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9. ABSTRACT

Since 1971, the Office of Housing of AID has been conducting preinvestment surveys in countries where housing investment guaranty programs are anticipated in order to provide the background and framework for its intervention. These surveys are, in fact, increasingly sophisticated analyses of the shelter sector of each country. Each report is intended to provide the Office of Housing with the information necessary to enable it to answer three primary questions about a specific country:

- . What is the country's capacity to undertake a large-scale housing program
- . What is the effective demand for housing at a given price level?
- . What is the country's capacity to repay a foreign loan?

To paraphrase the introduction to the scope of work for a recent survey, its objectives are to determine the need for housing at all socio-economic levels of society, to determine the ability of each socio-economic group to pay for housing; to assess the capabilities of the Government to plan and manage large scale housing programs and projects; to analyze the impact of large scale foreign borrowing on the country's economy and its ability to repay; and to assess the ability of the country to absorb large sums of money into the shelter sector industries.

These objectives have been realized with varying degrees of success. Some of the more recent surveys, in particular, provide broad panoramas of the country housing sectors. Some of the earlier ones are more limited in scope and cover only a part of the sector.

These reports provide valuable orientation for anyone becoming involved in housing sector in one of these countries. They should also be useful for comparative studies of housing programs and policies on a regional or world-wide basis.

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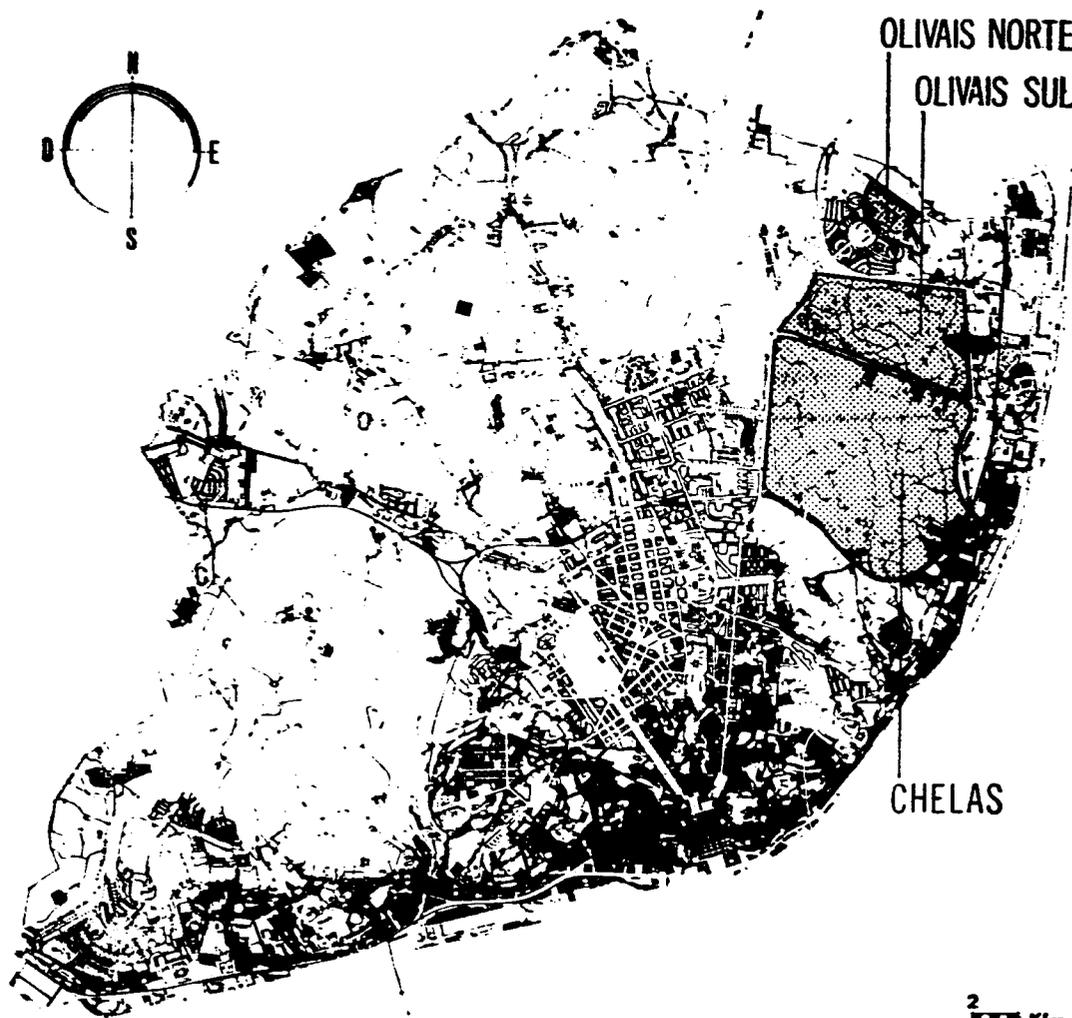
PORTUGAL SHELTER SECTOR ANALYSIS

OFFICE OF HOUSING
AGENCY FOR INTERNATIONAL DEVELOPMENT

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I. BACKGROUND

During the visit with President Ford of President Costa Gomez of Portugal in October 1974, it was agreed to explore and develop a program of economic and technical cooperation between the two countries. A U.S. technical team discussed possible fields of such cooperation during a visit to Lisbon in November 1974. A followup team visited Lisbon in January 1975 and held discussions with the Ministry of Finance, and a number of technical ministries in an effort to ascertain the nature of assistance which would best meet Portugal's present needs.

These discussions and visits indicated that the provision of housing for lower income families was an immediate and pressing need which was reflected in very high Government of Portugal (GOP) priorities.

In response to these priorities, a three-man team of housing technicians sponsored by the AID Office of Housing (SER/H) visited Portugal in February 1975 to (a) gather information on housing and the shelter sector in Portugal; (b) make recommendations on the use of a proposed \$20 million AID housing guarantee program, and (c) make general recommendations on how AID could assist the GOP in providing better shelter for low-income families. With U.S. Embassy assistance, the team held a number of meetings with representatives of the GOP and relevant housing institutions, and visited many existing housing projects and proposed sites in the Lisbon and Oporto areas. They were joined in these discussions during the final part of their visit by the U.S. Ambassador to Portugal, and by the Director of SER/H. The information gathered during this visit is the basis for the preparation of this report. (See Attachment #1 for General Background on Portugal.)

II. SUMMARY AND RECOMMENDATIONS

A. Policy and Programs

Drastic social, political and economic changes are taking place in Portugal as a result of the revolution of April 25, 1974. In the housing sector, these changes are reflected in the new priority on public sector, lower income housing. There is a new awareness of the need to do something quickly for the thousands of people living in the shantytowns and slum areas. Some of these families are already solving their own problems by illegally moving into new apartment buildings before construction is complete.

In an effort to break old patterns of dealing with the housing problems, the new administration has completely reorganized the principal national housing institution, the FFH (Fundo de Fomento Habitacao), and embarked on an ambitious new program.

The new GOP housing officials include young architects who are developing new approaches to low-cost housing which are quite different from the conventional system which has been in effect in Portugal. They have brought in a young energetic staff to the FFH, and they are attempting to develop 19000 units of new housing in 1975, compared with a previous annual rate of about 2,000 units. \$160 million is budgeted for this program in 1975.

The GOP has developed a national housing policy which, although not yet formally written and adopted into law, defines several important objectives:

1. greatly increased production of low-cost housing

2. reduced emphasis on higher cost housing
3. increased proportion of rental units
4. increased number of projects in secondary cities
5. development of self-help cooperative projects using expandable core houses
6. examination of new savings and credit systems for housing
7. improved design and construction techniques to reduce costs

B. Housing Need

The Government of Portugal has estimated that there is a need for 500,000 new housing units to ensure that all families are adequately housed. In Lisbon alone, the need is estimated at 40,000 to 50,000 new units. Also, in Lisbon, there are some 17,000 families living in squatter settlements, all of which are inadequately built and serviced. In addition, the 1960 census showed that 228,000 families lived in overcrowded conditions, i.e., three or more persons per room; this figure has probably not changed much today. One of the reasons for this great need for housing has been the low level of construction of social interest housing. The average number of units built annually by the state over the past decade for low-income families, has been about 4,000. The Government probably should have been building five to seven times that amount just to keep up with the need.

C. Housing Institutions and Programs

Housing efforts to date in the public sector are by the Fundo de Fomento da Habitação (FFH), the Gabinete Técnico de Habitação (GTH) of the City of Lisbon, and other municipalities with financing from the national budget, social security funds, savings banks, the Caixa Geral de Depósitos,

and income from existing projects. These public and semi-public institutions have been responsible for 3,500 to 4,500 units yearly over the past few years. Much housing by these institutions is rental public housing, although many units have been sold. In the case of rental housing, the amortization period has most often been calculated at sixty years, the assumed life of the building. In this way, some low-income families have been able to afford decent housing.

The FFH is now proposing two basic types of housing. The first type includes standard rental units, consisting primarily of two and three bedroom units of about 80 m² to 100 m². These are mostly low-rise apartment units, and cost between \$12,000 and \$16,000 each in Lisbon, excluding land and infrastructure. This type of unit has been constructed for years by various public and semi-public institutions, and is quite acceptable to low-income families. It does, however, include a large subsidy element. The new feature of this type of unit is the large proposed increase in the number to be built during 1975 and 1976.

The second type of program which is in the planning stage is expandable, self-help cooperative housing. This program contemplates construction of low-cost core units of about 50 m² which can be expanded, depending on the occupant's needs and financial capacities. The units would be single-family row houses, and would be sold either to the individual or to a member-owned housing cooperative. This program is essentially for families currently living in the urban squatter settlements (Barros de lata), and will be implemented in Lisbon as a joint program between the FFH, the GTH and the EPUL.

The GTH has concentrated its efforts in three large projects, all located close to the national airport. Olivais Norte was initiated in 1959, and contains 2,500 units with 10,000 persons. Olivais Sul is currently under construction, approximately 80% completed and occupied, and will comprise 8,500 units with 34,000 persons when finally completed. The third project is Chelas with 16,000 units.

D. Recommendations

The overall impression of the survey team was that the GOP has made tremendous progress in a short time in developing a national housing program for low-income families.

The Portuguese housing institutions are technically capable, and the construction industry has the capacity to implement the proposed new program of 38,000 units to be started in 1975 and 1976.

There is a need for improvement in design and construction techniques to lower costs and to reduce the amount of subsidies, so that more housing can be produced with the available funds. There is also a need for technical "exchange" in the self-help cooperative program, and in the field of housing finance.

The GOP has requested both financial and technical help in carrying out the new program, and the survey team recommends that AID consider financing a housing package which would include three interrelated components:

- A. Development loan funds.
- B. Housing Investment Guaranty Funds.

C. Development Grant Funds.

The AID Assistance would be used to:

1. Assist the GOP in providing new housing for low-income families. AID-financed housing units would serve directly those families whose monthly income is below the median income level, currently estimated to be about \$300 per month in urban areas.
2. Reinforce and provide impetus to the radically new GOP housing policy, which has greatly emphasized support to housing for lower income families. AID assistance should provide valuable help of both quantitative and qualitative nature to support the GOP housing policy.
3. Provide technical assistance which will help strengthen the principal housing institution, the FFH. The FFH has a new staff of energetic young people who are attempting a tremendous increase in the production of low-cost housing. There is no experience in Portugal with self-help housing, and little experience in "low-cost housing". The GOP has indicated that it needs and wants technical help in organizing its construction systems, and in the field of housing finance.

In addition to the objectives mentioned above, which are consistent with AID Shelter Program Objectives (PD-55 dated October 22, 1974), as AID-assisted housing program would also help stimulate the construction and provide jobs for unemployed workers. Unemployment is estimated at about 20% of the work force, and is rising at an alarming rate.

III. HOUSING NEED

A. Population

Portugal is one of the few countries where the population has actually been decreasing over the past ten years or so. The reason for this decrease is the high rate of emigration, particularly by workers to other European countries. In fact, it has been estimated that the number of Portuguese nationals living abroad is about 1.5 million.

The population of Portugal was estimated at 8,564,200 persons in 1973, which was a decrease of close to 100,000 from the 1970 census count of 8,663,252 persons. (See Table #1) The decrease occurred in spite of the relatively high birth rate (for Europe) of 20.12 births per 1,000 persons in 1973. There are some indications that this population loss is slowing down. In 1973, population growth was almost stagnant; in fact, the population increased by a miniscule 0.065%. Due to the worsening economic conditions in Europe, which has brought about an increase in unemployment there, it is possible that many Portuguese workers will begin to return to their homeland, thereby having an effect on population growth. It is also probable that future worker emigration to Europe will not again reach the 1970 figure of 178,632 persons, nor even the 1973 figure of 79,517. Emigration to the Americas will probably continue, but these are mostly families who do not intend to return to Portugal.

Most emigration is from the rural provinces. Only three predominately urban provinces (Lisbon, Porto, Setubal) had a net population increase between 1970 and 1973, and even in these cases, the two principal cities, Lisbon and Porto, showed net decreases in their population.

