations ready to build. It is anticipated that the program will be somewhat delayed due to the length of time still required for the establishment of the sponsoring cooperative institutions, in addition to the time required to prepare the projects.

d. Urban Renovation and Historic Building Renovation

This program has a dual objective, the first being to preserve and restore historic buildings or areas, while the second aims at preserving the housing stock by large-scale renovation of structurally sound, but sub-standard housing.

"FHA"-Type Program

A third major program category is one which is new to the FFH, but reflects a desire on the part of the GOP to enlist the participation of private sector developers and private sector capital in the production of social interest housing. This operation, similar to the FHA operation in the United States, calls for the FFH to employ a combination of long-term financing and guaranty authority to stimulate private developer participation in FFH programs. FFH will define construction standards, specifications, and identify target groups and selling price parameters. Approved projects by private developers would be eligible to receive an FFH-guaranteed loan from a bank for the long-term financing. There are two facets to the program, one with the direct guaranty of the FFH, and the other with municipal governments insuring the housing loans, and the FFH in turn insuring the municipal government pledge, if needed.

Summary of FFH Investment Program

The FFH housing program investment budget for 1976 is presented below, with a breakdown by program type.

FFH INVESTMENT BUDGET 1976
(in thousands) (U.S. *)

Programs	Expenditures			
	Direct Development Costs	GOP Capital Investm't	AID ^{1/} Contrib'n	Total
A. Direct FFH Programs				
1. Economic Houses	18	282	-	300
2. Scattered Site HSG	1,000	24,000	-	25,000
3. Integrated Plans	1,250	33,750	15,000	50,000
Sub Total "A"	2,268	58,032	15,000	75,300
B. Indirect Programs (Tech & Financial Assistance)				
4. Participating Programs	-	18,000	-	18,000
5. SAAL	1,500	23,500	15,000	40,000
6. Cooperatives - other Social Interest Programs	200	3,800	-	4,000
7. Urban Renovation & Historic Building Renovation	100	5,900	-	6,000
Sub Total "B"	1,800	51,200	15,000	68,000
8. Municipality regulated program for private developers	-	10,000	-	10,000
9. Regulated program for private developers	-	10,000	-	10,000
GRAND TOTAL	4,068	129,232	30,000	163,300

^{1/} Estimated at 50-50 between integrated programs and SAAL. Final allocation may be different.

* Figures are rounded off for purposes of this presentation.

E. AID Assistance to the Sector

1. Technical Assistance

AID and the GOP consider the technical assistance component of the proposal of vital importance. The most important areas where assistance could be provided are:

- a. Housing Policy
- b. Building systems for low-income families.
- c. Housing programs with a community participation component, such as cooperatives, neighborhood associations, etc.
- d. Housing Finance
- e. Project management and maintenance

The technical assistance package was originally planned for implementation as part of the first program, but could not be instituted when planned due to the shifting internal political situation. Such assistance is now being initiated in the areas of housing policy and housing programs with community participation. A plan, acceptable to AID, to use the technical assistance during FY 1977 is now being developed and will be finalized during November 1976.

2. Status of First Program

The first AID Supporting Assistance Loan-Housing Guaranty program provided a total of \$33.25 million to be applied to finance 85% of approximately 3,100 one, two and three-bedroom rental units. The program is divided among seven separate projects, and the chart below shows the individual projects, the number of units being financed in each by the AID program, and the status of completion as of June 30, 1976.

<u>Project</u>	<u>Number of Units</u>		<u>Status of Completion</u>
	<u>AID Financed</u>	<u>Total Project</u>	
Porto Viso	292	545	31
Zambujal	480	760	25
Almada	880	1,010	18
Evora	444	479	56

