



National Savings and Loan League

PD-AAR-085

F180 PORTUGAL  
NE/DP/AE  
39382

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PORTUGAL HOUSING

150-HG-001 and 150-Z-005

and

150-HG-002 and 150-K-008

FINAL REPORT - PART I  
on  
PROJECT STATUS REVIEW

Prepared by:  
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January 11, 1980

## INTRODUCTION

This report was prepared in response to RFS 79-63 of November 26, 1979. It is based on my TDY in Portugal from December 3 to December 20, 1979.

Information was gathered through meetings with personnel from the Fundo de Fomento da Habitação (FFH) in Lisbon, site inspections, and discussions with FFH and contractor personnel. A preliminary report on my findings was submitted to and discussed with Mr. Donald Finberg, AID Representative, his Deputy, Mr. Charles Buchanan, and Mr. Michael Lippe, RHUDO/Tunis. Also, coordinating meetings were held with the team and consultants from Pratt Associates who were conducting an evaluation of the AID shelter programs in Portugal. The team members were Elaine Weis and Jack Howley.

This report is divided into two parts:

- I. A review of the first combined loan, (HG-001 and Z-005) with emphasis on work accomplished by FFH in completing infrastructure on HG-001 and AID loan 005 subprojects, and recommendations for corrective action if necessary; and,
- II. A review of the second combined loan (150-HG-002 and 150-K-008) and recommendations for disbursement.

During our visits to the sites we were accompanied by one FFH engineer. In spite of rainy weather conditions, we were able to visit 20 projects throughout the country. A brief description of these visits will be submitted at a later date.

During our mission we met jointly or individually with the following persons:

Arq. João Alves de Sousa, Coordinator, International Programs,  
FFH  
Eng. Alexandre Vasconcelos e Sá, FFH  
Dr. Victor Serra de Almeida, FFH  
Eng. Fortuna Pereira, Porto, FFH  
Mr. Donald Finberg, AID Representative, Portugal  
Mr. Charles A. Buchanan, Jr., Program Officer, AID Portugal  
Eng. José Trindade, AID Portugal  
Mrs. Elaine Weis, Pratt Associates  
Mr. Jack Howley, Pratt Associates

I. FIRST COMBINED AID/HG LOAN 150-HG-001 and 150-Z-005

Final disbursement on this AID/HG loan, made in April 1979, was allowed on FFH assurances that all infrastructure on all accepted units would be completed within six months after that disbursement.

A visit to many of the project sites revealed the majority of the buildings are well built and the occupants are very pleased with their new homes. This was not true, however, of the projects that had encountered difficulties. Table I-1 gives an overall idea of the present status of the work for both the buildings and the infrastructure. Table I-2, taken from the previous final status review, dated January 27, 1979, was included to serve as a basis for comparison on the progress of work as well as to provide cost data on the loan.

In summary, there are 14 project sites (normally referred to as projects) for which 40 construction contracts were signed involving a total of 4,066 T1, T2 and T3 units. Twenty-six per cent, or 1,068 units have not been completed due to bankruptcy of 5 contractors involved in 9 terminated contracts. Only one of these has been rebid; it is now proceeding satisfactorily in spite of the fact that most of the terminated contracts occurred over a year ago. Infrastructure delays impeded the occupancy of 250 units and construction could not start on 35 units because of expropriation.

The following problems affecting the completion of this program have been itemized below so as to provide the funds with guidance for specific action.

1. Termination of Contracts due to Bankruptcy.

The problem of bankruptcy affected primarily a contractor named ENOBRA, who unfortunately had been awarded four projects: Mirandela with 120 units (129 T1, T2, and T3), Bragança with 114 units (93 T1, T2 and T3), Evora with 39 units (81 T1, T2 and T3), and Chelas II with 132 units (132 T1, T2 and T3). Another three contractors were involved in bankruptcies at Almada: Geobra with 380 units (305 T1, T2 and T3), Concital with 200 units (165 T1, T2 and T3), and Tecnisul with 90 units (90 T1, T2 and T3). Geobra's contract for 78 units (6 T1, T2 and T3) at Zambujal was also terminated. A contractor named Tojal at Chelas filed also for bankruptcy on 67 units (67 T1, T2 and T3).

2. Infrastructure.

The other major problem has been the slow or nonexistent progress on the infrastructure work. This problem has mainly affected two projects: Macedo de Caveleiros with 126 units (102 T1, T2 and T3) and one project at Almada with 160 units (148 T1, T2 and T3). All the units in the former have been completed, some of them for about a year, but they cannot be occupied because of the lack of water, sewer and electricity. The latter project also has had all the units completed for about a year but is yet to be occupied owing to slow progress in the construction of the main water line by the local municipality.

3. Expropriation.

Another problem affecting the completion of the first loan is expropriation. At Giesta - Gondomar, from a total of 114 units, construction on 42 (38 T1, T2 and T3) cannot start and infrastructure cannot be completed because of legal complications involving the expropriation of a small house located at the site.

4. Financial and Bureaucratic Problems.

The main reason for the delay on the above-mentioned projects is a combination of two factors. One is the intricate bureaucratic, administrative and legal complexity involving termination and rebidding procedures by FFH. The other is the well-known financial difficulty affecting the Fundo that stopped the execution of new contracts during the year 1979. Not a single new project was started that year.

Recommendations

The financial difficulties affecting the Fundo are preventing new construction contracts from being executed. As long as this situation continues all projects that have to be rebid because of contract termination will remain unfinished.

Therefore, I recommend that AID/Listen urge the GOP to give high priority to the completion of unfinished projects and thus provide FFH with the necessary funds for this purpose.