TABLE #1

POPULATION

	1970		1973	1970-73 Change ¹	
	No. Families	No. Persons	No. Persons	Absolute	%
Countrywide	2,345,225	8,663,252	8,564,200	-99,052	-1.1
By Province:					
Aveiro	132,040	546,974	546,700	- 274	-
Beja	61,920	205,179	188,000	-17,179	-8.4
Braga	130,870	612,748	609,500	- 3,248	-0.5
Bragança	48,510	181,239	166,900	-14,339	-7.9
Costelo Branco	78,200	255,753	238,400	-17,353	-6.8
Coimbra	117,905	402,991	393,000	- 9,991	-2.5
Evora	55,755	179,744	169,300	-10,444	-5.8
Faro	85,170	268,957	257,000	-11,957	-2.7
Guarda	64,240	212,287	194,200	-18,087	-8.5
Leiria	108,095	378,968	368,400	-10,568	-2.8
Lisbon	468,215	1,581,062	1,635,400	+54,338	+3.4
Portoalegre	47,815	146,668	136,100	-10,568	-7.2
Porto	310,840	1,318,774	1,241,000	+22,226	+1.7
Santerem	132,830	430,386	418,800	-11,582	-2.7
Setubal	140,470	471,491	499,000	+27,509	+5.8
Viana do Castelo	63,995	251,640	242,800	- 8,840	-3.5
Vila Real	66,690	266,382	249,600	-16,782	-6.3
Viseu	110,455	412,067	391,700	-20,367	-4.9
Azores	66,215	186,989	273,400	-13,589	-4.7
Madeira	54,995	252,953	245,000	7,953	-3.1
City of Lisbon	234,020	769,410	757,700	11,710	-1.5
City of Porto	81,330	307,040	304,000	3,040	-1.0

1. Calculated as the difference between the No. of persons counted in the 1970 census and the 1973 estimate

Source: Estatísticas Demográficas, 1973

This is because the growth within the province is in the suburban areas rather than in the older city centers. In some provinces, the percentage decrease reached as much as 8.5%, as in the Province of Guarda.

In this respect, the metropolitan areas are growing due to rural to urban migration, even though countrywide the population has been decreasing. In 1973, it was estimated that about 71% of the population lived in the rural areas, while 29% lived in urban areas.

B. Housing Conditions

In rural areas, most families live in basically structurally sound housing, of solid masonry walls and tile roofs. What is lacking in many cases is adequate sewerage and water supplies, and in remote rural areas, electricity.

In the urban areas, housing services are more adequate, especially in the provincial capitals. However, the greatest problem here is the growth of squatter settlements, which more often than not are composed of structurally unsound houses. In addition, adequate sanitation and water supplies are lacking in these settlements. In Lisbon alone, it is estimated that some 17,000 families live in squatter settlements.

Another indication of housing conditions in Portugal is the figure (from the 1960 census) of 228,000 families living in overcrowded conditions, based on the criterion of three or more persons per room. Due to the low level of construction since that period, particularly for low-income families, it is probable that this number has not decreased (and has probably increased) in the intervening years.

C. Housing Stock and Family Size

It is very difficult to estimate the number of houses in Portugal because of the massive rural emigration, which has resulted in a large number of vacant rural units. At the same time, the increase in population in the urban areas, coupled with a generally low level of low-cost housing construction, has resulted in the growth of slums and overcrowded dwellings.

Families are relatively small in Portugal, which is due in part to the large number of males working outside the country. The average family is composed of 3.7 persons, while in urban areas it is 3.6 persons per family. Perhaps as an aside, it should be noted that there are in the country about eight males to nine females, which again emphasizes the migrant worker pattern.

Based on 3.7 persons per family, and a population of 8.5 million persons, there are some 2,333,500 households in Portugal. Of this total, about 10% are composed of one person households.

D. Housing Need and Deficit

As mentioned earlier, it was estimated that 288,000 families live in overcrowded conditions. In turn, the government states officially that there is a housing deficit of some 500,000 units, which means that about 20% of the population is ill housed.

The need for housing in Lisbon and Oporto is readily evident. In both cities, there has been an alarming increase in the number of squatter settlements, some of which are in as bad a condition as the worst in Latin America. Moreover, there is the problem of subletting of rooms

and apartments, which has resulted in serious overcrowding problems in the cities. The need for housing in Lisbon is estimated at 40,000 to 50,000 units, which includes the replacement of 17,000 squatter units.

In addition to the present need, there is a need to house newly formed or newly arrived urban families, as well as to replace houses taken out of the market due to destruction, obsolescence, etc. The population of the provinces of Lisbon and Setubal, which is the province across the river from Lisbon and forms a part of its larger metropolitan area, grew by 76,564 persons between 1970 and 1973, or some 3.7%. At this growth rate, it will be necessary to produce about 7,000 new houses yearly in these two provinces just to satisfy the need of newly formed families. Moreover, it is estimated that about 1% of all urban units need to be replaced yearly, which means that another 6,500 units should be constructed yearly as replacements in these two provinces alone.

E. Incomes and Expenditures

In 1971, the per capita income in Portugal was estimated at \$760.00. However, due to economic growth, wage increases and inflation, per capita income is probably closer to \$1,000 today.

A better indicator of income available for housing is the use of family income estimates which include the income of all members of the family contributing to the support of the household. Throughout the country, 61% of all families have monthly incomes of less than \$250. In the urban areas, this percent decreased to 42%, while in rural areas it increases to 70%, which, of course, indicates the disparity of rural and urban incomes. (See Table #2.)

The median monthly income throughout the country is estimated at \$237, while in urban areas it is \$305 and in rural areas \$175. The principal source of this information was an incomes and expenditure sample survey undertaken from April 1967 to March 1968 by the National Statistical Institute. The results of this survey were published in a three-volume report entitled "Inquerito As Receitas e Despesas Familiares". For use in this report, the data on family incomes was updated by using straight line projections based on cost-of-living and salary indexes obtained from the same statistical institute. Given the limited time and methods used in putting together this report, the probable error would be up to 10%.

The pattern of consumption, or, rather, personal expenditures, shows that families spend about 50% of all expenditure on food, with rural families spending more than urban families. Shelter, which includes maintenance, utilities, and purchases of equipment and furnishings, accounted for 20% of the urban families' expenditures, while only 16.5% of the rural families. (See Table #3.)

F. Effective Demand

It is difficult to determine effective demand for housing due to the government policy of subsidizing public housing, which has the effect of distorting real demand. As long as the government continues this subsidy practice, which means that the occupant of a government-owned rental unit might pay one-half the market rate for a standard, well finished unit, effective demand for this type housing is going to be very high. However, if the occupant has to pay the market rate, the demand is necessarily going to be much lower simply because rents are higher.

TABLE #2

Family Income Distribution

1974

Monthly Income	Monthly Income	Countrywide		Urban		Rural		Lisbon Only	
		#	%	#	%	#	%	#	%
<u>Escudos</u>	<u>Dollars</u>								
Under 3600	Under 144	710,605	30	104,175	15	606,430	37	38,892	14
3600-6000	144-250	728,385	31	187,515	27	340,870	33	72,228	26
6000-12,000	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
	Total	2,333,500	100	694,500	100	1,639,000	100	277,800	100

Source: Calculated based on Inquérito às Receitas e Despesas Familiares, 1972

TABLE #3

Consumption Patterns
% in percentiles

<u>Item</u>	<u>Countrywide</u>	<u>Urban</u>	<u>Rural</u>
Food	48.7	42.9	54.9
Clothing	8.5	7.5	9.5
Shelter <u>1/</u>	21.8	25.7	16.5
Other	<u>21.0</u>	<u>23.7</u>	<u>19.1</u>
% Total	100.0	100.0	100.0

1/ Includes home maintenance, utilities and purchase of equipment and furnishings

Source: Inquérito às Receitas e Despesas Familiares, 1972

The government policy of amortizing housing over a 60-year period is the basic reason why rents are artificially low, and why some good housing is available for low-income families. Since only a few thousand units of this subsidized housing have been constructed yearly, vis-a-vis the need for low-income housing, this is a clear indication of probable demand for such housing.

In the Lisbon area alone, the effective demand for housing can be calculated as follows: For the 17,000 or so families living in the squatter settlements, certainly a majority would be eligible and willing to accept housing in a subsidized public housing project. There are no official estimates of how many of the remaining 25,000 to 30,000 families who need housing in Lisbon (based on an estimate of a total need of 40,000 to 50,000 housing units in the city), would qualify and accept public housing. However, based on experience in other countries, it is probable that at least a quarter of this number would be interested.

Throughout the country, the best indication of need is overcrowdedness, which was estimated at 228,000 families in 1960. In translating this need to effective demand, if only a quarter accepted public housing, this would mean a demand of at least 50,000 housing units.

IV. NATIONAL HOUSING POLICY

Housing policy and plans for its implementation are contained in national development plans. The IV Plan, covering the period 1974-79, contains the most recent explicit expression of government policy and plans in this sector. The IV Plan was published in December of 1973, but is not being

formally implemented as a result of the revolution of April 1974. Currently, government policy in the housing field must be translated from an amalgam of public statements by government officials, the budget of the country, and informal statements of personnel working in the housing field.

Basic responsibility for national planning had been lodged in the Council of Ministers for Economic Matters. This Council had the responsibility to assure the preparation, and approve the execution, of annual operating and budget plans on or before the 15th of November preceding the budget year due to begin on the following January 1st. Each year a review of plan execution was to be published, and a full-scale review of the development plan would occur halfway through the overall plan period. Support to the Council and plan preparation provided by the Office of the Secretary of State for Planning in the Ministry of Finance.

The III Development Plan, covering the period 1968-73, was the first to contain a separate chapter on housing. This reflected a recognition that this important social and economic sector needed special attention. Among the reasons why an explicit policy became necessary were:

- .A recognition that general welfare purposes were not being served in the housing sector by private initiative.
- .The percentage of gross fixed capital invested in the housing sector had been declining in a relative sense in the latter fifties and early sixties.
- .There had been no appreciable improvement in removing housing deficiencies in the late sixties, when annual production was

estimated to be meeting not more than 75% of required annual output to keep abreast of housing needs.

.The phenomenon of migration from rural to urban areas assumed major importance in Portugal, as elsewhere, with a rapid buildup of significant numbers of people, concentrated largely in Lisbon and Oporto, in temporary dwellings or overcrowded, ancient, poor quality housing.

.Land speculation and speculation in rental housing had adversely affected the problem of housing low-income people.

.There was generally mal-distribution of income.

.There were significant problems in bringing together the various agencies involved in related economic and social infrastructure.

.Targets set for publicly supported housing in the intermediate plan covering the period 1965-67 were not being achieved because of organizational bottlenecks, difficulties in getting land, increasing building costs, budget problems, etc.

The III Development Plan (1968-73) therefore established that:

.In-depth reviews of the institutional, technical, and financial structures bearing on housing should be carried out.

.A land procurement policy should be developed to allow some of the speculative problems in this sector to be eliminated.

.Specialized manpower training should occur in order to bring the most modern methods to bear on the sector.

.Action contemplated by the prior plan to establish an agency charged with developing housing and town planning policy, and

- coordinating its implementation, should be carried out.
- .There should be constructed by public agencies approximately 50,000 low-cost units during the III Plan period, largely in the two major urban centers, with an investment of 6.2 billion escudos (approximately US\$250 million).
 - .Private capital would be channeled into lower cost and low-income housing by a combination of controls and incentives, setting standards , fiscal policy actions, regulating return on investment, subsidizing interest rates, rent control, etc.
 - .Agencies responsible for urban infrastructure planning and for land condemnation and purchase, must coordinate their activities with the central agency responsible for housing.
 - .Efforts to rationalize and standardize work methods and materials would be undertaken.
 - .A land policy covering conditions of expropriation, regulations seeking to prevent speculation, and revision of the land appraisal system should be developed.
 - .Special offices should be established for the purpose of providing technical and financial assistance to groups of municipalities.
 - .Private enterprise could be expected to construct about 200,000 homes during the plan period with an investment of about 40 billion escudos (US\$1.6 million).

The extent to which government housing policy and goals were carried out can be judged by the information contained in the IV Development Plan which, though not implemented, was to cover the period 1974-79.

It was not until August of 1972 that a Secretariat of State for Housing was created and operational housing and urban planning organizations were recognized. Thus, one of the basic preconditions established in the III Plan did not come about until almost the end of the plan period. The period of the III Plan was marked by temporizing and confusion in the housing effort. It appears that the IV plan is very much a restatement of purposes similar to those contained in the III Plan.

The IV Plan made town planning a matter of major importance. Basic responsibility for preparing town plans would reside in localities defined as "urban" which would have technical and financial support from the Directorate General for Town Planning, and the Housing Development Fund. Emphasis on community participation was provided. Land policy and, specifically, the power to expropriate was given priority, since the prior plan period had been marked by heavy speculation in land. In addition, a town-planning fund was to be constituted to support town plans, particularly the acquisition of land and buildings. The new plan also set a goal of having basic sanitation schemes in place in all localities with more than five hundred inhabitants over the twelve years 1974-86.