Not
oo

Not
oo

Beja	195	479	16
Chelas	375	500	12
Guimares	425	600	11

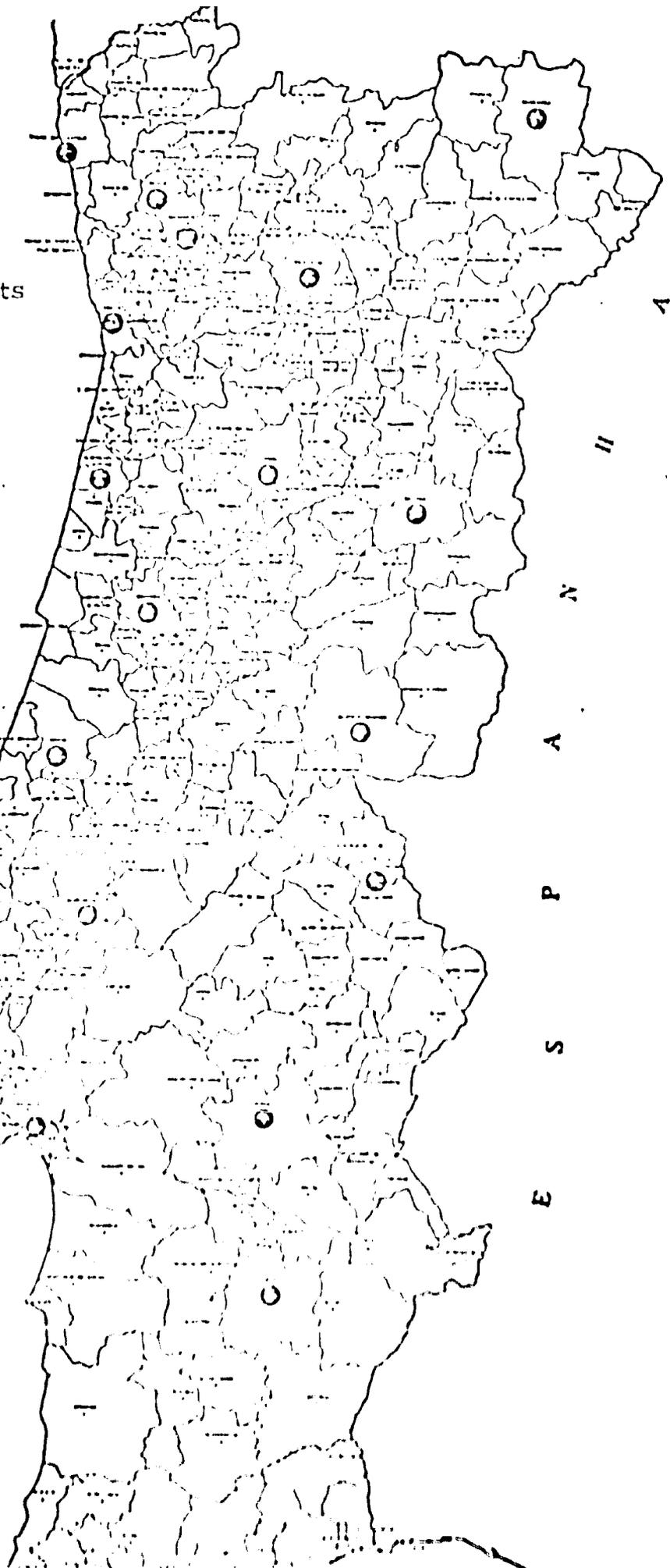
As mentioned earlier, construction activity will peak in mid-1976 with the first projects being finished by May of 1977. Completion of the entire AID-financed portion of the FFH program is conservatively scheduled for December 1977. As of July 1976, \$14,950,000, or 45% of the AID Loan-Housing Guaranty financing had been disbursed.

3. GOP Request for Additional Financial Assistance

The combination of an already serious housing shortage, a deteriorating economy, and the return to Portugal of 650,000 former residents of the colonies greatly increased the housing problem while simultaneously diminishing the GOP's ability to respond. It was in this context that the GOP requested additional financial assistance from AID in the continuation of its housing construction program for low-income families.

Rental Apartment Projects

C. E. A. N. O.
A T L A N T I C O.
N A T I O N



PART III PROJECT DESCRIPTION

Of the several FFH program lines, the AID Supporting Assistance loan and housing guaranty funds will be applied to support the rental apartment and "SAAL" programs as those best responding to the urban housing problem presently confronting lower-income families in Portugal. Of the full range of FFH programs analyzed, these two, by being most advanced in design, planning and actual implementation experience on the part of FFH offer the best vehicle for immediate AID support. Projects may qualify for inclusion in this program for which construction contracts were signed on or after 1 January 1976, and which meet AID criteria. The funds are to be allocated equally between the two, unless AID agrees otherwise.

A. Walkup Rental Apartments

1. Type of Unit

As in the first AID program, 85% of the cost of one, two and three-bedroom apartments and corresponding infrastructure costs, in five-story buildings will be financed. These units are basically built for rental, but there have been some sales to cooperatives and other similar associations reported.

2. Location

As shown on the accompanying map, similar units will be built in projects in some 20 different locations throughout Portugal. As indicated earlier, FFH will finance this construction both directly and through local municipalities. FFH would approve and oversee all projects carried out through municipalities.

3. Costs

One result of the economic problems being experienced by Portugal is that the escudo is presently overvalued in terms of the U.S. dollar by approximately 25 percent. For purposes of perspective, this should be noted when considering the various unit costs shown below in other terms.

For illustrative purposes, basic data on those apartments as currently designed and at present real production costs, plus a 10% inflation factor, is presented on the following page:

ILLUSTRATIVE DATA FOR WALKUP APARTMENTS

<u>Type</u>	<u>Net Area</u>	<u>Gross Area</u>	<u>Equivalent \$Cost Incl. Urbanization</u>	<u>Land</u>
1 bedroom	50.51 m ²	60.06 m ² Bldg. Area	11,000 - 12,000	330 - 360
2 bedroom	59.09 m ²	71.95 m ² Bldg. Area	13,000 - 14,000	390 - 420
3 bedroom	68.57 m ²	84.87 m ² Bldg. Area	14,400 - 16,000	432 - 480

4. Number of Units

It is anticipated that approximately 1,300 rental apartments in the one, two and three-bedroom categories will be financed with AID program proceeds. Since January 1, 1976, a total of 666 units have been started with a total value of \$5.6 million. Rentals are to be scaled to amortize the unit cost in 50 years at an annual rate of interest of 5.5%.

- 50 years
- 5.5%

B. SAAL (Mobile Services for Local Support)

1. Description of Process

The second FFH program line selected for financial support is the SAAL, or "Mobile Services for Local Support" solution to improve the "barrios de latas" (slums). So named because it features FFH personnel taking technical and financial assistance into the slums, the program to date has been mounted primarily in the three major urban centers of Lisbon, Oporto and the Algarve. By the close of December 1975, 38 SAAL cooperative projects had entered the construction phase, representing a total of 3,370 units programmed for construction. Of those, approximately 1,000 have been completed and occupied.