During our visit to the Oporto FFH Housing Office, we learned from the Director, Eng. Fortuna Pereira, that a new directive issued by the Secretary of State for Housing has transferred authority from the Fundo to the "Direcção Geral de Equipamento Regional e Urbano", to carry out

infrastructure work for all northern Fundo projects. The Direcção is a department within the Ministry of the Interior. The new directive applies only to those projects where construction of infrastructure has not been started yet by the Fundo, as is the case of the three following projects: Mirandela, Bragança and Macedo de Cavaleiro. The latter is already being handled by the Direcção Geral, although no progress in infrastructure work was evident. The infrastructure for the other two, however, is planned by Eng. Pereira to be included in the bidding package for the completion of the housing units, in spite of the new directive. Bids opening for these two projects are scheduled for January, 1980.

In view of the above, and in order to avoid further infrastructure delays by introducing a second government agency unfamiliar with the project, I recommend that not only the Mirandela and Bragança projects but also the Macedo de Cavaleiros project be authorized to be carried out by the Fundo. It should be pointed out that the Mirandela project, because of its remote location and its relatively large construction cost estimate (contos 115,000 or \$2,311,553 for 132 units, including infrastructure), will take about eighteen months to complete. Therefore, I further recommend that the Fundo pay very close attention to the monitoring of this project so as to keep it on schedule.

In regard to the long delays caused by rebidding procedures, I recommend that the Fundo accelerate and promptly complete bidding procedures for all unfinished projects so that construction can start as soon as possible.

Regarding the infrastructure problem in Almada, I recommend that the Fundo contact the respective municipality to point out the urgency in completing the construction of the water transmission line and that the Fundo provide the municipality with additional technical assistance so that the 160 units can be occupied as soon as possible.

Also it is recommended that coinciding with the September, 1980 status review of the second combined loan, a quick inspection of only those projects experiencing difficulties be made on the first combined loan. The Fundo should provide all necessary technical data that would allow the consultant to analyse further compliance with the conditions for the final disbursement.

IN A.M.E.	NO. OF UNITS		CONSTRUCTION STATUS							AID FINANCIAL ID	COMMENTS	
	TOTAL UNITS	UNITS UNDER CONSTRUCTION	UNITS OCCUPIED		INFRASTRUCTURE							
			NO.	%	WATER	SEWER	STREET	POWER	LANDING			
Porto Viso	545	296	296	296	100%	100%	100%	100%	100%	100%	YES	AID assisted portion of the project as well as infrastructure fully completed and occupied. Sign not required as per AID to SIV letter of Oct. 23, 1973.
Zarzal	546	782	276	34	100%	100%	100%	90%	100%	100%	YES	Additional 312 units were completed but still not occupied. Remaining 6 units are scheduled to be bid or January 1980. Infrastructure is nearing completion.
Alroda	1,010	880	250	86	95%	100%	95%	95%	95%	100%	YES	Three contractors involved in 300 units were terminated owing to economic difficulties. New bidders are scheduled for February 1980. Occupied units have temporary water connection. Water tank and transmission lines are still under construction.
Evora	479	444	363	121	100%	100%	100%	100%	100%	100%	YES	January 1979 has been scheduled for bid opening for the completion of the remaining 68 units. All but 68 units are finished and occupied. Infrastructure is completed.
Beja	260	195	195	195	100%	100%	100%	100%	100%	100%	YES	All units are completed and occupied. Infrastructure is complete except for exterior site work.
Caldas II	742	705	443	98	100%	100%	100%	100%	50%	100%	YES	Additional 315 have been completed but not occupied. A new contract has been selected for the completion of remaining 137 units but is yet to be started. Infrastructure is complete for finished units.
Quarões I and III	599	466	466	456	100%	100%	100%	100%	100%	100%	YES	All units and infrastructure are complete. Project has been occupied.
Rala	122	95	95	95	100%	100%	100%	100%	100%	100%	YES	All units are complete and occupied. Infrastructure is complete except for streets and exterior site work.
Matosinhos II	192	140	140	140	100%	100%	100%	100%	100%	100%	YES	All units have been completed and occupied. Infrastructure is complete except for streets and exterior site work.
Mirandela	270	195	101	66	100%	100%	100%	100%	100%	100%	YES	Additional 35 units have been completed but not occupied. Infrastructure is not yet started yet for these units. Remaining 94 unfinished units, left by previous contractor, are scheduled for bidding in January 1980.
Resegosa	114	93	-	-	81	84	84	84	84	84	YES	Bidding for the completion of unfinished construction left by previous contractor is still in process. It is scheduled for February 1980. Exterior work for infrastructure is almost complete.
Monte de Cavaleiros	100	102	102	-	100%	100%	100%	100%	100%	100%	YES	All units are now completed but not occupied because infrastructure is not started yet.
S. João da Ribeira	118	99	99	69	100%	100%	100%	100%	100%	100%	YES	All units are now completed and occupied because infrastructure is not started yet.
Castanheira	114	104	56	64	100%	100%	100%	100%	100%	100%	YES	Thirty six units are completed and occupied although the majority of the construction of remaining 28 units has not started yet. Infrastructure is almost complete. Exterior work for infrastructure is almost complete.
TOTAL	5,247	4,732	3,732	1,732								

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TABLE II - 9  
PORTUGAL HOUSING  
(150-HG-002 and 150-K-008)  
ACTUAL AND PROPOSED DISBURSEMENT SCHEDULE

	<u>2/</u> HG-002	<u>3/</u> AID-008	<u>Total</u>
January 31, 1978 <u>1/</u> for progress through December 1977	\$ 5,000,000.00	-	\$ 5,000,000.00
April 7, 1978 <u>1/</u> for progress through December 1977	-	\$ 2,300,000.00	\$ 2,300,000.00
June 29, 1978 <u>1/</u> for progress through April 1978	5,000,000.00	-	5,000,000.00
February 21, 1979 <u>1/</u> for progress through November 1978	5,000,000.00	1,604,691.00	6,604,691.00
August 16, 1979 <u>1/</u> for progress through April 1979	5,000,000.00	3,062,349.43	8,062,349.43
Dec. 31, 1979 <u>4/</u> for progress through October 1979	-	732,778.66	732,778.66
September 30, 1980 <u>5/</u> for progress through August 1980	-	2,300,180.91	2,300,180.91
	\$20,000,000.00	\$10,000,000.00	\$30,000,000.00

1/ Actual disbursements made.