In housing, the IV Plan restated the goal of a suitable home in a proper environment for all families. The medium term goals were to "activate ' national housing policy", increase housing production, and provide financial assistance to housing. There is recognition of the lack of detailed knowledge about needs in the housing sector, since there were plans to conduct an overall housing survey. It was recognized that the scarcity of housing in urban areas continued while there had been continued deterioration in the

quality of housing in rural areas. Once again, analysis indicated that 90% of all housing had been constructed by private enterprise, and had been sold in the market and was out of reach of those families most in need of housing. The IV Plan stated that significant public initiative in social housing must occur, and that a considerable part of the capacity of private enterprise should be channeled toward such housing by a series of incentives which would respect the profit motive.

Specific infrastructure targets included in the new plan included extensive topographical surveying; review and preparation of three hundred town plans; provision of financing to the town-planning fund to allow for the purchase of 3,000 hectares of land in urban centers for community facilities and housing; a variety of urban renewal schemes; and completion of some hundreds of water supply, sewage and waste disposal projects.

In housing, specific major targets were set to construct 85,000 homes through direct public initiative, of which 20,000 would be sold and the remainder rented to low-income people. In the private sector, the plan envisioned the construction of 170,000 units for private sale without public assistance and an additional 50,000 units with some subsidy.

As noted earlier, the fourth development plan to cover the period 1974-79 is not being formally implemented as a result of the revolution of April 1974. Nevertheless, the policy direction in housing, as well as problems in that sector, are reflected in that plan.

There is currently no written national housing policy of the government of Portugal. It is clear, however, that public sector financed housing

for low-income families is of the highest priority. This emphasis becomes clear with the housing share of the budget in 1975, up by some 250% over the prior year. The budget contains about \$160 million for 1975; the same amount is planned for 1976; and the total number of low-income houses to be built over the two-year period is programmed at 38,000 units - a monumental planned increase in low-income units.

In addition, the current government has enacted a series of decree-laws, which reflect the desire to do something more to assist low-income families. Some of the most important of these decree-laws are as follows:

1. Rent Control - A decree-law was passed last year, freezing rentals on privately-owned rental property. The reason for this was to prevent landlords from profiting from the scarcity of housing and thereby gouge the public. However, a result of this new law was a decrease in private development of new housing, which means that fewer units are being built for middle to upper income families. To combat this decrease, which has caused a slump in the building industry and increased unemployment, the government intends to develop the already mentioned large public housing program for low-income families.
2. Cooperative Housing - In December 1974, a cooperative housing law was passed, which is similar to cooperative housing laws in other countries. The purpose of this law was to clarify the powers and responsibilities of cooperative housing developments, as well as set up guidelines for the internal rules and regulations. This was a necessary step in line with the new government policy to use cooperative methods and techniques in developing new housing projects, particularly low-cost expandable,

self-help projects.

3. Development contracts _ In November 1974, a law was passed permitting housing institutions including the FFH, Caixa Geral, and the Savings Banks to enter into a kind of "turn-key" arrangement with private builders who own land apt for housing development. In this plan, the institution would provide the financing for a project, based on a mutually agreeable set of conditions which assure that the project conforms to the government policy to provide housing for low-income families. This would include agreement on cost, monthly payments, plans and specifications, etc. In turn, the builder would make the land available at a fair market price, and build the project. The purpose of this law is to provide financing by the government, so that private builders will re-enter the construction business, but this time for low-cost housing development.

4. Property Tax Reform - The first of several laws reforming the property tax regulations was passed in August 1974. Subsequent reform laws will be passed this year, as the government completes its studies. In brief, this law relieves the tax burden on the small property owner with a low-cost unit. Supposedly, it will encourage the development of low-cost houses at the expense of high-cost housing developments.

In summary, the Government of Portugal's ultimate long-range objective consists of providing a suitable home to every family, a goal embracing not only the physical structure, but also the environment surrounding it. The fourth plan recognized that too much reliance had been placed on private efforts, that government housing policy had no centrally responsible organi-

zation for its implementation, and that significant efforts, including expropriation, would be required to make low-income housing possible.

The Government recognized that Portugal was characterized by severe differences in income distribution as between classes, and that only through reliance initially on public initiative could housing be made available to large segments of the population with income insufficient to bear the economic cost of housing and most in need of housing.

It is unlikely that the priority emphasis on housing will be changed by any political developments in Portugal. It is also improbable that a public housing effort of the magnitude currently projected can be carried out in anything like the period intended given the institutional and human constraints.

V. INSTITUTIONAL FRAMEWORK AND HOUSING PRODUCTION

Current housing efforts in the public sector are by the Fondo de Fomento da Habitação (FFH), the Gabinete Técnico de Habitação of the city of Lisbon, the Empresa Pública de Urbanização de Lisbon, and other municipalities with financing from the national budget, social security funds, saving banks, the Caixa Geral de Depósitos, and income from existing projects. These public and semi-public institutions have been responsible for 3,500 to 4,500 units yearly over the past few years. Most housing built by these institutions is rental public housing, although some units have been sold. In the case of rental housing, the amortization period has most often been calculated at 60 years, the assumed life of the building. In this way, low-income families have been able to afford decent housing. These institutions have concentrated their efforts in the cities, and particularly the two principal cities of Lisbon and Oporto, where about 40% of all urban inhabitants live.

The efforts of these institutions have not been adequate in satisfying the need for low-income housing. The tangible result of this short fall has been the mushrooming of squatter settlements in the cities.

The private sector has been responsible primarily for the construction of upper and middle upper-income urban housing, and low-income rural housing. The former has been carried out by private developers who construct relatively luxurious multi-family buildings for sale as condominiums. Financing for this type of housing is provided mostly by wealthy individuals, corporations and the Caixa Geral de Depositos.

In the rural areas, the private sector is composed of individuals constructing their own homes, whether by contracting out the construction, or handling it themselves. In 1973, there were 26,379 rural housing units constructed by individuals, most of which were single family detached units for farm families.

The most important public and semi-public development and finance institutions are described below:

A. Fundo de Fomento da Habitação (FFH)

Created in 1969, this institution has primary responsibility for development of government-sponsored public housing. To carry out this task, it is allocated funds from the government budget and empowered by law to implement a series of financial, technical, developmental and administrative actions.

Since its creation, the FFH has been responsible for the development of almost 4,000 units, some of which had already been initiated by the Social Security funds, but were turned over to the FFH for completion and subsequent management, as required by a new law. After the

revolution in April 1974, the government placed new emphasis on housing and the FFH assumed a more important role in housing development in Portugal. To this effect, a new group of housing technicians was employed by the FFH, and increased budgetary assistance was made available.

1. Organization - The FFH currently has 517 employees, most of whom are in the Lisbon Head Office. There are also four branch offices, one each in Oporto, Coimbra, the Algarve, and Funchal, the capital of Madeira.
2. Operations - The FFH proposes to develop some 38,000 low-income units during 1975 and 1976. To fund this, the government has allocated about \$160 million from the national budget.

In most cases, this new housing would be rental, with monthly payments based on the ability of the occupant to pay, not on the economic rent. Therefore, a large subsidy element is included in the FFH program. (Subsidies in housing for low-income families is traditional in Portugal, albeit little low-income public housing has been built vis-a-vis the need.)

The FFH is now proposing two basic types of programs. The first type is based on the standard rental unit, generally two and three bedroom units of about 80m² and 100m², respectively. These are mostly low-rise apartment units, and cost between \$12,000 and \$16,000 each in Lisbon, excluding land and infrastructure. This type unit has been constructed for years by various public and semi-public institutions, and is quite acceptable to low-income families. But, there has been a large subsidy element in this housing. The new

feature of this type unit is the large proposed increase in the number to be built during 1975 and 1976.

The second type of program is expandable, self-help cooperative housing. This program contemplates the construction of low-cost units of about 50m² which can be expanded, depending on the occupants' needs and financial capacity. The units would be single family row houses, and would be sold either to the individual or a member-owned housing cooperative. This program is essentially for families currently living in the urban squatter settlements (Barrios de lata) who join a "housing cooperative". As now contemplated, a cooperative of at least 50 families would be organized among families in a particular squatter settlement. The FFH (or in the case of Lisbon, the Empresa Publica de Urbanizaçao de Lisbon) would assist the cooperative in organizing and planning the project. The site would be either the existing settlement site, or another site located close by. The cooperative would receive a grant of \$2,400 for each family member of the cooperative, which would be used to help build the houses. The cooperative members would then receive loans from the FFH to complete the financing of the core house. After completion, the cooperative member could expand his house.

It should be pointed out that this program has not yet been implemented. It is very controversial for a number of financial, technical and political reasons and, in fact, the general scheme as described above may very well be modified during the planning and implementing stages.

3. Financial Aspects - As mentioned, until now the FFH programs have been small due principally to lack of financing and low priority. However, with the new emphasis on housing, FFH has obtained new financing from the national budget far in excess of that obtained in previous years. The open question now is whether this financial assistance will be in the form of a loan or a grant. If a loan, then the terms and conditions for sale or rental of a unit will be far different than those units developed with a grant. This principally involves the question of subsidy, and thereby the ability to serve low-income families with middle class or standard housing.

The financial terms and conditions of an FFH rental are based on ability to pay, not the economic rent of the unit. In addition, the 60-year amortization period allows for artificially low rents.

Other FFH units financed by Social Security funds are sold over a 20-year period at a 5% interest and a 20% down payment. This financial source is no longer available.

4. Technical Capability - The development Department of the FFH does some "in house" design and planning of housing projects as well as contract some design work with private architectural and engineering firms. All projects are constructed by private firms after public bidding takes place.

Construction is of high quality and maintenance of completed projects is quite good. However, design and site planning could be improved as ways of reducing costs. Current projects are unnecessarily

expensive due to lack of experience with low-cost housing design techniques, and lack of effective cost control by FFH management.

The FFH is demonstrating a genuine desire to try "new" methods for reducing costs. They are now starting their first expandable houses and self-help cooperatives, for example:

5. Management Aspects - The FFH now manages some 15,000 units, including 10,000 or so units previously built and managed by the various social security funds. According to the FFH management staff, there is an acute problem of delinquency, which has been increasing rapidly, particularly since the revolution. Due to political reasons, the FFH is stymied in its attempts to solve this problem.

Prior to the revolution, allocation of FFH units were based primarily on political connections, particularly with the state controlled labor unions. Today, the FFH is trying to handle this on a need basis. The sales section has now set up a computerized selection process which does away with the old system.

B. Caixa Geral de Depositos

The Caixa is an old, well established state-owned savings bank with branches and offices in over 150 locations throughout the country. It is the largest single source of housing finance other than that provided through general government budgetary provisions.

The Caixa accepts savings deposits from the public-at-large, as well as from government entities and corporations. At the end of 1973, savings totaled \$1.9 billion, which was an increase of 18.3% over the

previous year. Traditionally, foreign workers have used the Caixa as a depository agency due to its convenient locations, which has accounted for much of its growth. In addition, the Caixa raises funds from bond issues, which totaled about \$275 million at the end of 1973.

The Caixa invests these savings mostly in agricultural, industrial, construction, and public service loans. In 1973, the Caixa made loans in the amount of \$920 million for public services such as water, roads, electricity, hotels, i.e.; \$332 million for industry and mining; \$212 million for agriculture; and, finally, \$324 million for construction of houses and buildings. Of this latter, 5,452 loans with a value of \$86.3 million were made for residential housing. The total housing loan portfolio numbers about 25,000 loans today.

Due to the terms and conditions of Caixa loans, low-income families cannot obtain direct loans from the institution. The terms and conditions for obtaining a loan were recently revised (January 10, 1975), in an attempt to reach lower income families. But the most favorable term loan now is for disabled veterans, and carries a 20-year term, a 7-1/2 sliding interest rate, and a 20% downpayment. Depending on the circumstances, interest rates range from 9.25% to 12.5%, downpayments from 20% to 60%, and terms from eight to 20 years.

Interest on savings accounts range from 4% on passbook savings to 9-1/2% on the longest term savings plan.

C. Empresa Publica de Urbanizaçao de Lisboa (EPUL)

EPUL was set up two years ago as a public corporation. Its role is to

plan, develop and build public buildings and housing in the City of Lisbon. It is controlled by a Board of Directors. Financing for its project comes from contractual arrangements with public agencies, Ministries, and the City of Lisbon, for which it carries out projects. EPUL contemplates earning sufficient income to cover its operating expenses. The employees are not Civil Service, which gives EPUL a slight edge in competing with public agencies for personnel.

To give an idea of EPUL's activities, it is currently involved in planning and developing the infrastructure, buildings, and commercial section in the Restelo project; in planning the urban development of the Telheiras project; in building the hangars at the Lisbon National Airport; and planning the Commercial Center at Alvalade.

In the field of housing, EPUL plans to develop 6,020 units in 1975 and 1976 as its commitment to the national goal of 38,000 new units in those two years. Of these 6,020 units, EPUL will build 3,120 standard apartment units, while the remaining 2,900 will be self-help cooperative units. The total investment will be US \$52 million, of which US \$42 million will be allocated for building the standard apartments and US \$10 million for the cooperative units. Since about one-half of the units will be cooperative, the much smaller financial investment means that the cooperative units will cost less and, thereby, be allocated to low-income families. In fact, the average investment by EPUL in standard apartment units will be US \$13,500, while the average investment in co-op units will be US \$3,380 (See Table #4.)