Given the nature of this program, with its requirements of group organization, orientation and maximization of community inputs in the areas of project planning and design, considerable time is required to bring the projects to the construction stage. FFH has now actively promoted SAAL for approximately twenty months, completed the full program cycle with approximately 1,000 families, and fully expects to have 11,000 of these aided self-help cooperative units under construction in 1976. AID consultants who have observed the project recently believe this projection to be realistic.

*

Customarily, the sites where the "barrios de latas" are located, have been privately owned, and the owners have collected rentals. A special law has been issued, which provides for speedy (less than 30

days) acquisition by the municipality having jurisdiction, with an administrative procedure for fixing compensation. To provide a framework for immediate and ongoing group participation and self-management, the participants are organized as a cooperative. As the group organization proceeds, the second phase of physical project planning proceeds apace, with every effort made to maximize group participation as feasible. Work brigades for the self-help phases are organized.

The construction of the units is by means of aided self-help. Where specialized skill levels are called for, the cooperative, with assistance from FFH as needed, contracts for such services.

All financial inputs run from FFH to the cooperative. On completion of the project, it is the cooperative that is the owner of the units, and is responsible for the single mortgage. The land and urbanization are provided at the cost of the municipality. Based on the income of the group, and the cost of the units planned, FFH makes a determination of the amount of costs per unit to be covered by an FFH grant to the cooperative, usually between 30 and 35%, with the balance financed at 4% annually for 25 years. The range of the FFH grants are currently fixed at from \$2,080 to a maximum of \$3,125 per unit, varying inversely with the income of the group.

2. Typical SAAL Program Cost Breakdown

a. <u>Land and Infrastructure</u>	\$ 1,170
Estimated to represent 15% of unit costs, land and infrastructure are contributed by the respective municipalities. Failing Municipal funds for infrastructure costs, Ministry of Housing assumes cost.	
b. <u>Value of Self-Help Contribution</u>	1,000
This is assumed to have an average value of from 10% to 15% of the cost of construction.	
c. <u>Cost of Constructing the Unit</u>	<u>9,000</u>
Total	<u>\$11,170</u>

The typical SAAL unit costed out above, would be a simple family unit, of approximately 50 square meters of construction, designed for expansion, and occupying a 180-200 square meter lot.

3. Number of Units

As AID loan-housing guaranty funds applied to the SAAL program will cover 85% of the \$9,000 cost of construction, excluding the value of the self-help apportioned by the cooperative, it is estimated that 2,000 SAAL units will be financed.

PART IV PROJECT ANALYSIS

A. Technical

1. FFH Standard Multi-Family Apartment Building

The units are designed as apartments in four-floor, walkup buildings or multi-story buildings with elevators. The buildings are grouped in blocks on the site, and are designed as structural reinforced concrete construction with brick curtain walls. The units do not have a central heating system. Inspection of similar units built by FFH and being financed by the first program show they are soundly built and display quality workmanship.

2. Design and Construction Standards

The overall appearance of the public sector housing projects for low-income families in Portugal is good. Based on a review of architectural designs and engineering plans, AID's Office of Housing (SER/H) has concluded that the technology is appropriate, and the plans and designs sound.

Planning and design of the various SAAL projects are adequate, provide for house expansion and take into consideration community needs for services and facilities. SER/H's technical staff have concluded that the requirements of Section 611 of the FAA have been met.

3. Project Execution

SER/H has conducted periodic onsite inspections and has concluded that construction site organization and management by contractors and FFH technical supervisory and inspection personnel is satisfactory, indicating professional competence and supervision.

4. Bidding procedures

The bidding procedures used in Portugal closely resemble the Standard U.S. Government Regulations with the exception that the Portuguese contractors receive as part of the bidding document a Bill of Quantities.

Evaluation of proposals is conducted in a manner similar to the U.S., and the lowest price is not always the determining factor for contract award.

5. Construction Industry

Portugal's construction industry has traditionally played an important role in the economy. It accounts directly for about 6.5% of GNP and employed in excess of 250,000 workers, which is almost 10% of the total labor force. Equally important, it absorbs the majority

of the domestic production of iron, steel, cement, bricks, ceramic tiles, paints, hardware and electric wire. A more complete statistical picture of the industry may be gathered from the tables prepared by the Portuguese National Institute of Statistics, and attached to the updated shelter sector report for Portugal.

At present, private firms are operating at very low levels of capacity, and unemployment in the sector is currently estimated at 50,000 workers. There is, therefore, no danger of labor constraints developing at foreseeable production levels. Taken in the context of a gradually worsening employment situation throughout the entire Portuguese economy, the employment-generating aspects of this large-scale, national housing programs by FFH take on added significance.

According to the latest data available, reported at the close of September 1975, and compiled by the Ministry of Housing, there were 322,000 unemployed nationwide in Portugal. The slowly deteriorating employment scene is shown when these figures are contrasted to 200,000 unemployed in January of 1975, and 179,500 reported in December of 1974.

A revival of the Portuguese economy will require, among other steps, a large investment program, which at least initially must be led by the public sector. The construction industry in general, and the home-building industry in particular in Portugal are traditional repositories of managerial skills and productive capacity, which could permit a fairly rapid response to governmental initiatives in this area.

6. Building Materials

All building materials required in the proposed AID loan-housing guaranty program are produced locally. Given previous, customary levels of homebuilding, not to mention accumulated inventories, there is nothing in the design or nature of the program under discussion here which could reasonably be expected to induce shortages, or require imports.