2/ These four disbursements were firmly set according to the Loan Agreement between GOP and the FHLB of New York and have been fully executed.

3/ Implementation Letter No. 4 was issued extending the terminal date of the AID loan from December 31, 1979 to September 30, 1980.

4/ Proposed disbursement. It reflects work-in-place during period May 1 to October 31, 1979 (\$32,959.57) and 10% retainer for 14 completed and accepted projects as of October 31, 1979 (\$699,819.09).

5/ Proposed final disbursement.

Amount of Loans

AID-K-008 .....	\$20,000,000.00
Guaranty 150-HG-002 .....	\$10,000,000.00
Total Loans.....	\$30,000,000.00

Not Available Document

TABLE II-10  
PORTUGAL HOUSING  
(150-HG-002 and 150-K-008)

STATUS OF UNITS AND INFRASTRUCTURE WORK

Project Description	Total # of Units	Number of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub>	Total # of Units Completed	Total # of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub> Completed	Total # of Units Occupied	Total # of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub> Occupied	Status of Infrastructure %					Completion Date
							Water	Sewer	Elec.	Streets	Land-scaping	
<u>Direct Promotion:</u>												
Sobreiro-Maia I	320	320	320	320	-	-	100	100	70	80	70	Feb. 80 <u>/1</u>
Sobreiro-Maia II	180	90	136	68	-	-	100	100	50	50	40	Apr. 80 <u>/2</u>
Ponte Danta I	226	180	147	118	25	20	100	100	100	50	10	Mar. 80 <u>/3</u>
Ponte Danta II	84	67	54	43	-	-	100	100	100	50	10	Jun. 80 <u>/3</u>
Araucária	288	216	-	-	-	-	10	10	10	10	10	<u>/4</u>
Fafe-Cumieira	236	168	236	168	-	-	100	100	100	90	90	Jan. 80
Monte Castro	176	140	176	140	-	-	100	100	70	90	50	Mar. 80
Guimarães II	359	286	-	-	-	-	5	5	5	5	5	Nov. 80
Guimarães II	Infrastructure only						100	100	100	100	100	---
Setúbal II	45	45	-	-	-	-	90	80	10	100	10	May 80 <u>/5</u>
Setúbal III	108	108	-	-	-	-	90	80	10	100	10	Dec. 80 <u>/5</u>
Setúbal	Infrastructure only						90	80	10	100	10	---

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- /1 Delay in completion of water and sewer is preventing occupancy of project.
  - /2 Forty-four units have not started yet owing to litigation on land expropriation.
  - /3 Present city water capacity is not sufficient for this project. Municipality will design and build a new water tank.
  - /4 Contractor stopped construction owing to financial difficulties. FFH is expected to terminate contract although no fixed date has been established yet.
  - /5 Delay in start of construction of units has been caused by lack of electricity. Electrical work could not be carried out because of shortage of FFH funds.

Table II-10, continued

Project Description	Total # of Units	Number of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub>	Total # of Units Comp.	Total # of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub> Comp.	Total # of Units Occ.	Total # of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub> Occ.	Status of Infrastructure %					Completion Date
							Water	Sewer	Elec.	Streets	Land- scaping	
Funchal I-1	10	10	10	10	10	10	100	100	100	100	90	---
Funchal I-2	22	22	22	22	22	22	100	100	100	100	90	---
Funchal II-2	28	28	-	-	-	-	100	100	100	10	10	Jun. 80
Funchal II-3	27	27	27	27	-	-	100	100	100	10	10	Mar. 80
Funchal III	115	90	-	-	-	-	60	60	40	40	10	Dec. 80
Alagoas-Régua	147	105	147	105	147	105	100	100	100	100	100	---
Ramalde do Meio	159	110	159	110	24	17	10	90	100	50	50	Mar. 80
Peniche II-1	103	103	-	-	-	-	100	100	10	90	10	Sep. 80 <sup>/5</sup>
Peniche II-2	50	50	50	50	-	-	100	100	10	90	10	Apr. 80 <sup>/6</sup>
Horta-Faial	44	39	44	39	-	-	20	20	10	20	10	Aug. 80
<u>Cooperatives:</u>												
Entrocamento 1	48	48	48	48	48	48	100	100	100	90	90	---
Entrocamento 2	64	64	64	64	64	64	100	100	100	90	90	---
Entrocamento 3	160	160	96	96	96	96	100	100	100	90	90	Apr. 80
Golegã	32	32	32	32	32	32	100	100	100	10	5	Mar. 80
Lumiar	70	62	70	62	70	62	100	100	100	100	10	---
Canha-Montijo	50	50	31	31	31	31	100	30	30	5	5	Apr. 80
Pontes	72	70	-	-	-	-	20	20	5	20	5	Aug. 80
Cobata B	30	30	1	1	1	1	100	100	70	70	10	Apr. 80
Cobata C	28	28	28	28	28	28	100	100	90	70	10	Feb. 80

<sup>/5</sup> Delay in start of construction of units has been caused by lack of electricity. Electrical work could not be carried out because of shortage of funds.

<sup>/6</sup> Fifty completed units can not be occupied because of lack of water supply.