TABLE #4

Development Program - EPUL (1975-1976)

<u>Type Unit</u>	<u>Total Investment</u>	<u>No. of Units</u>	<u>Average Investment</u>
Standard Apartment	US \$42,000,000	3,120	US \$ 13,500
Cooperative Self-help	US 10,000,000	2,900	US 3,380
Totals	US \$52,000,000	6,120	

D. Gabinete Tecnico da Habitaçao of the City of Lisbon (GTH)

The GTH was set up in 1959 as an arm of the Lisbon Municipal Council to handle new urban developments. The purpose of the GTH is to (a) assist low-income families obtain housing; (b) eliminate gradually the squatter settlements; (c) relocate families affected by urban renewal and change. The GTH has a staff of 250 persons, headed by a general manager, who reports to the Mayor and Council of Lisbon. The scope of operations of the GTH is the city of Lisbon only. Its counterpart in the USA would be a local public housing agency.

The administration of GTH is divided into three operations branches: (1) the Planning Section, which proposes and plans the new housing projects; (2) the Technical, which handles the awarding, construction and supervision of projects; and (3) the Management, which deals with project management and maintenance.

Financing for GTH projects comes from a variety of sources. The municipal government provides financing from its budget, which in 1973 was a little over \$2 million. The Caixa Geral de Depositos makes low-

interest loans to the GTH. In addition, the GTH sells off some of the land in its projects for private development, for which it makes a profit.

The GTH has concentrated its efforts in three large projects, all located close to the national airport. Olivais Norte was initiated in 1959, and contains 2,500 units with 10,000 persons. Olivais Sul is currently under construction, approximately 80% completed and occupied, and will comprise 8,500 units with 34,000 persons when finally completed.

The newest project is Chelas, which when completed will house 16,000 families. These projects are complete communities with schools, shopping and community facilities. The architecture is varied, including medium rise apartment, walkups and townhouses. In addition, these new communities have a social-economic mix, in that there are four different type units, which are allocated to different income levels according to need. The GTH, as mentioned, sells about 15% of the land in each project for private development, usually resulting in high income, high-rise apartments. The total eventual cost of these three projects will be about \$360 million over a 20-year period.

E. Other Institutions

1. Social Security Funds

As there is no nationwide social security system, various institutions and corporations have developed what is known as CAIXAS DE PREVIDENCIA. These CAIXAS are a kind of combination welfare fund, social security

fund, pension program, and insurance society. Prior to 1970, these funds were responsible for developing houses for their members. However, when the FFH was set up, these funds turned over their development role to the FFH, as well as management of their portfolio of some 10,000 units. They no longer play a very active role in housing development, but continue to provide some financing for housing through financial arrangements with the FFH.

2. Other Saving Banks

In addition to the Caixa Geral de Depositos, which is state owned, there are about 150 small regional savings banks for private savings. The most important are the Caixa Economica de Lisboa and the Montpio Geral. These institutions make loans for housing and, in fact, the two above make housing loans up to about 40% of the total made by the Caixa Geral de Depositos.

3. Companhia Geral de Credito Predial Portugues

This is a mixed state/private real estate company. It makes mortgage loans only in the private sector.

F. Housing Production

Housing construction has been averaging about 40,000 units per year over the past few years. In 1973, 41,316 new units were built, most of which were in the rural areas, where single family homes predominate. The number of building permits issued in 1973 was 27,603, which is considerably less than the number of new units and indicates the importance of multi-family units. There were also some other permits issued for

TABLE #5

H O U S I N G P L A N F O R L I S B O NC. N. L.
1975/76
(1 000 C)

C A T E G O R Y	1975-1976 Plan					1975 only			1976 only	
	No. of Units	Costs (1000 contos)				No. of Units to be Started	No. of Units to be compltd.	Costs (1000 contos)	No. of Units to be complet-ed.	Costs (1000 contos) .
		Infra-struct	Build-ings	Self-help	TOTAL					
1. DEVELOPMENTS	3 120	78,1	978,5		1 056,6	3 120	1 087	583,6	2 633	473
a) Under Way										
Alto da Eira(1.º Fase)	300	7,5	132,5		140	300	132	90	168	50
b) In Planning										
1. Construção										
Alto da Eira(2.º Fase)	470	11,8	141,0		152,8	470	160	82,3	310	70,5
Telheiras Norte	500	12,5	150,0		162,5	500	170	87,5	330	75,0
Telheiras Sul	1 100	27,5	330,0		357,5	1 100	376	192,5	730	165,0
Alto da Ajuda	250	6,3	75,0		81,3	250	85	43,5	165	37,5
Qt.º de Carnide	500	12,5	150,0		162,5	500	170	87,5	330	75,0
2. COOP DEVELOPMENTS	2 900	72,7		174,0	246,7	2 900	1 451	246,7	1 449	
Rua dos Sociros	240	6,0		14,4	20,4	240	120	20,4	120	
Musgueira Sul	250	6,3		15,0	21,3	250	125	21,3	125	
Qt.º dos Barros	385	9,6		23,1	32,7	385	193	32,7	192	
Az.º Jas Galhardas	165	4,2		9,9	14,1	165	23	14,1	82	
Qt.º da Bela Flor	300	7,5		18,0	25,5	300	150	25,5	150	
Alto dos Moimhos	350	8,8		21,0	29,8	350	175	29,8	175	
Inf.º Henrique (Qt.º dos Machados)	250	6,5		15,6	22,1	250	130	22,1	130	
Qt.º Jo Leal	250	6,3		15,0	21,3	250	125	21,3	125	
Telheiras Norte	500	12,5		30,0	42,5	500	250	42,5	250	
Qt.º de Caracol	200	5,0		12,0	17,0	200	100	17,0	100	
T O T A L	6 020	150,4	978,5	174,0	1 303,3	6 020	2 538	830,3	3 482	473

TABLE #6

HOUSING FINANCE PLAN FOR LISBON

(in 1000 contos)

Category	Plan 1975/1976				1975 only				1976 only			
	CML	ESTADO		TOTAL	CML	ESTADO		TOTAL	CML	ESTADO		TOTAL
		OGE	PFH			OGE	PFH			OGE	PFH	
1. EPUL DEVELOPMENT	473,7	395,7	187,2	1 056,6	237,2	159,2	187,2	583,6	236,5	236,5	-	473
a) UNDER WAY	64,7	57,3	18,0	140,0	39,7	32,3	18	90,0	25,0	25,0	-	50
- Infrastructures	7,5	-	-	7,5	7,5	-	-	7,5	-	-	-	-
- Unit Costs	57,2	57,3	18,0	132,5	32,2	32,3	18,0	82,5	25,0	25,0	-	50,0
b) IN PLANNING	409,0	338,4	169,2	916,6	197,5	126,9	169,2	493,6	211,5	211,5	-	423,0
- Infrastructures	70,6	-	-	70,6	70,6	-	-	70,6	-	-	-	-
- Unit Costs	338,4	338,4	169,2	846,0	126,9	126,9	169,2	423,0	211,5	211,5	-	423,0
2. COOP DEVELOPMENTS	72,7	-	174,0	246,7	72,7	-	174,0	246,7	-	-	-	-
- Infrastructures	72,7	-	-	72,7	72,7	-	-	72,7	-	-	-	-
- Subsidies	-	-	174,0	174,0	-	-	174,0	174,0	-	-	-	-
TOTAL	546,4	395,7	361,2	1 303,3	309,9	159,2	361,2	830,3	236,5	236,5	-	473
- Infrastructures	150,8	-	-	150,8	150,8	-	-	150,8	-	-	-	-
- Unit Costs	395,6	395,7	187,2	978,5	159,1	159,2	187,2	505,5	236,5	236,5	-	473
- Subsidies	-	-	174,0	174,0	-	-	174,0	174,0	-	-	-	-

NOTE: CML - City Council of Lisbon
 OGE - National Budget Allocation
 FFH - National Housing Institute

home improvement, expansion and restoration. (See Tables #5, 6, & 7)

Individuals were responsible for the development of most housing. 33,977 units or about 80% of the total number of units were built through private, individual initiative. Government and semi-public institutions were responsible for almost 4,500 units, while private institutions accounted for 3,164. Cooperatives have a negligible effect on housing development.

In 1973, some US \$336 million was invested in housing in Portugal. Based on this, the average unit cost, less land, was \$9,000, and the average house size was 61m². Also, the average house was comprised of 4.8 rooms.

TABLE #7

Building Permits for Housing

<u>1973</u> <u>Area</u>	<u>New</u>	<u>Expansion</u>	<u>Modification</u>	<u>Restoration</u>	<u>Total</u>
Countrywide	29,558	5,730	1,237	1,530	38,055
Metro Lisbon	506	78	39	7	630
Metro Porto	316	29	15	-	360
Other Cities	1,133	130	51	13	1,317
Rural	27,603	5,493	1,123	1,510	35,729
+++					
<u>1972</u>					
Countrywide	25,600	5,622	1,189	1,421	33,832
Metro Lisbon	669	104	30	4	807
Metro Porto	385	89	28	3	505
Other Cities	1,130	154	84	22	1,390
Rural	23,416	5,275	1,047	1,392	31,130

Source: Estatística da Construção Habitação, 1973

TABLE #8
Residential Construction by Type of Builder

1973

<u>Builder/Supervisor</u>	<u>Countrywide</u>	<u>Lisbon</u>	<u>Porto</u>	<u>Other Cities</u>	<u>Rural</u>
Government	2,347	513	473	116	1,245
Semi-public	2,212	-	170	1,401	641
Private institution	3,164	124	225	689	2,126
Individual	33,977	1,198	719	5,681	26,379
Cooperatives	233	13	-	129	87
Total	41,933	1,848	1,591	8,016	30,478

Source: Estatística de Construção e da Habitação, 1973

VI. HOUSING CONSTRUCTION INDUSTRY

The construction industry in Portugal is very advanced, and has the capacity to implement the proposed new national housing program of 19,000 per year.

In the past, the industry was producing up to 40,000 units per year, mostly middle and upper income housing. Although the designs for the lower income program will be different, there will be little difference in the type of materials or building techniques.

The quality of construction in both public and private housing projects in Portugal is very high. Typical walk-up apartments are constructed with the following materials: Concrete foundation and concrete structural clay tile with stucco or brick; interior partitions are clay tile with plaster.

Floors are tile or wood over concrete slabs.

There are more than 8,000 registered architects and engineers in Portugal, and numerous construction companies which have considerable experience in all phases of modern building systems.

Since April 1974, there has been a drastic reduction in the amount of new construction starts, although many projects are still under construction which were started before the revolution. The Portuguese Association of Architects is currently conducting a survey to determine the amount of work on the drawing boards, representing new construction for the months ahead. The initial result shows that most architects are out of work, and almost no new private sector housing projects are being developed. It is hoped that the new public sector construction activities in housing and other fields will compensate for this reduction in private sector activity.

Almost all materials which are needed in housing construction are produced locally in Portugal, including cement, reinforcing steel, concrete blocks, structural clay tile, fired bricks, lumber, plumbing and electrical lines and fixtures, hardware, glass, paints and other finish materials. The quality of the local workmanship is quite high, and even housing projects constructed for lower income families have a degree of finish which surpasses that found in many more developed countries.

The architecture ranges from average to very good on public sector housing projects. In some projects, there is a reflection of the traditional Portuguese architecture using typical finish materials combining white stucco exterior with red tile roofs. In other projects, the architecture

is an imitation of "international modern" and not well done.

The new administrators of the Portuguese housing institutions seem to recognize that very little management control was exercised over the architects and engineers in earlier projects. This resulted in a tremendous variety in building styles and exterior finish materials which is quite attractive, and avoids the grim monotony of most large-scale housing projects in other countries. The disadvantage of this lack of management control was that given complete freedom, many of the projects for low-income families contain buildings which utilize luxurious finish materials and have overly large rooms, and generally inefficient floor plans resulting in wasted floor areas and increased cost.

Because the volume of construction of housing for low-income families was low (4,000 units per year), there was no pressure to improve design and construction techniques to reduce costs. The few lucky families who received the over-designed and over-built apartments were heavily subsidized, while many other families continued to live in miserable conditions. If the new government is to succeed in building at the rate of 19,000 to 20,000 units per year, it will be absolutely necessary to change the old system and initiate new approaches to design and construction in order to reduce cost and, thereby reduce the subsidy on each unit.

Construction costs are rising rapidly due to inflation and to increased labor costs. The rule of thumb has been \$120 per square meter as an average cost for a typical walk-up apartment in a government project.

There are many techniques in both site planning and in the design and construction of the housing units which have been used in other countries to reduce cost, which are not yet common in Portugal. It is hoped that the new administration can adapt some of these costs-reducing techniques to their new housing program without losing the attractive character of the older projects. They should also take care to avoid some of the disastrous results which have occurred in some countries when the effort to reduce cost overrides human and social consideration, producing unlivable public housing projects.

VII. LAND AND URBAN SERVICES

Real Property is classified as rural or urban. In general terms, rural property is a piece of unimproved land. Urban property is improved land, i.e., some sort of construction is on the land.