7. Environmental Considerations

The proposed program will improve the living conditions of a sector of the lower-income Portuguese population by providing improved shelter. As of now, the ecological balance and most other environmental aspects of those areas presently occupied by the target population are very negative by reason of existing slum or near-slum conditions. The Program will serve to improve those conditions.

All selected housing projects will have adequate access and egress, water and sewerage. Due to the limited income of the home buyers, few will have automobiles in the near term, thus no short run

significant traffic generation is anticipated. Consequently, there will be minimal increase in air pollution and noise level on that account. Project residents will mainly use public transportation. Past experience in Portugal has proven that public transport agencies or individual operators extend their services to new urban areas, almost immediately after the areas have been occupied. Safety provisions for pedestrians and school children will be incorporated in the plans and vehicular traffic will be restricted, to the extent possible, to certain peripheral streets.

Urban development regulations set forth minimum areas which new housing projects must reserve for parks and open areas. In general, population densities in the new sites will be considerably lower than the ones prevailing in the areas from which the project residents will be coming. The adverse effects of over-crowding will be reduced. Proposed construction materials will reduce fire hazard to a minimum.

The proposed type of housing, and in the SAAL units, the potential for improvements and expansion are closely related to prevailing customs and patterns.

8. FFH Capacity

With the priority given to housing for lower-income families by the new governments and the tremendous growth of the role of the public sector in implementing this policy, the FFH has taken on a premier importance among housing sector institutions.

New staff has been brought in to implement the expanded program, and the magnitude of the changes has indeed created a different institution. While in the past, the Fundo had been only one of several Portuguese agencies filling a modest role in an equally modest public sector program, it has now increasingly assumed the role of state housing bank for all housing programs in Portugal.

Strongly motivated management, and well-trained, enthusiastic professional staff, have made FFH a highly effective operational institution. While undoubtedly an institution that has undergone profound changes of scale, as well as philosophy, the insight gathered over the course of the first AID-financed program would confirm the ability of FFH to execute a complex, volume housing program, and certainly demonstrate FFH capacity to execute the program proposed here.

B. Social and Market Analysis

1. Housing Demand as a Function of Family Income

In April 1976, AID consultants reported the following breakdown of family income distribution:

Family Income Distribution

Monthly Income	Monthly Income	Countrywide		Urban		Rural		Lisbon Only	
		#	%	#	%	#	%	#	%
<u>Escudos*</u>	<u>Dollars*</u>								
Under 3,600	Under 144	710,605	30	104,175	15	606,430	37	38,892	14
3,600-6,000	144-250	728,385	31	187,515	27	340,870	33	72,228	26
6,000-12,000	250-500	643,380	28	250,020	36	393,360	24	102,786	37
12,000-18,000	500-750	148,900	6	83,340	12	65,560	4	33,336	12
Over 18,000	over 750	102,230	5	69,450	10	32,780	2	30,558	11
	<u>Total</u>	2,333,500	100	694,500	100	1,639,000	100	277,800	100

Source: Calculated based on Inquerito as Receitas e Despesas Familiares, 1972.

20 Escudos = \$1.00

Monthly urban median family income for Portugal based on the 1972 study quoted above was estimated to be \$270. Currently, it is estimated as closer to \$300.

Using the urban family income profile data presented above, the following chart demonstrates the approximate income strata of the families that could afford units in the range to be financed by this program.

Solution	Estimated Cost	Monthly Payment	Monthly Family Income	Approximate Income Percentile
SAAL	\$ 6,400 ⁽¹⁾	\$33.79	\$135.16	13%
Rental Apts.	10,000	49.00	196.00	34%
" "	11,000	53.90	215.60	37%
" "	12,000	58.80	235.20	40%
" "	13,000	63.70	254.80	42%
" "	14,000	68.70	274.40	45%
" "	15,000	73.50	294.00	49%

Assumptions

1. SAAL loans are for 25 years at 4% interest - \$6,400 is the loan amount.
2. Rental units amortized over 50 years at 5.5% interest.
3. Families devote 25% of monthly income to payments.

C. Financial

1. Debt Servicing Capacity

Despite a large runoff of accumulated foreign reserves Portuguese gold reserves are considerable, with an estimated current market value of \$4 billion.

These reserves are considered sufficient to meet GOP obligations over the period required to stabilize the balance of payments situation, and revive the economy with some limited selling of gold on the international market and by, in effect, borrowing against these substantial gold reserves, receiving direct bilateral or international financial institution assistance. Portugal's official external debt as of December 31, 1974, stood at \$839 million, of which \$516.9 million was direct government debt of the airlines, railroads, etc. The estimated servicing cost of this debt during 1975 was \$157.9 million, 5.9% of estimated foreign exchange earnings. Additional foreign debt was incurred during 1975, and considerably more is in prospect for 1976. But, given the

low initial level, the debt service ratio is not likely to reach a dangerously high level.

The \$30 million AID loan during the period of amortization and interest payments, will generate annual debt servicing requirements of \$702,000.

The \$20 million housing guaranty financing, assuming for illustrative purposes a total 9.5% annual cost for 25 years, including the .5% AID fee, will generate annual debt servicing requirements of \$2,097,600.

Given Portugal's favorable medium and long-term economic prospects, its overall creditworthiness seems clear. On the basis of the foregoing, the increment in debt servicing requirements represented by the proposed program is quite manageable, and it is concluded that prospects for repayment of the loan and guaranty funds are reasonable.