Table II-10, continued

Project Description	Total # of Units	Number of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub>	Total # of Units Comp.	Total # of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub> Comp.	Total # of Units Occ.	Total # of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub> Occ.	Status of Infrastructure %					Completion Date
							Water	Sewer	Elec.	Streets	Land- scaping	
Evora	100	81	34	28	34	23	70	70	10	20	10	Jun. 80
Torre de Coelheiros	48	48	-	-	-	-	10	10	10	10	10	Sep. 80
Vila do Bispo	94	94	70	70	-	-	60	80	10	20	5	Mar. 80
Faralhao	150	147	-	-	-	-	10	10	10	10	5	Jun. 80
Alverca	89	71	89	71	-	-	100	100	100	70	50	Jun. 80
<u>SAAL:</u>												
Bairro da Liberdade	56	46	56	46	56	46	100	100	100	100	10	---
Alc. Sal-Montevil	50	49	50	49	50	49	100	100	50	70	10	Feb. 80
Batateiro-Seixal	85	73	85	73	85	73	100	100	100	90	10	---
Montegordo	133	125	-	-	-	-	5	5	5	5	5	Mar. 81 <sup>/7</sup>
Loulé, Quarteira	64	62	-	-	-	-	5	5	5	5	5	May 81 <sup>/7</sup>
Barrio D. Leonor	160	140	96	84	72	63	100	100	100	70	10	Oct. 80
Linda-A-Velha	120	110	44	40	44	40	100	100	100	70	10	Dec. 80
Bairro Sto. António	104	94	35	32	35	32	100	100	100	50	10	Apr. 80
Fazendas de Almeirim	45	39	-	-	-	-	10	10	10	10	10	Sep. 80

<sup>/7</sup> Construction is stopped owing to a combination of contractor financial difficulties, slow FFH disbursements, and lack of technical support by the municipality.

Table II-10, continued

Project Description	Total # of Units	Number of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub>	Total # of Units Comp.	Total # of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub> Comp.	Total # of Units Occ.	Total # of T <sub>1</sub> T <sub>2</sub> T <sub>3</sub> Occ.	Status of Infrastructure %					Completion Date
							Water	Sewer	Elec.	Streets	Land-scaping	
<u>Co-participating:</u>												
Pedralvas	40	40	40	40	40	40	100	100	100	100	100	---
Chelas II	130	130	-	-	-	-	100	100	100	90	5	1981 / <sup>8</sup>
Quinta do Chalet	160	148	148	130	148	130	100	100	100	90	0	Mar. 80
Musgueira Nordeste	80	80	80	80	80	80	100	100	100	100	5	---
Boavista	80	80	80	80	80	80	100	100	100	90	10	---
Telheiras	80	66	20	16	-	-	100	100	10	90	10	Jul. 80
Portalegre 1	61	61	61	61	61	61	100	100	100	10	10	Jun. 80
Portalegre 2	25	25	25	25	25	25	100	100	100	10	10	Jun. 80
Portalegre 3	54	54	54	54	54	54	100	100	100	10	10	Jun. 80
Portalegre 4	53	53	53	53	29	29	100	100	100	10	10	Jun. 80
Vila Franca do Campo	20	12	4	-	2	-	40	50	40	50	5	Sep. 80
Vilar de Andorinho	80	80	80	80	80	80	100	100	100	100	10	---
	5,442	4,756	3,102	2,694	1,573	1,446						

/8 Contract was terminated; new bidding in process.

TABLE II-11  
 PORTUGAL HOUSING  
 (150-HQ-002 and 150-K-008)

EXPENDITURES FOR PROJECTS THAT WILL NOT BE  
 COMPLETED BY SEPTEMBER 1980 (Final Disbursement date)  
 (In contos, thousands of Escudos)

Program Type	Project	No. of T1, T2, T3	Expenditures as of 10/31/79
Direct Promotion	Sobreiro-Maia II	22	- 1/
Direct Promotion	Araucaria	216	36,118
Direct Promotion	Guimarães	286	135,658
Direct Promotion	Setúbal	45	46,227
Direct Promotion	Funchal III	90	20,120
Participating	Chelas II	130	23,598
SAAL	Monte Gordo	125	36,171
SAAL	Loulé, Quarteira	62	8,535
SAAL	Linda-A-Velha	110	42,628
TOTAL		1,026	354,776

AID Share - 85%

301,560

U.S. Dollars (exchange Rate: \$1.00 = Esc. 46.66  
 average rate as of October 31, 1979 and  
 calculated on Table II-1)

\$6,462,923

1/ No expenditures are recorded because construction on the 22 units has not taken place yet. These units are part of a larger project of 90 T1, T2, and T3 units. The remaining 68 units are complete.

II. SECOND COMBINED AID/HG LOAN 150-HG-002 and 150-K-008

Conclusions and Recommendations

FFH has presented documents showing expenditures for work-in-place on the T1, T2 and T3 units during the period May 1 to October 31, 1979, in the amount of Contos 419,740 (see Table II-1) of which 85% (Contos 356,779) was for expenses eligible for financing, although most of them were later disallowed, as shown below. One deduction or disallowance (see Table II-1) was made in the amount of Contos 43,951 for work-in-place in excess of 90% of the AID share. on incomplete projects, in compliance with Article No. 3.03 (B) of the loan agreement, "... No more than 90% of the amount to be financed under the AID loan for any specific project site shall be disbursed prior to the Borrower and AID having agreed that the project has been completed and is acceptable". This disallowance is shown at the bottom of Table II-4, which also shows that fourteen projects neither accepted nor completed exceeded 90% of the AID share.