A. Tenancy

Most land is privately owned, either by individuals or corporate bodies. In the rural southern half of the country, large estates are the common form of ownership, while in the rural north, small, often uneconomical holdings predominate.

The new government intends to carry out a land reform program, although to the present, no concrete proposal or law has been enacted. It is probable, however, that the government will encourage the setting up of cooperatives to assist the farmers in areas where large estates are expropriated, and the land distributed.

A new cooperative housing law was enacted in December of 1974, which

gives a better legal basis for the formation of housing cooperatives. It is anticipated that housing cooperatives will be used as a means to help solve the squatter settlement problems in urban areas.

Condominiums have been allowed in Portugal since 1955, and are a common form of ownership in the cities where blocks of apartments are built and sold.

B. Availability of Land for Housing

In rural areas, land is available for housing on an individual basis. However, in the southern part of the country, where the common form of tenancy is large holdings, poorer families have difficulty in obtaining land.

In urban areas, the problem is one of cost. Land is very expensive, particularly in the Lisbon Metropolitan area, where the population is steadily growing and the need for housing great. In part, the high cost of land is the result of a considerable amount of speculation. A good case in point is the Almada area across the bridge from Lisbon, which was bought up both before and during construction of the bridge by speculators. Recently, most of this land was expropriated by the government to build a new town for some 10,000 families.

The government is increasing the use of expropriation as a means of untying speculative land for housing purposes. This is especially true in the Lisbon area.

C. Title Registration and Transfer

The purchase of any type of property must be effected by public deed;

that is, through a written contract signed in the presence of a notary public by both the buyer and the seller. After signing the deed, the buyer must register it at the Property Registry Office in the area in which the property is situated.

In the case of new building construction, if the proposed site is situated in an underdeveloped zone, the owner must present the plans to the Municipal Council to obtain its approval and pay for the necessary building license. If the construction is within an existing development plan, the plans must be drawn up according to the conditions laid down for the area.

D. Real Estate Taxes

1. Transfer Tax ("SISA") - is a tax on transfer of real property, and is paid by the purchaser. This tax is chargeable on the agreed price and is on a sliding scale, depending on the use of the property. For example, on an urban house sold for personal living accommodation, the rate is 1%; for other uses, the rate goes up to 8%.
2. Rural Property Tax - this tax is levied on income from rural property. The rate is 10%, and is payable by the recipient. In August of 1974, a new decree was effected by the government which offered reforms in the rural property tax, so as to benefit small farmers.
3. Urban Property Tax - this tax is charged on income from urban property. On urban rental property, the tax is on the rent. When

the property is not rented, the tax is calculated on the value of the property. The rate is from 12% to 16%.

VIII. ECONOMIC CONSIDERATIONS

A. Economic Growth

Over the period 1969-1974, the economy of Portugal has displayed moderate to substantial growth, with GNP in constant 1963 prices increasing at an average annual rate of approximately 6%. The average would have been higher except that there is reason to believe that in 1974, for which no data on economic performance is yet available, the economy is stagnating. A major change in political regime as occurred in April 1974, has undoubtedly had a major effect on the nations' economy.

TABLE #9
GROSS NATIONAL PRODUCT (millions of escudos)

	<u>69</u>	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>	<u>74</u>
GNP at Current Prices	161,764	179,686	200,114	233,844	276,639	n.a.
Percentage Change	10.0	11.0	11.0	17.0	18.0	
GNP at Constant (1963) Prices	127,861	137,868	145,465	158,081	170,837	n.a.
Percentage Change	2.1	8.0	6.0	9.0	8.0	

Source: 1969-72 Data from OECD Economic Surveys, Portugal, July 1974
1973 American Embassy/Lisbon Estimates

TABLE #10 - PER CAPITA GNP (escudos)

	<u>69</u>	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>	<u>74</u>
Population (000's)	n.a.	8,330	8,010	8,055	8,035	n.a.
Per Capita GNP Constant (1963) Prices	n.a.	16,551	18,160	19,625	21,262	n.a.
Percentage Change			9.7	8.1	7.8	

Source: Estimates based on OECD Survey and American Embassy/Lisbon Estimates

B. Price Inflation

The period 1969-1974 has been marked by significant price inflation which averaged on the order of 10% per year at the beginning of the period, increasing to about 15% in 1973 and is estimated at a whopping 30% in 1974. The roots of this inflation fundamentally lay in an inadequate and outmoded domestic plant attempting to respond to demand fueled by large foreign exchange earnings and major wage increases. Inflation in the latter part of the period has also been boosted by the very large increases in the cost of imports as well as by heavy speculation in real estate caused by a general housing shortage.

C. Balance of Payments

For many years, Portugal's balance of trade has been unfavorable. The overall balance of payments has been in good shape, however, with large surpluses for twelve straight years through 1973. The source of these surpluses has been large remittances by overseas Portuguese and rapidly expanding tourist income. In 1974, the picture changed, and the GOP predicts a balance of payments deficit of \$400-\$480 million. This results largely from large increases in the price of imports, a serious decline of 30-40% in tourism receipts, and a decline in emigrant remittances. However, Portugal is in good position with reserves of about \$2.4 billion, or approximately the cost of one year's imports. (See Table #11)

D. Savings and Investment

Gross fixed capital formation averaged on the order of 20% of gross domestic product during the past few years. This investment was financed

almost entirely from domestic saving. (See Table #12)

TABLE #11
BALANCE OF PAYMENTS AND TRADE
(US\$ Millions)

	<u>70</u>	<u>71</u>	<u>72</u>	<u>73</u>	<u>74</u>
Gold & Foreign exchange reserves ^{a/}	1,484	1,884	2,248	2,715	2,376
Balance of Payments ^{b/}	+3	+274	+301	+256	n.a.
Balance of Trade ^{b/}	-499	-617	-671	-859	n.a.
Exports, FOB ^{c/}	950	1,052	1,294	1,755	1,401
Imports, CIF ^{c/}	1,582	1,823	2,227	2,870	2,582

a/ Bank of Portugal only

b/ With foreign countries only

c/ Foreign countries, plus overseas territories

Source: ET, ⁷²⁻⁰⁷⁴/₇₃₋₀₆₃, Foreign Economic Trends, USCD, and 1974 Am-Emb/Lisbon Preliminary estimates

TABLE #12
CAPITAL FORMATION (Current Prices)
(Millions of escudos)

	69	70	71	72	73	74
Gross Capital Formation	27,294	31,060	36,974	47,153	55,227	n.a.
GLF as percentage of GNP	17.0	17.0	19.0	20.0	20.0	

Source: 1969-72 Data from OELD Economic Surveys, Portugal, July 1974

1973 Am/Emb Lisbon Estimate

E. Future Prospects

Given the uncertainties of the political situation in Portugal and attendant effects which include business stagnation, decline of liquidity and hoarding, caution of investors, productivity adversely affected by labor strife, and increasing unemployment, short-term prospects are uncertain. The lines of long-term government economic policy are just not known at this moment.

+ + +

GENERAL BACKGROUNDPortugal

Metropolitan Portugal is composed of the southwestern one-sixth of the Iberian Peninsula on the West European mainland, and the Azores and Madeira Islands in the Atlantic Ocean. It has an area of about 35,510 square miles (including 1,198 square miles for the Azores and Madeira Islands), approximately the size of Indiana. In addition, Portuguese territory includes the overseas Provinces of Angola and Mozambique, which will become independent this year; The Cape Verde Islands in the Atlantic Ocean; Macao on the southern coast of mainland China; Timor in the Indian Ocean north of Australia; and the Sao Tome and Principe Islands in the Gulf of Guinea west of Gabon. The total area of the Overseas Provinces is 805,326 square miles. The Portuguese Indian provinces of Goa, Diu, and Damao were taken over by India in 1961.)

Mainland Portugal is divided into two distinct topographical regions by the Tagus River, which flows into the Atlantic Ocean near Lisbon. The northern part of mainland Portugal is mountainous, receives considerable rain, and has a moderate climate. To the south are rolling plains with less rainfall, with the climate in the interior resembling that of North Africa.

Portugal was the only country in Europe to suffer a significant population decline (about two percent) since 1960, reflecting large-scale emigration. The loss in population makes difficult the prediction of future trends in population growth. A constant population is assumed between 1970 and 1975 (natural increase offset by emigration), and after that a growth rate of

0.8 percent (the 1970 reported rate of natural increase).

During the past 3,000 years, the Portuguese have experienced considerable mixture with other people, notably Iberian, Celtic, Germanic, Roman, Arabic, and African. These ethnic groups have been assimilated, and metropolitan Portugal's population is relatively homogeneous. There are no significant minorities.

Roman Catholicism is the established religion, and has traditionally been a stabilizing influence on the society. Portuguese is the official language. Metropolitan Portugal has a low literacy rate (about 65 percent) compared to the rest of Europe.

(SOURCE: Department of State: "Republic of Portugal - Background Notes - November 1972)

**ZAMBUJAL PROJECT
FFH COST ESTIMATES**

Total No. of Units - 2,000*

Total cost - 885,000,000 (\$35,400,000)

Average cost per unit (\$17,700)

land costs	ES 70,000,000	(\$2,800,000)
design work	ES 12,000,000	(\$ 480,000)
Recreation park	ES 30,500,000	(\$1,220,000)
Infrastructure	ES 72,500,000	(\$2,900,000)
Buildings:		
1 - Alto do Zambujal (800 units)	ES 300,000,000	(\$12,000,000)
2 - Percurso (300 units)	ES 120,000,000	(\$ 4,800,000)
3 - Da Praça de Liga (500 units)	ES 200,000,000	(\$ 8,000,000)
4 - Alto do Moinho (400 units)	ES 80,000,000	(\$ 3,200,000)

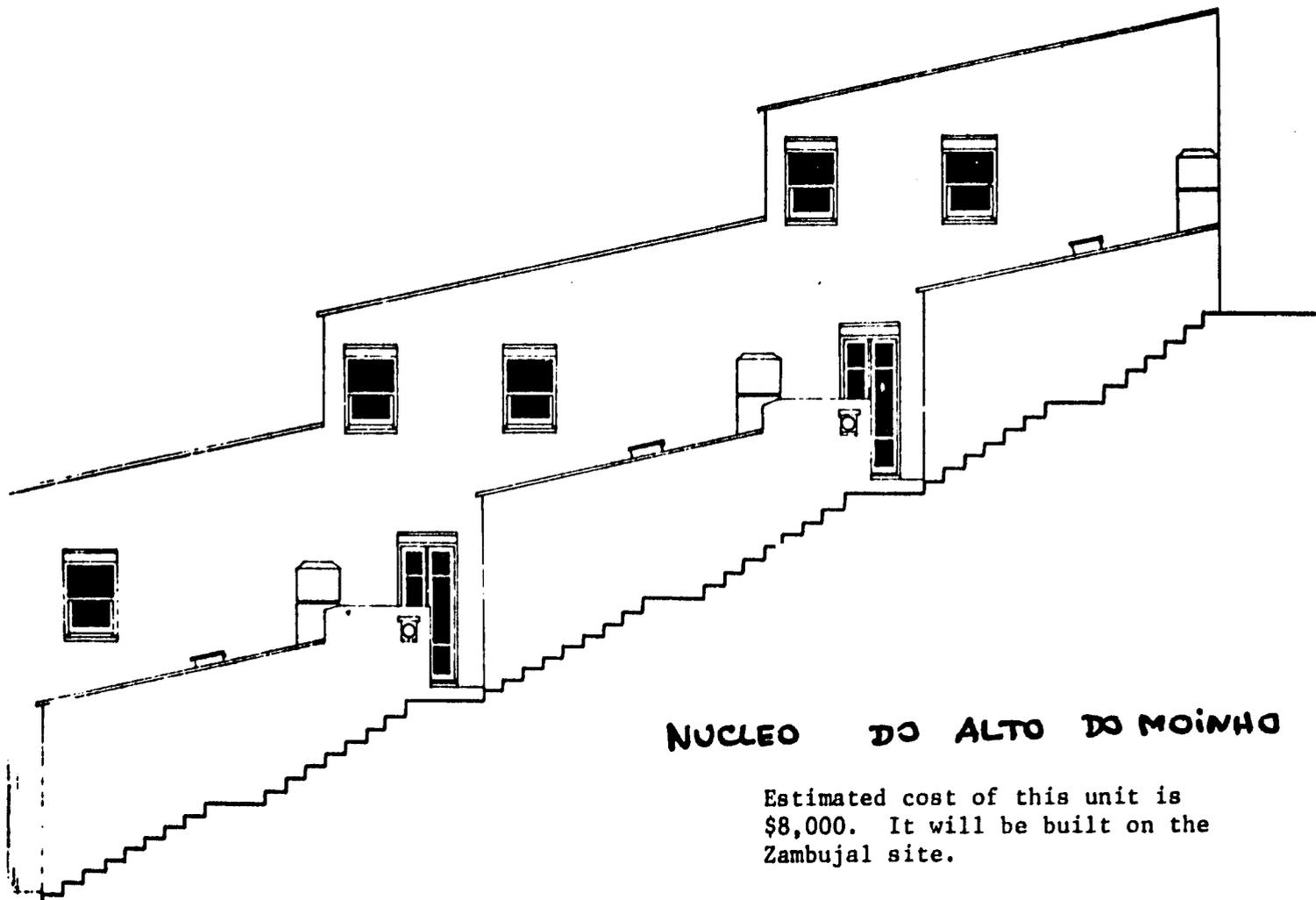
Average unit cost - building only

1 - Alto do Zambujal	\$15,000)	land and
2 - Percurso	\$16,000)	services
3 - Da Praca	\$16,000)	not included
4 - Alto do Moinho	\$ 8,000)	

*** DOES NOT INCLUDE SELF-HELP
UNITS (300)**

Attachment #3A

Side View



NUCLEO DO ALTO DO MOINHO

Estimated cost of this unit is \$8,000. It will be built on the Zambujal site.