PART V IMPLEMENTATION

A. Time Frame

All indications are that following agency approval, the GOP is prepared to move quickly in seeking a U.S. investor and entering into contracts with AID and the approved investor. Contract negotiations should be completed during October 1976. The period from initial to final disbursement of both the Supporting Assistance and Housing Guaranty funds will be twenty-four months.

B. Advance

The AID loan and housing guaranty agreements will permit up to 25% of the total loans to reimburse FFH for advances made to builders of rental and SAAL programs. These advances are made by FFH in order to allow the ~~builders to cover~~ initial expenses for the purchase of materials and general mobilization.

C. Subsequent Disbursements

Subsequent drawdowns, with the exception of the final disbursement, will be against work in place, defined as the net payment to the builder (gross bill submitted by builder, less advance) for work actually completed and/or completed units. Disbursement of Supporting Assistance loan funds and Housing Guaranty funds will be done on a pari-passu basis, in accordance with the proportion of the total program financing each represents.

D. Final Disbursement

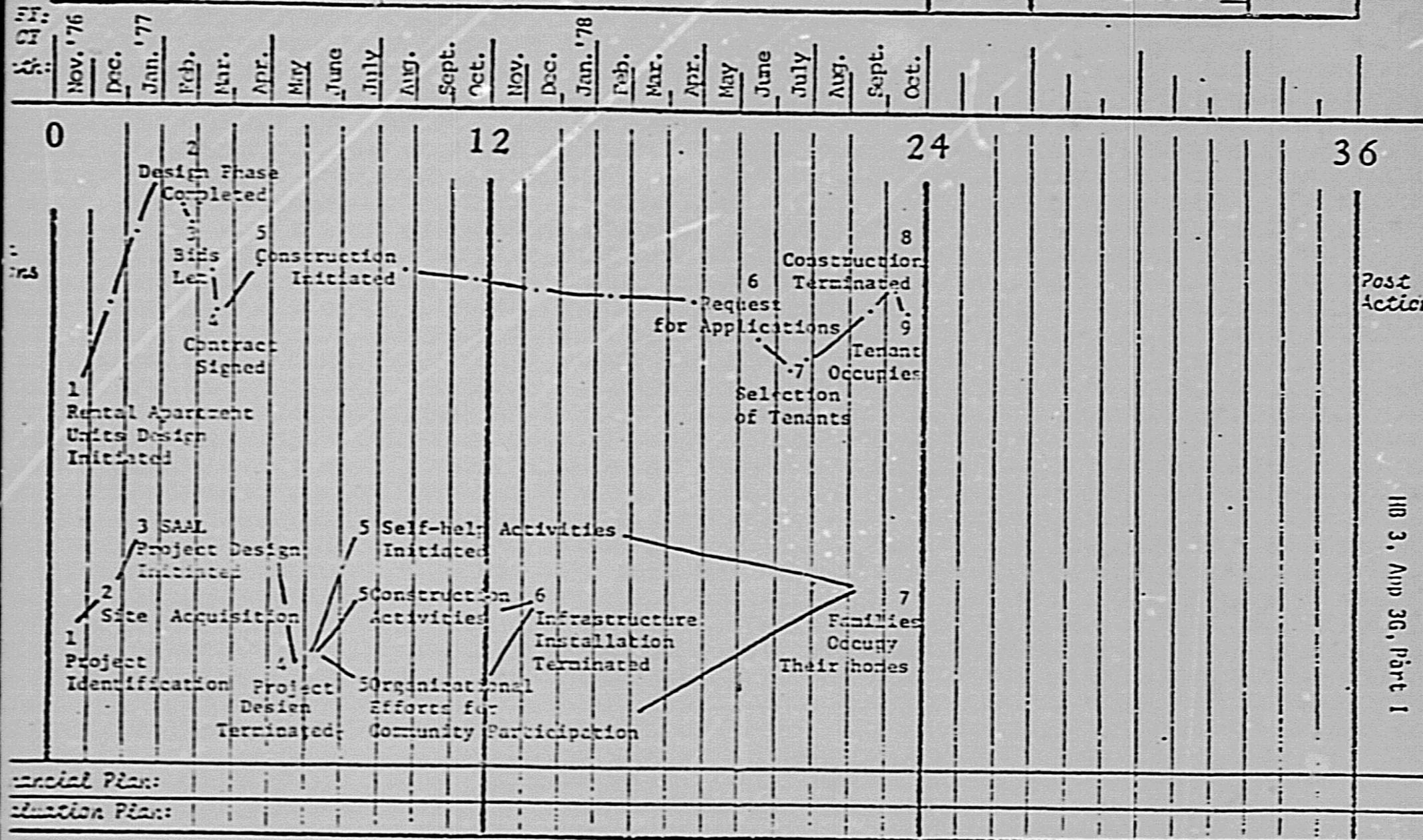
Final disbursement will be made against certification by the GOP of completed units in the approved program categories.

E. Monitoring

In the course of program implementation, AID staff in Portugal will be monitoring program implementation. Washington-based staff of SER/H will also be available to provide whatever short-term consulting inputs and staff support might be required.

PP* JRM
(May be Expanded as Appropriate)

Country:	Project No:	Project Title:	Date:	/ / Original	PPT app:
				/ / Revision #	



IB 3, App 3G, Part I

PART VI EVALUATION

- A. Frequency of evaluation: six-month intervals, with the final evaluation to be conducted within 30 days following final certification by FFH relative to final disbursement.

- B. Participating institutions: The evaluation team to consist of representative of USAID, the Ministry of Housing, Urbanization and Construction, and the Fundo de Fomento de Habitação.