Table II-1 shows that FFH has work-in-place expenditures in the amount of Contos 312,828, or, at 49.75 Escudos per \$1.00 (prevailing exchange rate at the time the review was being made), \$6,293,000. This is a sizable amount that substantially exceeds the total undisbursed amount of \$3,032,959.57 that is calculated by subtracting the total amount disbursed (\$26,267,040.43) from the total amount of the loan (\$30,000,000). Only 90% of the total loan, that is, \$27,000,000, however, can be disbursed on projects that are neither accepted nor completed. Since the total amount already disbursed is \$26,267,040.34, only \$32,959.47 (\$27,000,000 minus \$26,267,040.43) represents the maximum work-in-place eligible for disbursement on incomplete projects (see Table II-2, line 5). For completed and accepted projects, the situation is quite different.

If we are disallowing expenditures for work-in-place in all incomplete projects that exceed 90% of the AID share, it is only fair that we allow disbursement of the remaining 10% on all projects that have been completed and accepted. For this purpose, Table II-3 was prepared. It shows that there are 14 completed and accepted projects with 1,022 units of which 888 are T1, T2 and T3 units. The undisbursed 10% of the AID share of expenditures recommended for disbursement on these units is Contos 34,316, or \$699,212.09 at the prevailing exchange rate of \$1.00 = Esc. 49.75. It should be noted that this amount is less than the amount disallowed during the present review (Contos 43,951). It should also be remembered that in the previous review of June 29, 1979, Contos 26,877 were disallowed for the same reason, and no disbursement over the 90% on completed projects was recommended because at that time not a single project from a total of 57 was considered completed and accepted.

Therefore, I recommend that the Fondo be informed that the amounts eligible for disbursement are: a) \$32,969.57 for AID share of expenditures for work-in-place during the period May 1 to October 31, 1979; and b) \$699,319.09 for AID share of expenditures that represent the final undisbursed 10% on 14 completed and accepted projects. Thus, the total amount eligible for disbursement is \$732,778.66.

In spite of the problems encountered by the Fondo in the development of the project, it is impressive to see how a massive housing program involving 57 project sites and a total of 4,753 T1, T2 and T3 units throughout the country is being implemented. About 57%, or 2,694 of these units, have been completed, and 20%, or 1,446, have been occupied.

It is interesting to note, as shown by the analysis below, the relatively minor negative effect caused by the problem projects on the AID-financed program.

From Table II-10, which shows an overall status of the units, the infrastructure work and its completion, we can single out the nine projects that are experiencing difficulties and thus will not meet the completion date of September 1980 (see Table II-11). The total amount of expenditures for T1, T2, and T3 units as of October 31, 1979 for these projects is Centsos 354,776. The AID share, or 35% of this amount, is Centsos 124,171, or \$6,401,231 at the average exchange rate of \$1.00 = Esc. 46.66. In the previous status report of June 29, 1979, the total value of the AID share was calculated at about 43 million dollars, that is, 13 million dollars in excess of the total value of the combined loan of 30 million dollars. If we remove the nine projects from the overall AID-financed program, the new total value of the AID share would be 37.5 million dollars (43 million minus 6.5 million), which still exceeds by 7.5 million dollars the value of the combined loan. The reduced new program, then, if completed as scheduled, could qualify for final disbursement by September 1980. Even if additional projects develop unexpected difficulties in the next months, we could afford removing them from the program up to a total value of about 7.5 million dollars. It is for this reason that no extension for the final disbursement date was recommended in spite of the delays experienced by nine of the projects.

As in the case of the first loan, this program has been affected by similar problems, namely, contractors' bankruptcies, construction delays, problems of expropriation, shortage of funds, municipalities' inability to support both technically and financially cooperative projects, and the slow pace in infrastructure construction which in turn has prevented occupancy of about 50% of the presently completed units.

The following is an itemized description of the basic problems slowing the progress of this program for which final disbursement is scheduled to be on September 30, 1980:

1. Construction stoppage because of contractor's bankruptcy.

This problem affected two contractors named ENOBRA and A. Simões da Silva respectively for the projects at Chelas II with 130 units (130 T1, T2, T3) and at Araucária with 288 units (216 T1, T2, T3).

2. Lack of technical and financial capability on the part of homeowners' Associations and Cooperatives.

This problem has slowed down the construction of the SAAL projects at Monte Gordo with 133 units (125 T1, T2, T3), Loulé, Quarteira with 64 units (62 T1, T2, T3) and the cooperative at Torre dos Coelheiros with 48 units all of which are T1, T2, T3. In these projects, construction had been started by the homeowners' associations or cooperatives, but they had some difficulties, especially on technical and managerial aspects. FFH had apparently not given any substantive technical support to the cooperatives and associations.

3. Infrastructure.

The major problem has been the slow progress, or lack of it, on the infrastructure work. This problem has mainly affected the following projects: Sobreiro-Maia I with 320 units (320 T1, T2, T3) and Sobreiro-Maia II with 120 units (90 T1, T2, T3); Quirarães II with 359 units (286 T1, T2, T3); Ramalde do Maio with 159 units (110 T1, T2, T3); Feniche II-2 with 50 units all of which are T1, T2, T3; Morra Frial with 44 units (39 T1, T2, T3); Alverca with 80 units (71 T1, T2, T3); Telheiras with 80 units (66 T1, T2, T3).

At the Sobreiro-Maia project site the off-site infrastructure, water and sewerage, are not completed. The construction of the sewer outfall is almost completed, and a temporary water connection should be installed to avoid further delays. Permanent connection is dependent upon the construction of three water storage reservoirs in order to take advantage of the new city water transmission line which is already installed.

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Infrastructure at Guimarães II is still in the preliminary design stage, but there is no guarantee that FFH will monitor the construction (see, for example, what is happening in the Housing I loan).

In Feniche and Setúbal projects, electrification has not been started yet because of actual and well-known FFH financial difficulties.

Infrastructure work has just started at Horta-Faial with an estimated construction period of six months.

At Sobreiro-Maia, Feniche, Horta-Faial, Alverca and Ramalde do Meio, the units are complete but cannot be occupied because of the lack of infrastructure.