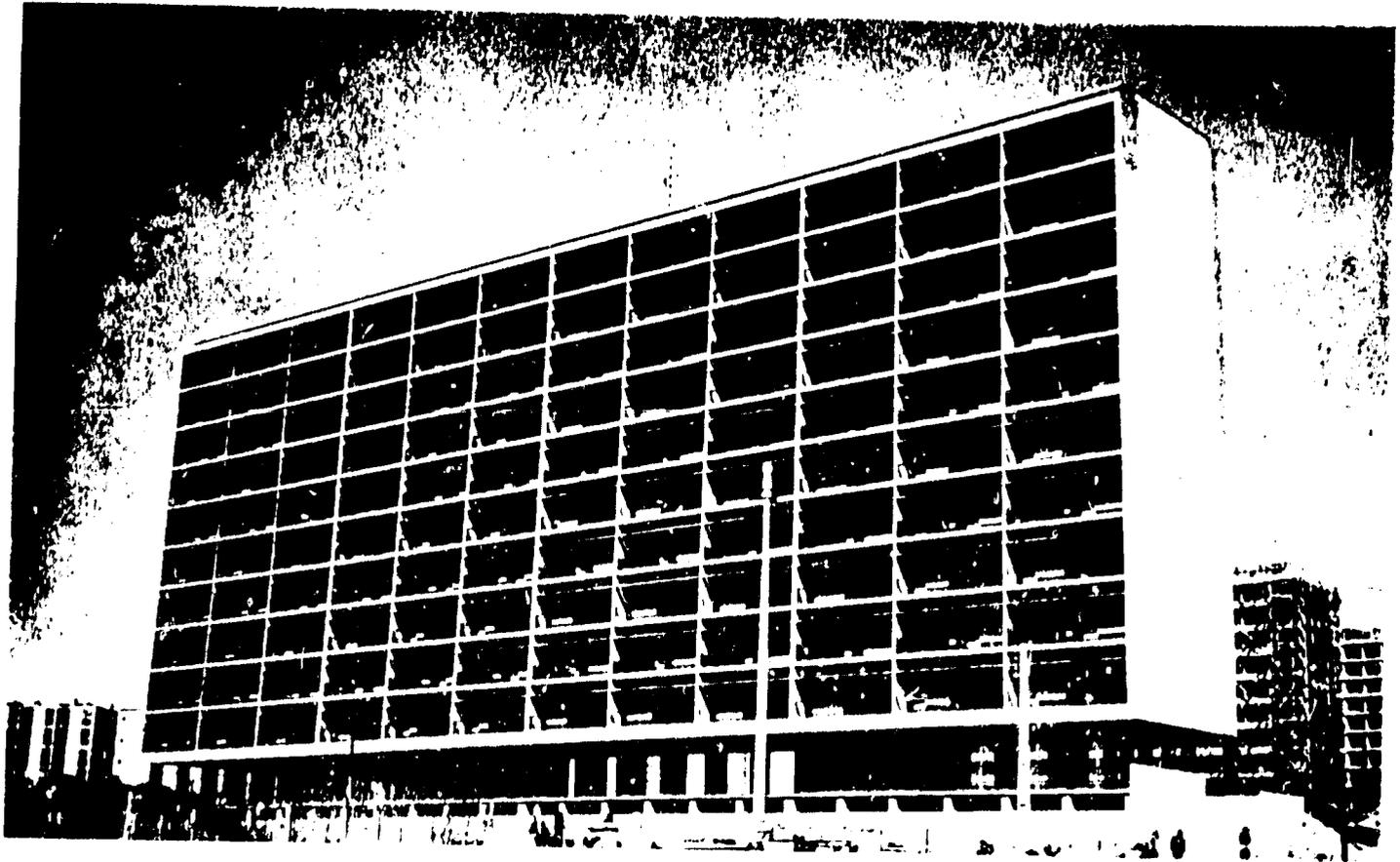
FUNDO DE FOMENTO DA HABITAÇÃO

gth CML	
P.U. do VALE ESCURO ALTO DA EIRA	
REALOJAMENTO CASA PATIO T 3	Des N°
	RP E°
	Rel°
escalas: 1:50 1:100	Mina Vias 11/9. 7

Attachment #3B

Facade





EDIFÍCIO DE 12 PISOS

20 logos do tipo 4

FICHA TÉCNICA

Arquitecto: Abel Manta

Eng.º civil: Tito Nunes Tavares

Construtor: Pires Fernandes, Irmãos, Ltd.ª

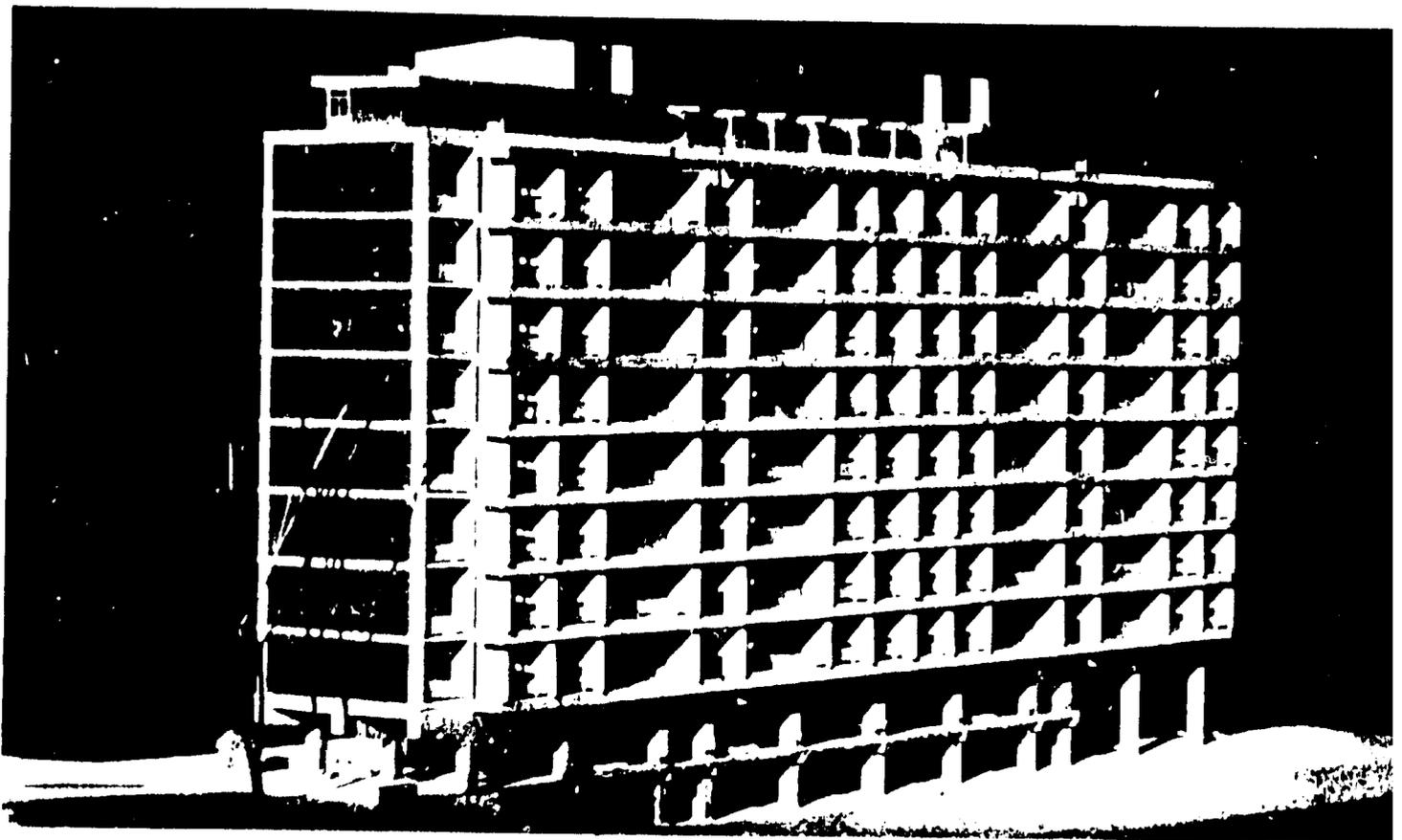
ÁREAS

	Tipo 4
bruta	227,21 m ²
total útil	161,69 m ²
útil líquida	150,66 m ²
habitável	103,75 m ²
não encerrada	28,47 m ²

CUSTO TOTAL DO EDIFÍCIO

orçamentado	4 580 000\$00
adjudicado	6 993 900\$00





EDIFÍCIO DE 8 PISOS

16 fogos do tipo 3
16 fogos do tipo 4

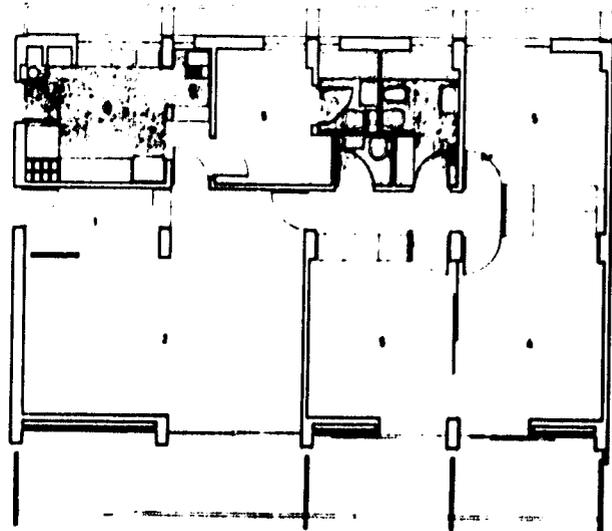
FICHA TÉCNICA

Arquitectos: Pires Martins
Palma de Melo
Eng.º civil: Jaime Pereira Gomes
Construtor: Francisco da Costa M. Parente

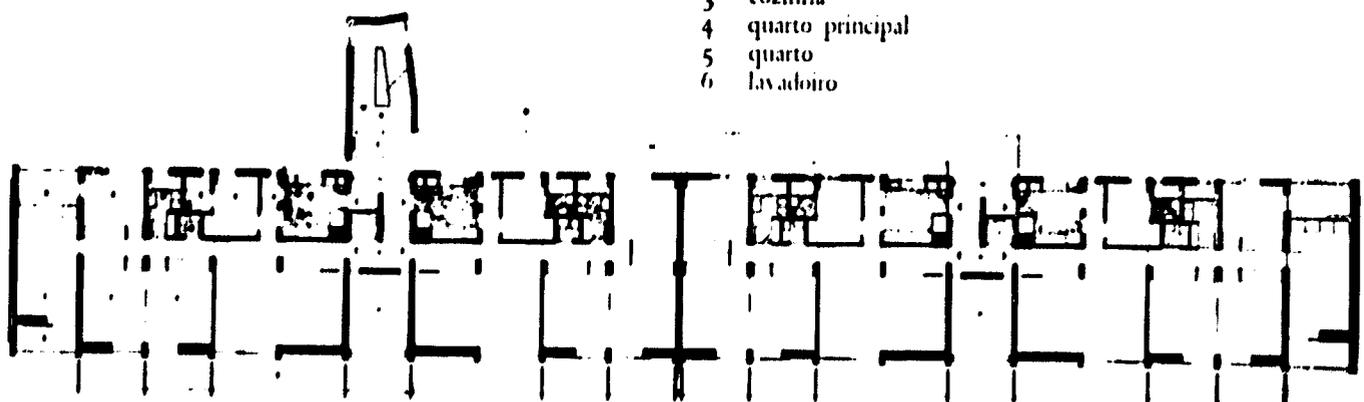
ÁREAS	Tipo 3	Tipo 4
bruta	198,25 m ²	224,60 m ²
total útil	119,03 m ²	139,14 m ²
útil líquida	107,87 m ²	139,91 m ²
habitável	96,14 m ²	113,05 m ²
não encerrada	26,85 m ²	37,05 m ²