- C. Elements of the proposed evaluation plan. The areas reviewed and considered will include:
 - 1. amount of funds disbursed, relative to time and expenditure schedules;
 - 2. amount of completed units and work in place relative to time and expenditure schedules, and synchronization of (1) and (2);
 - 3. study income information of housing unit recipients to determine income profile of beneficiaries of program;
 - 4. existence of property maintenance system for the new projects, its adequacy and funding;
 - 5. performance of self-management functions by the SAAL program cooperatives;
 - 6. source and amount of funding for ongoing program for target group; and
 - 7. technical assistance.

LOGICAL FRAMEWORK

Project Title and Number: Proposed Portugal Program

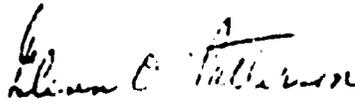
NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p><u>Program or Sector Goal:</u></p> <p>Assist GOP improve shelter delivery system for lower-income families.</p>	<p><u>Measures of Goal Achievement:</u></p> <p>Operation of a comprehensive policy where GOP action result in proportional and absolute increase in number of units being built for low-income families.</p>	<p>Ministry of Housing Data.</p> <p>Census Data</p>	<p><u>Assumptions for achieving goal targets:</u></p> <p>Continued GOP commitment to housing policy that stresses lower-income shelter objectives.</p>
<p><u>Project Purpose:</u></p> <p>To support the construction program of FFH for lower-income families.</p> <p>To assist the GCB to improve the shelter delivery system, so that it can be responsive to the housing needs of a greater number of lower income families.</p>	<p><u>Conditions that will indicate purpose has been achieved: End of project status:</u></p> <p>FFH has achieved project objectives of building approximately 3,500 units for low-income urban families.</p> <p>Viable community groups have contributed to the solution of their housing problem and are capable of ongoing role.</p> <p>Lower-cost housing units produced for low-income groups.</p>	<p>Ministry of Housing Annual resume of production activities.</p> <p>FFH Annual Report.</p> <p>Evaluation of ongoing cooperatives.</p>	<p><u>Assumptions for achieving purpose:</u></p> <p>FFH has technical and managerial capacity to employ these resources.</p> <p>Technical assistance is employed and successful, with transfer utilized in operations.</p>

<p><u>Outputs:</u></p> <p>FTH has implemented those sections of the program lines attributable to this financing. (Approx. 3,500 SPAL and rental units.)</p> <p>Viabile community housing groups capable of ongoing role.</p> <p>Implementation housing policy is changed to serve greater number of low income families in the lowest income strata.</p>	<p><u>Magnitude of Outputs:</u></p> <p>Approximately 3,500 units in the SPAL and rental apartment program have been produced.</p> <p>Overall housing policy plans</p> <p>Construction techniques for low income housing.</p> <p>Cooperative techniques.</p>	<p>Joint AID/FTH review of sub-project implementation</p>	<p><u>Assumptions for achieving Outputs:</u></p> <p>Present housing target and housing flow will not alter radically.</p> <p>FTH has the technical and managerial capacity to implement program.</p> <p>Cooperatives organized continue to function and enjoy strong motivation for active role in housing environment.</p>
<p><u>Inputs:</u></p> <p>Land and urbanization by municipalities or FTH.</p> <p>15% of unit construction and urbanization costs in apartment program by FTH.</p> <p>AID loan resources. T.A. grant.</p> <p>FTH TA in SPAL program.</p>	<p><u>Implementation target (type and quantity):</u></p> <p>Over 24-month period:</p> <p>\$10 million AID loan to FTH.</p> <p>\$20 million HG to FTH</p> <p>\$14 million by FTH or municipal agencies.</p> <p>36 man-months T.A.</p>	<p>AID disbursement records.</p> <p>SEP/H disbursement records</p> <p>Review of loans and rental agreements generated by FTH.</p>	<p><u>Assumptions for Providing Inputs:</u></p> <p>Various participating entities will execute as planned.</p>

CERTIFICATION PURSUANT TO SECTION 611(e) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Glenn Patterson, the Principal Officer of the Agency for International Development in Portugal, having taken into account, among other things, the capacity of the Portuguese Government and its agencies to properly utilize the housing for low income families being financed by this Loan, do hereby certify that in my judgement Portugal has the financial and human resources to effectively maintain and utilize the program financed by these loan inputs.

This judgement is based upon considerations discussed in the loan paper and amendment to which this certification is attached.


GLENN PATTERSON
AID Representative

March 26, 1976

CHECKLIST OF STATUTORY CRITERIA

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

FAA, 1973 - Foreign Assistance Act of 1973.

App. - Foreign Assistance and Related Programs Appropriation Act, 1974.

MMA - Merchant Marine Act of 1936, as amended.

COUNTRY PERFORMANCE

Treatment of U.S. Citizens and Firms.

1. FAA § 600(a). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) a such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government? No such situations are known to exist.

2. FAA § 600(a)(1). If assistance is to a government, has its administrative government agencies or officials taken any action which has the effect of nationalization, expropriation, or otherwise seizure, ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No such action is known to have been taken.