4. Expropriation.

Another problem affecting one site, named Sobreiro-Maia II, is expropriation. From a total of 180 units (90 T1, T2, T3), 44 units (22 T1, T2, T3) cannot start construction owing to problems involving the expropriation of a locksmith's shop.

Recommendations to correct these problems are very similar to those made for the first project:

1. In the case of the Araucária project, where the contractor has stopped work for several months, the Fundo should make every effort to accelerate contract termination procedures so that the project can be rebid as soon as possible and thus construction start. In the case of Chelas II, where the original contract was terminated, the Fundo should accelerate rebidding procedures.
2. The Fundo should substantially increase its present level of technical, administrative and financial support to projects involving cooperative and homeowners' associations, and thus pull them out of their present conditions of stagnation.
3. In project areas where the municipality is incapable of delivering both financial and technical support for the successful completion of the infrastructure, the Fundo should supplement monitoring capability so as to bring the projects back on schedule.
4. AID/Lisbon should urge the GCF to give high priority to the completion of unfinished projects and infrastructures and provide the Fundo with the necessary funds for this purpose.

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5. Site development and infrastructure design should be initiated in conjunction with the design of the buildings rather than leaving them for later preparation, usually after construction of the units has started.

Four tables, II-5, II-6, II-7 and II-8, were prepared in the same format as previous reports to determine the value of work-in-place for each project-program, namely, Direct Promotion, Participating, Cooperative and SAAL. These values in turn were used for the preparation of Table II-1 in the calculation of the total value of work-in-place.

Table II-9 shows the actual disbursements made and the proposed schedule for future disbursements. So far, five disbursements have been made. Four of them were for \$5,000,000 each from the HC loan and three from the AID loan; one for \$2,300,000, the second for \$1,604,691 and the third for \$3,062,349.43. The two proposed disbursements are from the AID loan: one for \$732,773.65 for progress of work through October 31, 1979, and the other for \$2,300,130.91, which will be the final disbursement scheduled for September 30, 1980.

TABLE II-1

PORTUGAL HOUSING  
(150-HG-002 and 150-K-008)

VALUE OF WORK-IN-PLACE

(in contos, thousands of escudos, except as noted)

PROGRAM	EXPENDITURES FOR T1, T2, T3 UNITS ONLY		
	THROUGH Apr. 1979	May 1 to Dec. 31, 1979	TOTAL AS OF Oct. 31, 1979
DIRECT PROMOTION	830,372	166,440	996,812
PARTICIPANT PROGRAM	216,831	84,459	301,290
SAAL PROJECTS	188,492	97,106	285,598
COOPERATIVES	337,089	71,735	408,824
TOTAL CONTOS	1,572,784	419,740	1,992,524
AID Share - 85% in contos	1,336,866	356,779	1,693,645
Credit for dropped projects during previous report	<u>-44,719</u>	---	<u>-44,719</u>
Sub-total	1,292,147	---	1,648,926
Credit for excess over 90% on neither accepted nor completed projects	<u>-26,877</u>	<u>-43,951</u>	<u>-70,828</u>
	1,265,270	312,828	1,578,098
Escudo Rate	45.96 (Average)	45.75 <sup>/1</sup>	46.66 (Av.)
U.S. Dollars	27,531,137	6,288,000 <sup>/2</sup>	33,819,137

Note: The following is a review of disbursements up to Oct. 31, 1979.

Jan. 31, 1978:	\$5,000,000 (from loan 002)
April 7, 1978:	\$2,300,000 (from loan 008)
June 29, 1978:	\$5,000,000 (from loan 002)
Feb. 21, 1979:	\$6,604,691 (\$5,000,000 from loan 002 and \$1,604,691 from loan 008)
Aug. 16, 1979:	\$8,062,349.43 (5,000,000 from loan 002 and 3,062,349.43 from loan 008)
TOTAL AMOUNT DISBURSED	<u>\$26,967,040.43</u>

<sup>/1</sup> Prevailing escudo rate at the time the review was being made.

<sup>/2</sup> This value represents actual work-in-place for the period May 1 to Oct. 1, 1979. However, only \$32,959.57 is the amount eligible for disbursement without exceeding 90% of total loan, and \$699,819.09 for work-in-place on projects completed and accepted. See Table II-2

TABLE II - 2  
PORTUGAL HOUSING  
(150-HG-002 and 150-K-008)

VALUE OF WORK-IN-PLACE ELIGIBLE FOR DISBURSEMENT  
(In U.S. Dollars)

1. Total amount of loan	\$ 30,000,000.00
2. 10% withholding amount until projects are completed and accepted	3,000,000.00
3. 90% of total loan (line 1 minus line 2)	<u>27,000,000.00</u>
4. Amount already disbursed. See bottom of Table II-1	26,967,040.43
5. Value of work-in-place eligible for disbursement on incomplete projects (line 3 minus line 4)	32,959.57
6. Value of work-in-place for disbursement on completed and accepted projects (See Table No. II-3)	699,819.09
7. Total amount eligible for disbursement (Line 5 plus line 6)	<u>732,778.66</u>



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TABLE II-4  
PORTUGAL HOUSING  
(150-HG-002 and 150-K-008)

VALUE OF WORK-IN-PLACE IN EXCESS OF 90% OF A.I.D. SHARE ON NEITHER COMPLETED NOR ACCEPTED PROJECTS  
( in Contos, thousands of Escudos)