CUSTO TOTAL DO EDIFÍCIO

orçamentado: 9 491 900\$00
adjudicado: 9 450 000\$00

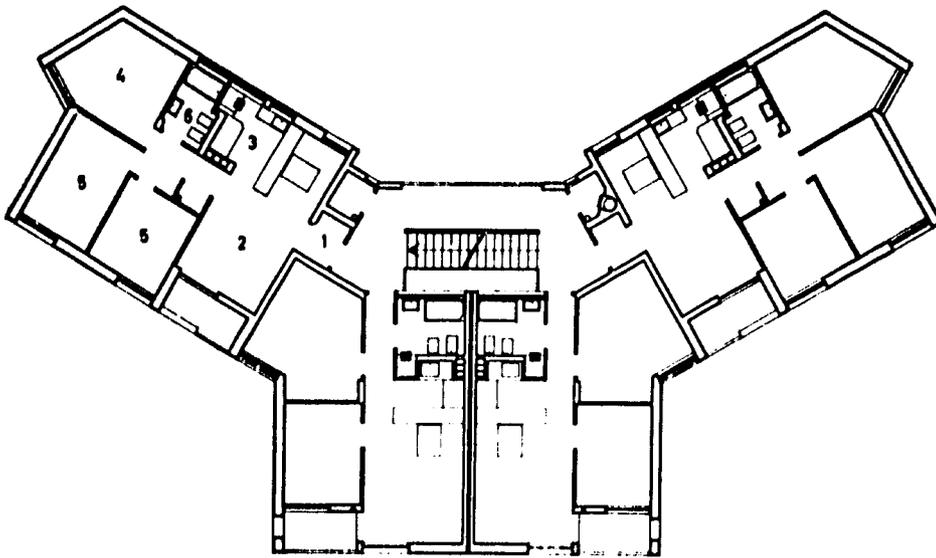


- 1 - Vestíbulo
- 2 - sala comum
- 3 - cozinha
- 4 - quarto principal
- 5 - quarto
- 6 - lavadouro



Attachment 4B

Olivaís Norte



- 1 — vestibulo.
- 2 — sala comum
- 3 — cozinha
- 4 — quarto principal
- 5 — quarto
- 6 — lavadoiro

EDIFÍCIO DE 4 PISOS

8 fogos do tipo 2

8 fogos do tipo 3

FICHA TÉCNICA

Arquitecto: João B. V. Esteves

Eng.º civil: Vasco Gonçalves

Construtor: Eng.º Antunes Ferreira

AREAS

bruta

total útil

útil líquida

habitável

CUSTO TOTAL DO EDIFÍCIO

orçamentado:

adjudicado:

Tipo 2

50,17 m²

47,92 m²

45,06 m²

34,60 m²

Tipo 3

80,11 m²

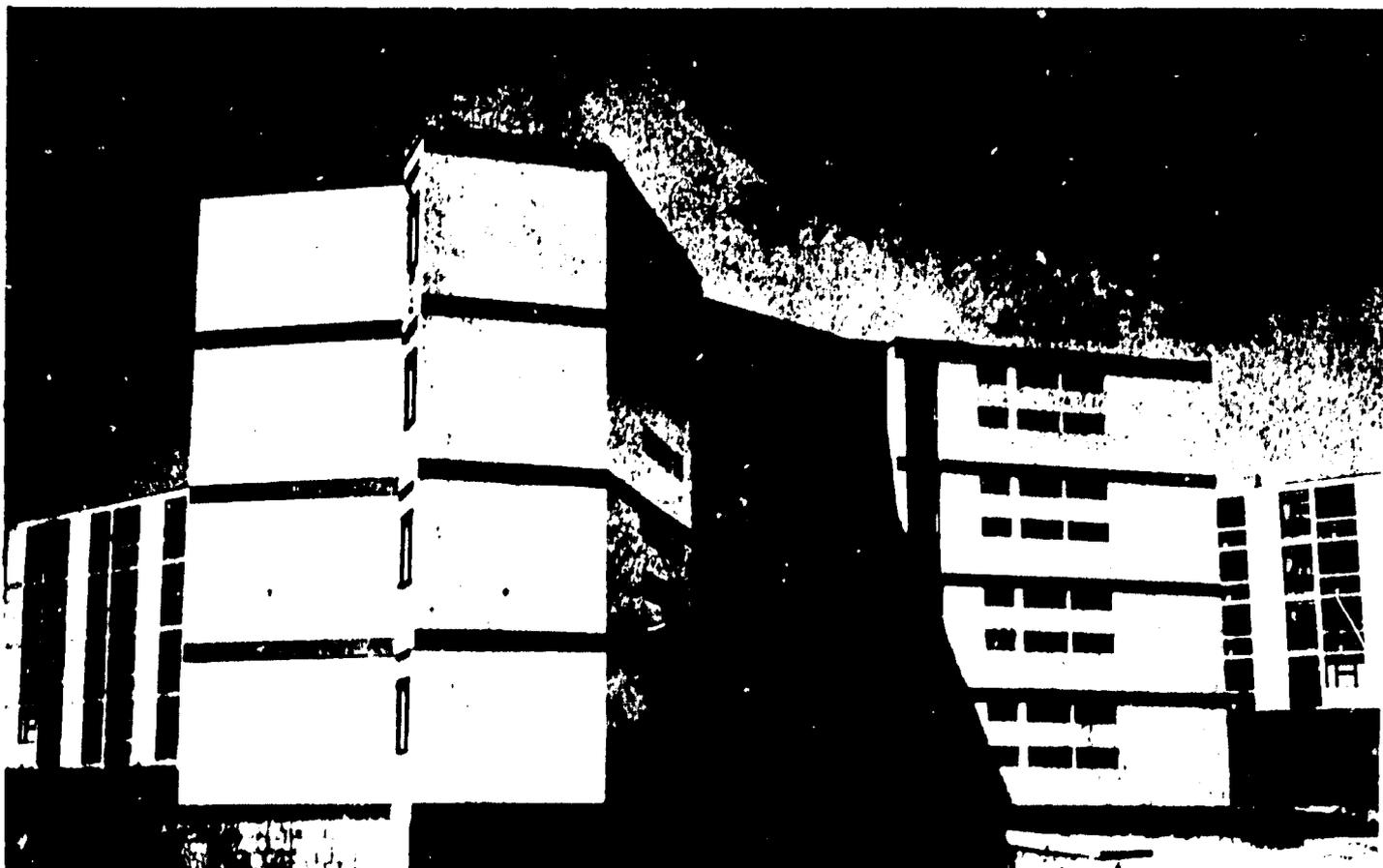
61,36 m²

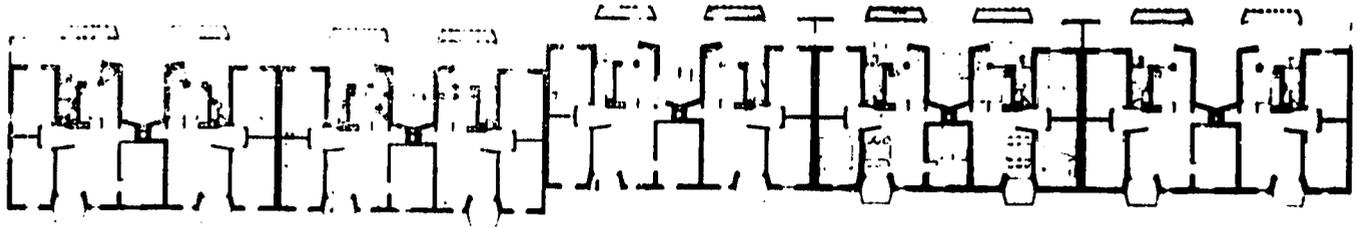
59,59 m²

46,77 m²

999 000\$00

1 082 000\$00





EDIFÍCIO DE 4 PISOS

40 logos do tipo 2

40 logos do tipo 3

FICHA TÉCNICA

Arquitectos: Paula Reis

João Matoso

Eng.º civil: E. Duarte Silva

Construtor: Sociedade de Construções Lda - Imão

ÁREAS

bruta

total útil

útil líquida

habitável

não encerrada

CUSTO TOTAL DO EDIFÍCIO

orçamentado:

alijudicado:

Tipo 2

68,16 m²

41,63 m²

40,35 m²

33,75 m²

4,71 m²

Tipo 3

77,59 m²

49,69 m²

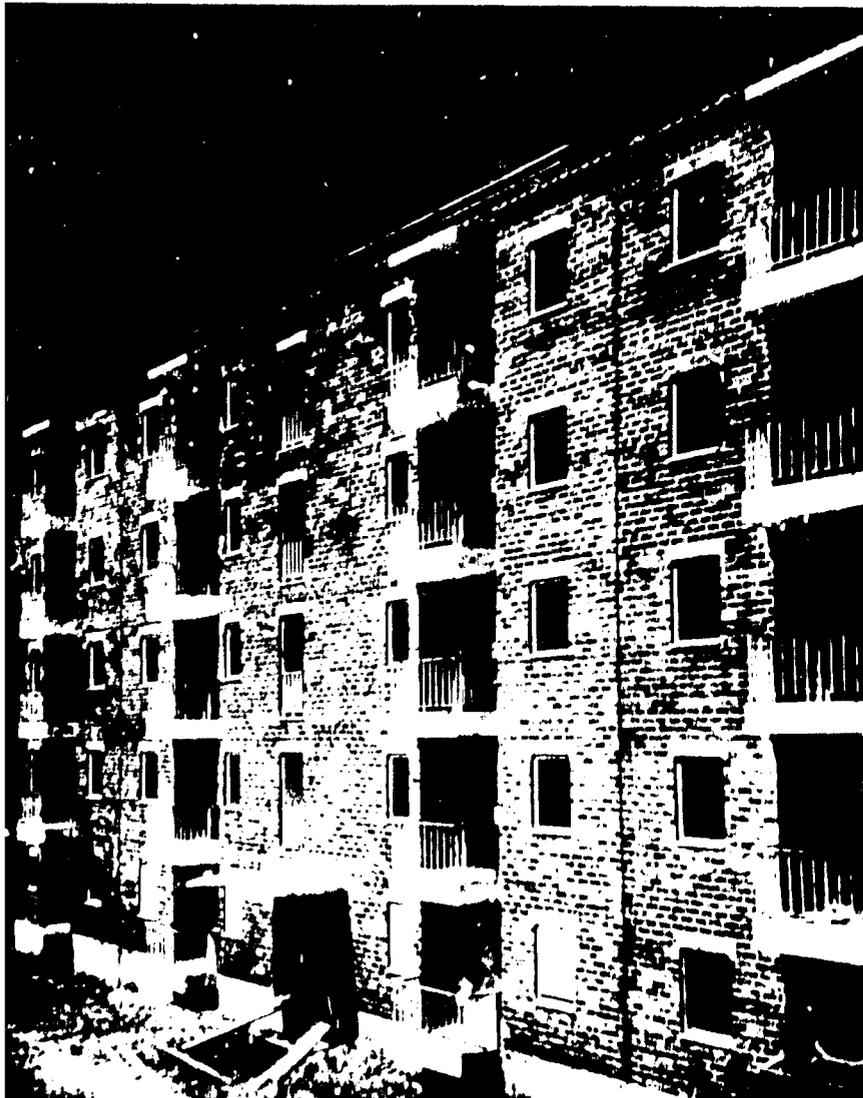
48,68 m²

42,08 m²

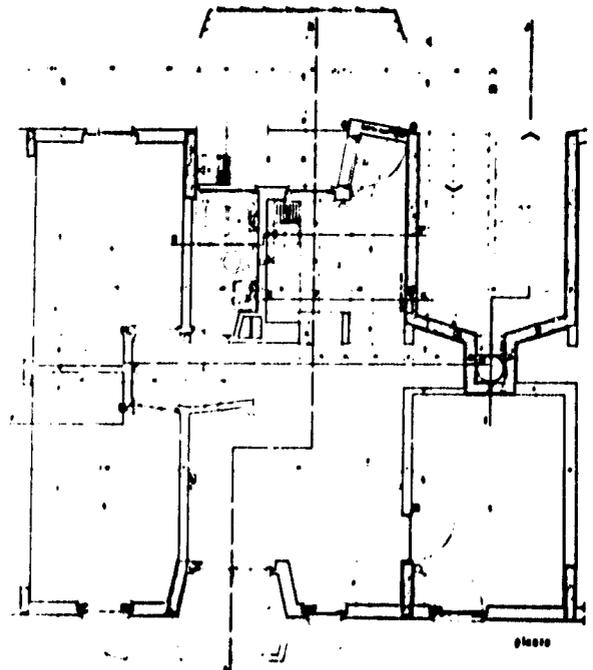
4,71 m²

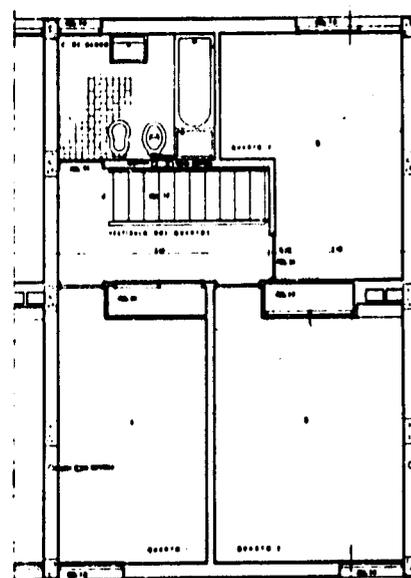
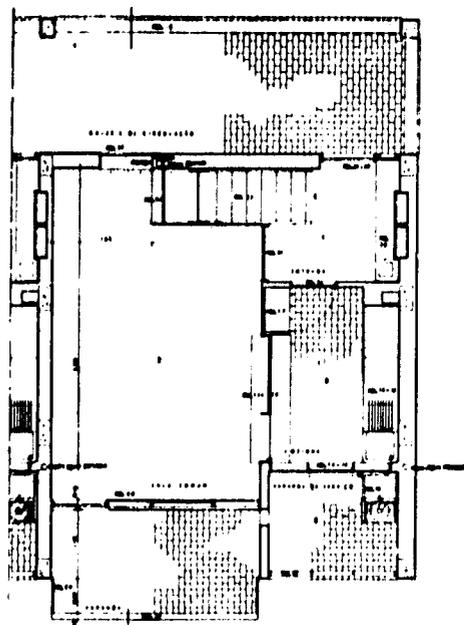
9 250 000\$00