3. FAA § 600(a), Fishermen's Protective Act § 5. If a vessel has seized, or imposed any penalty, or sanction against, any U.S. fishing vessel or member of its fishing activities in international waters. No instance of any such seizure or imposition of any such penalty or sanction is known to have occurred.
 - a. has any deduction required by Fishermen's Protective Act been made? Not Applicable

 - b. has complete denial of assistance been considered by A.I.D. Administrator? Not Applicable

BEST AVAILABLE DOCUMENT

Relations with U.S. Government and Other Nations

4. FAA § 620(a). Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba? No
5. FAA § 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement? Yes
6. FAA § 620(c). Is recipient country a Communist country? No
7. FAA § 620(d). Is recipient country in any way involved in the subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? No
8. FAA § 620(e). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? No
9. FAA § 620(f). If the country has failed to institute the investment guarantee program for the specific risks of expropriation, inconvertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason? Although Portugal has not instituted the investment guaranty program, the A.I.D. administration does not consider it in the best interest of the U.S. Government to deny assistance for this reason.
10. FAA § 620(g). Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam? No
11. FAA § 620(h). Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country? No

BEST AVAILABLE DOCUMENT

12. FAA § 500(c). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
13. FAA § 500(d). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget?
14. FAA § 431. Has the government of recipient country failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?
15. FAA § 432. (a) If a military base is located in recipient country, and was constructed or is being maintained or operated with funds furnished by U.S., and (b) U.S. personnel carry out military operations from such base, has the President determined that the government of recipient country has authorized regular access to U.S. correspondents to such base?

Portugal has not severed diplomatic relations with the U.S.

Portugal's payment obligations to the U.N. are current.

No

The President has so determined.

Military Expenditures

16. FAA § 400(a). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (RFG/AC).)

The President has taken into account each of the listed considerations as to current military expenditures by the JOP and has determined that the actions of the JOP have not been such as to inhibit U.S. aid to Portugal.

CONDITIONS OF THE LOAN

General Soundness

- 17. FAA § 601(a)(1). Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance? Yes

- 18. FAA § 601(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the loan. No such legislative action is required.

- 19. FAA § 601(a). If loan is for Capital Assistance, and the U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project? Yes

Loan's Relationship to Achievement of Country

- 20. FAA § 601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, trade unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions. The loan is not designed to address specifically the criteria mentioned in Sec. 601(a).

21. FAA § 610. If assistance is for newly independent countries: is it furnished through multilateral organizations or plans to the maximum extent appropriate?

Loan's Effect on U.S. and A.I.D. Program

22. FAA § 601(b). Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The proceeds of the loan will be used to finance the local currency cost of a housing construction program.

Thus, the impact of the loan on U.S. private trade and investment abroad, and on private U.S. participation in foreign assistance programs will be negligible.

23. FAA § 601(d). If technical project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?

No such services are required from any sources outside Portugal.

24. FAA § 603. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services financed by the loan.

The nature of the activity being financed does not provide an opportunity for the participation of U.S. small business

25. FAA § 610(b). Will the loan promote or assist the foreign aid projects or activities of the Communist-led countries?

No

26. FAA § 621. If Technical Assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.
- Technical assistance will not be financed by this loan.

Loan's Compliance with Specific Requirements

27. FAA § 660. Will loan be used to finance police training or related program in recipient country? No
28. FAA § 114. Will loan be used to pay for performance of abortions or to motivate or coerce persons to practice abortions? No
29. FAA § 60-(a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President? Yes, all commodity procurement will be from Portugal (building materials), which is an eligible source country.
30. FAA § 60-(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price? Not Applicable
31. FAA § 60-(c). If the cooperating country discriminates against U.S. marine insurance companies, will the loan agreement require that marine insurance be placed in the United States on commodities financed by the loan? Portugal does not discriminate against U.S. marine insurance companies.
32. FAA § 60-(d). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? No such procurement is to be financed.

33. FAA § 604(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.
34. FAA § 611(b), App. § 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962?
35. FAA § 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable?

The nature of the activity to be financed preclude the utilization of U.S. Government excess personal property.

This is not a water or water-related land resource project.

For its construction program, the Portuguese developed procedures in which contracts are negotiated and awarded on a basis of standardized unit costs for various types of buildings, with provision for escalation adjustment for transport costs, unusual circumstances at site, etc.

Firms have been "prequalified" for participation in the construction program on the basis of their submission of proposals for standardized designs and their performance on construction of prototypes of those designs. Thus, a competitive element was definitely a part of the contractor selection process. A.I.D. has reviewed these contracting procedures and found them to be reasonable and practicable in they conform to standard competition as practiced in Portugal, and a quality product is being obtained at a reasonable price.

36. FAA § 612(l); § 612(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.
- The Portuguese are contributing substantial resources of their own for the program.
37. Section 30 and 31 of PL 92-139 (FAA of 1973). Will any part of the loan be used to finance directly or indirectly military or paramilitary operations by the U.S. or by foreign forces in or over Laos, Cambodia, North Vietnam, South Vietnam, or Thailand?
- No
38. Section 17 of PL 92-139 (FAA of 1973); App. § 111. Will any part of this loan be used to aid or assist generally or in the reconstruction of North Vietnam?
- No
39. FAA § 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?
- The U.S. does not own any excess Portuguese currency.
40. FAA § 620(a). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property?
- The loan agreement will prescribe the uses to which loan proceeds may be put and such uses will not include compensation for expropriated or nationalized property.
41. FAA § 620(b). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million?
- Not applicable. The project is not for construction of a productive enterprise.
42. FAA § 636(i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction?
- No