Program Type	Project	Estimated Total Cost	% of T1,T2,T3	Estimated Total Cost of T1,T2,T3	% of Participation	FFH Financing for T1,T2,T3	AID Share 85% of FFH Financing	90% of AID Share	85% of Expend. for T1,T2,T3 as of 10/31/79	Excess Over 90%
Dir. Promotion	Sobreiro-Maia I	138,879	100	138,879	100	138,879	118,047	106,242	118,047	11,805
Dir. Promotion	Monte Castro	86,654	80	69,323	100	69,323	58,925	53,033	58,925	5,892
Dir. Promotion	Ramalde do Meio	85,694	69	59,129	100	59,129	50,260	45,234	50,260	5,026
Dir. Promotion	Peniche II-2	26,079	100	26,079	100	26,079	22,167	19,960	22,167	2,217
Dir. Promotion	Horta-Faial	22,264	89	19,815	100	19,815	16,843	15,159	16,843	1,684
Dir. Promotion	Funchal II-3	16,374	100	16,374	100	16,374	13,918	12,526	13,918	1,392
Participating	Quinta do Chalet	38,000	88	33,440	100	33,440	28,424	25,582	27,290	1,708
Participating	Portalegre 1	37,961	100	37,961	95	36,063	30,654	27,611	30,654	3,043
Participating	Portalegre 2	13,931	100	13,931	95	13,234	11,249	10,124	11,249	1,125
Participating	Portalegre 3	36,812	100	36,812	95	34,971	29,725	26,753	29,725	2,972
Participating	Portalegre 4	32,849	100	32,849	95	31,207	26,526	23,873	26,526	2,653
SAAL	Alc.Sal-Montevil	21,091	98	20,669	100	20,669	17,569	15,812	17,569	1,757
Cooperative	Golegã	16,209	100	16,209	95	15,399	13,089	11,780	13,089	1,308
Cooperative	Cobata C	14,000	100	16,000	95	13,300	11,305	10,175	11,543	1,368
									Total	43,951

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TABLE II-5  
PORTUGAL HOUSING  
(150-HG-002 and 150-K-008)  
VALUE OF WORK-IN-PLACE, FFH DIRECT PROMOTION PROJECTS

(In contos, thousands of Escudos)

PROJECT	NUMBER OF UNITS		%	CONTRACT COST	ESTIMATED TOTAL COST	EST. TOTAL COST OF T1, T2, T3	EXPENDITURES FOR T, T2, T3 UNITS ONLY		
	ALL	T1, T2, T3					T1-T3	THROUGH 4/30/1979	PERIOD 5/1 to 10/31/79
Sobreiro-Maia I <u>1/</u>	320	320	100	107,525	138,789	138,789	130,044	8,745	138,789
Sobreiro-Maia II <u>2/</u>	180	90	50	64,766	112,850	56,425	33,629	4,095	37,724
Ponte Danta I	226	180	80	101,311	121,000	96,800	72,572	7,252	79,824
Ponte Danta II	84	67	80	38,343	46,011	36,809	21,087	6,572	27,659
Araucária	288	216	75	99,991	135,100	101,325	28,396	7,722	36,118
Fafe-Cumieira <u>1/</u>	236	168	71	97,290	122,958	87,300	86,283	1,017	87,300
Monte Crasto <u>1/</u>	176	140	80	68,168	86,654	69,323	53,778	15,545	69,323
Guimarães II	Infrastructure		80	20,768	26,993	21,594	21,288	306	21,594
Guimarães II	359	286	80	158,486	190,000	152,000	72,058	63,600	135,658
Setúbal II	45	45	100	21,834	28,000	28,000	16,816	1,347	18,163
Setúbal III	108	108	100	59,904	77,000	77,000	29,227	17,000	46,227
Setúbal	Infrastructure		100	20,678	32,500	32,500	22,387	4,490	26,877
Funchal I-1 <u>1/</u>	10	10	100	3,438	5,161	5,161	5,161	-	5,161
Funchal I-2 <u>1/</u>	22	22	100	10,600	20,454	20,454	20,454	-	20,454
Funchal II-2	28	28	100	11,808	18,500	18,500	7,451	594	8,045
Funchal II-3 <u>1/</u>	27	27	100	11,115	16,374	16,374	16,374	-	16,374
Funchal III	115	90	78	78,158	97,500	76,050	13,392	6,798	20,190
Alagoas-Pêquia <u>1/</u>	147	105	71	56,610	99,246	70,465	69,381	1,084	70,465
Paralvo de Meio <u>1/</u>	159	110	69	73,040	85,694	59,129	55,750	3,379	59,129
Peniche II-1	103	103	100	44,564	62,390	62,390	15,481	10,363	25,844
Peniche II-2 <u>1/</u>	50	50	100	19,683	26,079	26,079	19,548	6,531	26,079
Horta-Faial <u>1/</u>	44	39	89	19,450	22,264	19,815	19,815	-	19,815
TOTAL	2,727	2,204		1,187,530	1,571,517	1,272,282	830,372	166,440	996,812

1/ Units completed

2/ 68 T1, T2, T3 units are complete. Construction of remaining unit has not started yet owing to land expropriation problems.

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TABLE II-6  
PORTUGAL HOUSING  
(150-HG-002 and 150-K-008)  
VALUE OF WORK-IN-PLACE, PARTICIPATING PROGRAM PROJECTS  
(in contos, thousands of escudos)