43. App. § 103. Will any loan funds be used to pay pensions, etc., for military personnel? No
44. App. § 107. Will any loan funds be used to pay UN assessments? No
45. App. § 103. Compliance with regulations on employment of U.S. and local personnel. (A.I.D. Regulation 7). The loan agreement will provide for compliance with A.I.D. Regulation 7
46. App. § 110. Will any of loan funds be used to carry out provisions of FAA § 209(d)? No
47. App. § 110. Will any of the funds appropriated or local currencies generated as a result of A.I.D. assistance be used for support of police training of South Vietnamese? No
48. App. § 113. Describe how the Committee on Appropriations of the Senate and House have been or will be notified concerning the activity, program, project, country, or other operation to be financed by the loan. The committees will be so notified in accordance with established "prior notification" procedures before A.I.D. funds are obligated
49. App. § 401. Will any loan funds be used for purposes within the United States not authorized by Congress? No
50. App. § 60. Will any of the funds appropriated for this project be used to furnish petroleum fuels produced in the continental United States to Southeast Asia for use by non-U.S. nationals? No
51. ECIA § 901.1; 901.400.
(a) Compliance with requirements that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. The loan agreement will provide for compliance with the U.S. Cargo Preference Law to the extent shipping services are required.

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

LOAN AUTHORIZATION

Provided From: FAA Section 532
("Security Supporting Assistance")

Portugal : Housing for Low-Income Families

Pursuant to the authority vested in the Administrator, Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended ("the Act") and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan ("the Loan") pursuant to Part II, Chapter 4, Section 532 of said Act, to the Government of Portugal ("the Borrower") of not to exceed Ten Million United States Dollars (\$10,000,000) to assist the Borrower's Housing Program for low-income families through support of National Housing Development Fund (FFH) activities, including long-term financing of cooperative home ownership, low income rental units and core housing. The Loan shall be subject to the following terms and conditions:

1. Terms of Repayment and Interest Rates

The Borrower shall repay the Loan to A.I.D. in United States Dollars within twenty-five (25) years from the date of its first disbursement under the Loan, including a grace period of not to exceed five (5) years from said date. The Borrower shall pay to A.I.D. in United States Dollars interest at the rate of five percent (5%) on the outstanding disbursed balance of the Loan and on any due and unpaid interest.

2. Other Terms and Conditions

- (a) Goods and services financed under the Loan shall have their source and origin in the United States and Portugal;

2. (b) United States Dollars utilized under the Loan to finance local currency costs shall be made available pursuant to procedures acceptable to A.I.D.;
- (c) The Loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Daniel Parker
Administrator

Date

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

GUARANTY AUTHORIZATION

Provided From: Housing Investment Guaranty
Authority

Portugal : Housing for Low-Income Families

Pursuant to the authority vested in the Assistant Administrator, Bureau for Near East, by the Foreign Assistance Act of 1961, as amended (FAA), and the delegations of authority issued thereunder, I hereby authorize the issuance of a guaranty pursuant to Title III, Section 221 of the FAA of not to exceed twenty million dollars (\$20,000,000) assuring against losses of not to exceed one hundred per centum (100%) of loan investment and interest by an eligible U.S. Investor or Investors (Investor) acceptable to A.I.D. to finance housing projects in Portugal.

This guaranty shall be subject to the following terms and conditions:

1. Term of Guaranty: The loan shall extend for a period of up to thirty (30) years from the date of disbursement of the first installment of the loan including a grace period on the repayment of principal not to exceed ten (10) years. The guaranty of the loan shall extend for a period beginning with the first disbursement of the loan and shall continue until such time as the Investor has been paid in full pursuant to the terms of the Loan.
2. Interest Rate: The rate of interest payable to the U.S. Investor pursuant to the Loan shall not exceed the allowable rate of interest prescribed by the Administrator pursuant to Section 223(f) of the FAA and shall be consistent with rates of interest generally

available for similar types of loans.

3. Government of Portugal Guaranty: A guaranty carrying the full faith and credit of Portugal, payable to A.I.D. assuring against any and all losses to A.I.D. by virtue of its guaranty to the U.S. Investor or from non-payment of the guaranty fee.

4. Fee: The fee of the United States shall be payable in dollars and shall be one-half of one per centum (1/2%) per annum of the outstanding guaranteed amount of the loan.

5. Other Terms and Conditions: The guaranty shall be subject to such other terms and conditions as A.I.D. may deem necessary.

Assistant Administrator
Bureau for Near East

Date

STATUTORY CHECKLIST
HOUSING INVESTMENT GUARANTY
GOVERNMENT OF PORTUGAL

Section 221:

The total face amount of guaranties issued, outstanding at any one time, shall not exceed \$430,000,000.

The proposed Guaranty will finance self-liquidating housing projects and related community facilities suitable for conditions in the host country.

Sections 221 and 222(b):

The proposed program qualifies under the following criteria:

1. Housing projects for lower income families and persons.
2. Housing projects for which twenty-five percent or more of the mortgage financing is made available from sources within Portugal.

Section 223(a):

The A.I.D. guaranty fee has been determined by A.I.D. in accordance with the authority delegated by the President.

Section 223(f):

The maximum rate of interest allowable to the eligible U.S. Investor to be prescribed by the Administrator will not be more than one per cent above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development.

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Section 223(h):

No payment may be made under any guaranty issued for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

Section 223(j):

By the terms of the last sentence of Section 223(j) Portugal is excluded from the restrictions of this section.

Section 238(c):

The guaranty agreement will cover only lenders who are "eligible investors" within the meaning of this section of the statute at the time the guaranty is issued.

Section 620:

There is no available information prohibiting the furnishing of assistance to Portugal.