PROJECT	CONTRACT COST	ESTIMATED TOTAL COST	TOTAL NO. OF UNITS	NO. OF T1-T2-T3	% OF T1-T2-T3	% OF PARTICIPATION	T1-T2-T3 COSTS ONLY		TOTAL AS OF 10/31/79
							EXPENDED THROUGH 4/30/79	EXPENDED 5/1 THROUGH 10/31/79	
Pedralvas 1/	8,395	10,121	44	44	100	100	9,705	416	10,121
Chelas II 2/	27,163	48,000	130	130	100	100	27,082	1,516	28,598
Quinta do Chalet 3/ Musgueira	31,374	38,000	168	148	88	100	21,528	10,578	32,106
Nordeste 1/	15,430	21,276	80	80	100	100	15,431	5,845	21,276
Boavista 1/	14,037	20,203	80	80	100	100	13,335	6,868	20,203
Telheiras 4/	57,328	63,820	80	66	82	100	13,270	11,631	24,901
Portalegre 1 1/	25,671	37,961	61	61	100	95	30,505	5,558	36,063
Portalegre 2 1/	11,102	13,931	25	25	100	95	10,507	2,728	13,235
Portalegre 3 1/	22,003	36,812	54	54	100	95	22,255	12,716	34,971
Portalegre 4 1/	22,004	32,849	53	53	100	95	17,707	13,500	31,207
Vila Franca Campo	10,721	14,600	20	12	60	91	2,501	1,320	3,821
Vilar de Andorinho 1/	25,631	44,788	80	80	100	100	33,005	11,783	44,788
<b>TOTAL</b>	<b>270,859</b>	<b>382,361</b>	<b>875</b>	<b>833</b>			<b>216,831</b>	<b>84,459</b>	<b>301,290</b>

1/ Units completed and occupied.

2/ 30 units are completed. Bidding for completion of remaining 100 unfinished units is still in process.

3/ 130 T1, T2, T3 units are completed and occupied.

4) Contract cost shown reflects actual contract cost. Previous report indicated an estimated contract cost.

TABLE II-7  
 PORTUGAL HOUSING  
 (150-HG-002 and 150-K-008)  
VALUE OF WORK-IN-PLACE, COOPERATIVE PROJECTS  
 (in contos, thousands of escudos)

PROJECT	CONTRACT COST	ESTIMATED TOTAL COST	TOTAL NO. OF UNITS	NO. OF T1-T2-T3	% OF T1-T2-T3	% OF PARTICIPATION	T1-T2-T3 COSTS ONLY		TOTAL AS OF 10/31/79
							EXPENDED THROUGH 4/30/79	EXPENDED 5/1 THROUGH 10/31/79	
Entroncamento 1 <u>1/</u>	14,565	16,183	48	48	100	90	14,565	-	14,565
Entroncamento 2 <u>1/</u>	23,235	24,470	64	64	100	90	22,023	-	22,023
Entroncamento 3	71,413	82,500	160	160	100	90	62,201	9,542	71,743
Colegã <u>1/</u>	14,595	16,209	32	32	100	95	15,399	-	15,399
Lumiar <u>1/</u>	23,806	29,670	70	62	92	90	24,567	-	24,567
Canha-Montijo <u>4/</u>	28,018	33,620	50	50	100	90	10,258	595	10,853
Pontes	17,877	26,500	72	70	97	95	6,701	9,012	15,713
Cobata B	13,367	17,000	30	30	100	95	6,863	1,022	7,885
Cobata C <u>1/</u>	11,468	14,000	28	28	100	95	13,580	-	13,580
Évora <u>3/</u>	51,387	62,500	100	81	81	95	29,405	5,468	34,877
Torre de Coelheiros	17,730	22,200	48	48	100	95	10,370	2,030	12,400
Vila do Bispo	55,419	74,835	94	94	100	95	51,203	7,349	58,552
Faralhão (Setúbal)	56,060	103,000	150	147	98	95	43,764	30,844	74,608
Alverca <u>2/</u>	64,810	78,000	89	71	80	90	26,186	5,873	32,059
<b>TOTAL</b>	<b>498,750</b>	<b>600,687</b>	<b>1,035</b>	<b>985</b>	<b>-</b>	<b>-</b>	<b>337,089</b>	<b>71,735</b>	<b>408,824</b>

1/ Units are completed and occupied.

2/ Units completed but not occupied.

3/ 28 T1, t2, T3 units are completed and occupied.

4/ 31 T1, T2, T3 are completed and occupied.

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TABLE U-8  
PORTUGAL HOUSING  
(150-HG-002 and 150-K-008)  
VALUE OF WORK-IN-PLACE, SMALL PROJECTS  
(In contos, thousands of Escudos)

PROJECT	CONTRACT COST	ESTIMATED TOTAL COST	TOTAL NO. OF UNITS		PERCENT T1-T3	EXPENDITURES FOR T1,T2,T3 UNITS ONLY		
			ALL	T1-T2-T3		THROUGH 4/30/79	5/1 THROUGH 10/31/79	TOTAL AS OF 10/31/79
Bairro da Liberdade <u>1/</u>	22,000	30,389	56	46	82	16,168	8,751	24,919
Alcácer Sal-Montevil <u>1/</u>	18,962	21,091	50	49	98	18,673	1,996	20,669
Batateiro - Seixal <u>1/</u>	19,467	25,741	85	73	86	19,419	2,718	22,137
Monte Gordo	31,820	89,000	133	125	94	31,691	1,080	36,771
Loulé, Quarteira <u>2/</u>	-	49,325	64	62	97	4,851	3,735	8,586
Bairro D. Leonor (Lisboa)	81,307	105,000	160	140	88	52,222	26,227	78,449
Linda-A-Velha <u>3/</u>	-	62,500	120	110	92	20,881	21,747	42,628
Bairro Santo António (Lisboa) <u>4/</u>	50,535	60,640	104	94	90	19,025	21,291	40,316
Fazendas de Almeirim	12,150	14,580	45	39	95	5,562	5,561	11,123
<b>TOTAL</b>	<b>236,241</b>	<b>458,266</b>	<b>817</b>	<b>738</b>		<b>188,492</b>	<b>97,106</b>	<b>285,598</b>

1/ Units completed.

2/ No contract cost is available because project is being built directly by the owners association.

3/ 40 T1, T2, T3 units are completed and occupied. This project is being built by the owners association, therefore there is no lump sum contract price.

4/ 32 T1, T2, T3 units are completed and occupied.