10 435 700\$00



- 1 vestibulo.
- 2 sala comum
- 3 cozinha
- 4 quarto principal
- 5 quarto
- 6 lava-loiro





- HABITAÇÕES EM DUPLEX**
- 1 — vestíbulo.
 - 2 — sala comum
 - 3 — cozinha
 - 4 — quarto principal
 - 5 — quarto
 - 6 — lavadouro

EDIFÍCIO DE 4 PISOS

20 fogos do tipo 3

20 fogos do tipo 4

FICHA TÉCNICA

Arquitectos: Pedro Cid

Fernando Torres

Eng.º civil: António Gonçalves

Construtor: António Pereira Campos

AREAS

	Tipo 3	Tipo 4
bruta	105,28 m ²	107,83 m ²
total útil	79,43 m ²	88,06 m ²
útil líquida	71,24 m ²	77,51 m ²
habitável	55,17 m ²	61,44 m ²
não encerrada	6,12 m ²	6,12 m ²

CUSTO TOTAL DO EDIFÍCIO

orçamentado:	3 087 140\$00
adjudicado:	5 389 235\$00

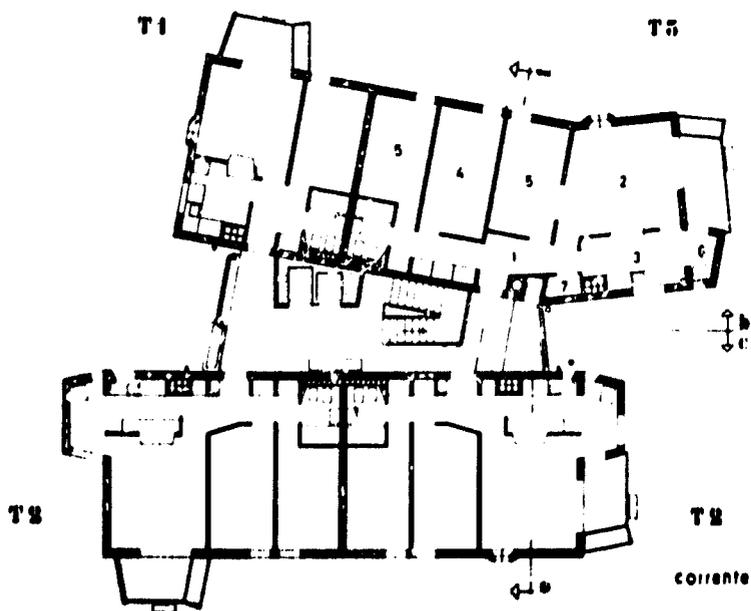


EDIFÍCIO DE 8 PISOS

- 8 fogos do tipo 1
- 16 fogos do tipo 2
- 8 fogos do tipo 3



- 1 - vestíbulo
- 2 - sala comum
- 3 - cozinha
- 4 - quarto principal
- 5 - quarto
- 6 - lavadouro
- 7 - arrecadação



FICHA TÉCNICA

Arquitectos: Nuno Teotónio Pereira

António Freitas

Eng.º civil: Ruy José Gomes

Construtor: João Cândido da Silva Júnior.

ÁREAS	Tipo 1	Tipo 2	Tipo 3
bruta	59,23 m ²	81,19 m ²	103,55 m ²
total útil	38,50 m ²	58,55 m ²	77,22 m ²
útil líquida	34 m ²	53 m ²	73,40 m ²
habitável	28 m ²	43,40 m ²	57,20 m ²
não encerrada	4,04 m ²	4,04 m ²	4,15 m ²

CUSTO TOTAL DO EDIFÍCIO

orçamentado:	2 995 000\$00
adjudicado:	2 869 500\$00

OLIVAIS NORTH

PLANO GERAL

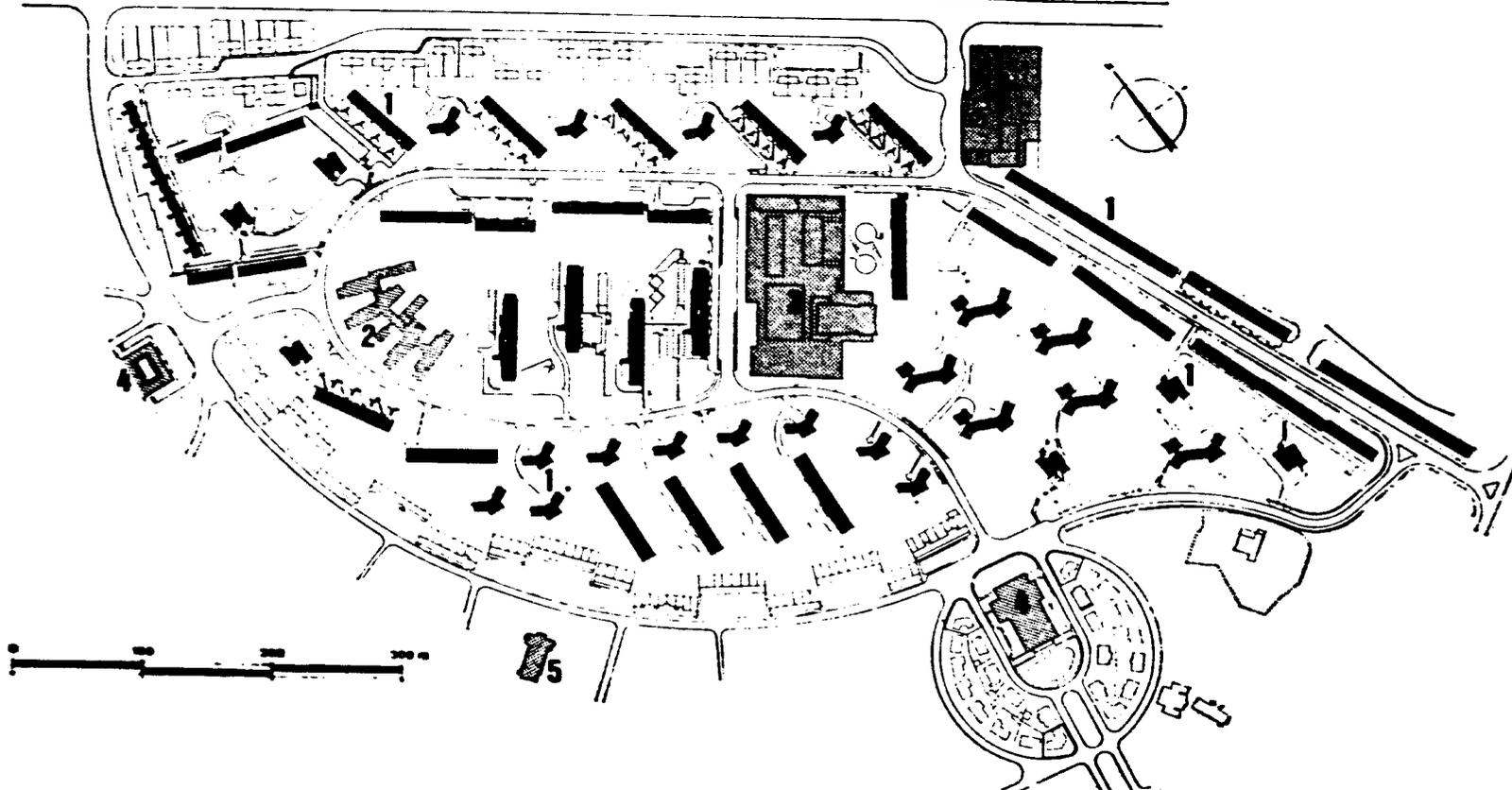
- 1 — Núcleos habitacionais
 - 2 — Escola primária
 - 3 — Centro Cívico Comercial
 - 4 — Mercados
 - 5 — Igreja
 - 6 — Estação de serviço
- Área — 40 ha
N.º de fogos — 2500
N.º de habitantes — cerca de 10 000
Densidade — cerca de 250 hab./ha

PLAN GENERAL

- 1 — Edifices d'habitations
 - 2 — École primaire
 - 3 — Centre Civique Commercial
 - 4 — Marchés
 - 5 — Eglise
 - 6 — Station de service
- Surface — 40 ha
Nombre d'habitations — 2500
Population — ca. 10 000
Densité — ca. 250 h/ha

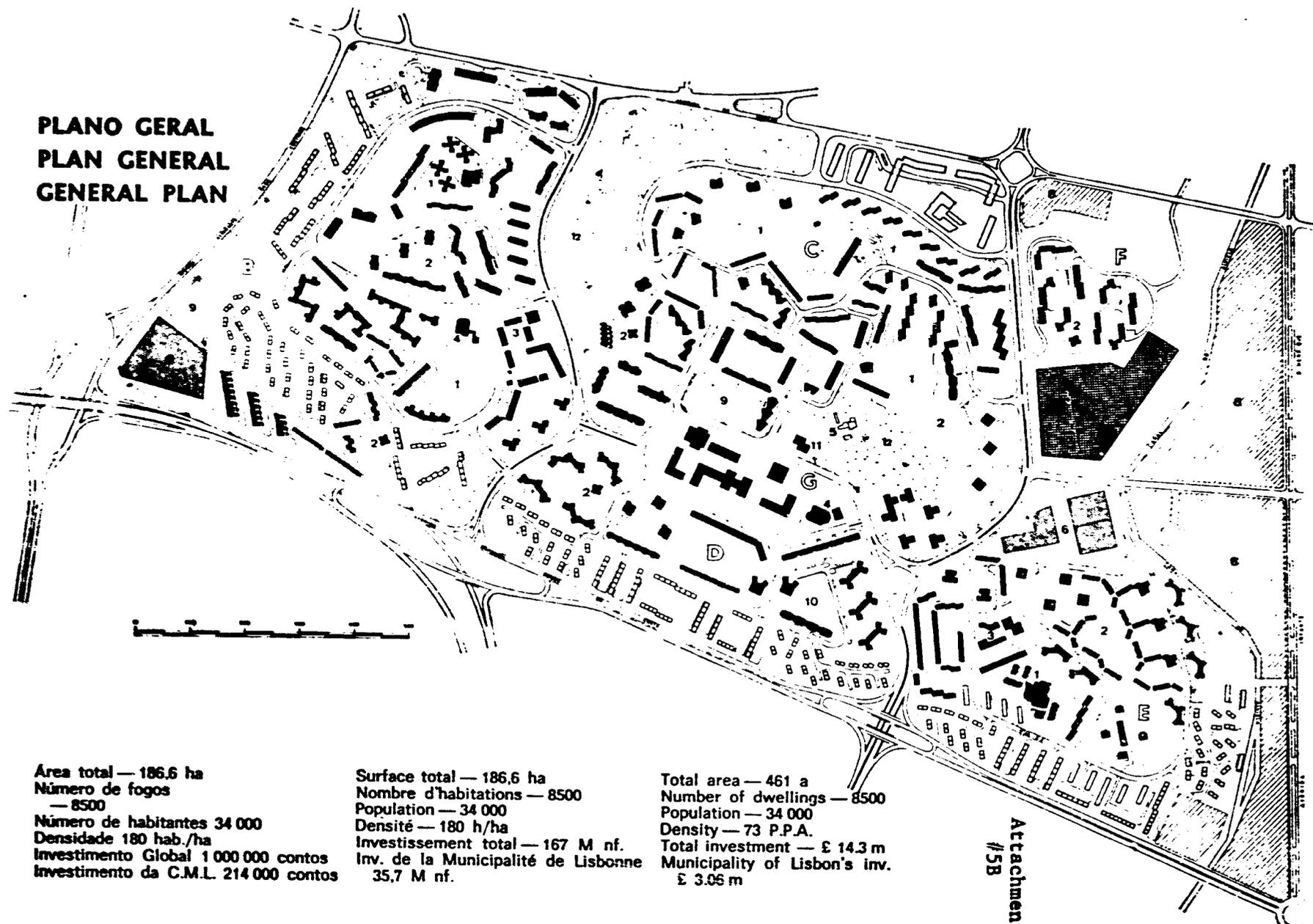
GENERAL PLAN

- 1 — Residential Buildings
 - 2 — Primary school
 - 3 — Shopping Civic Center
 - 4 — Markets
 - 5 — Church
 - 6 — Petrol Station
- Area — 99 a
N.º of dwellings — 2500
Population — ca. 10 000
Density — ca. 100 P.P.A.



OLIVAIS SOUTH

PLANO GERAL
PLAN GENERAL
GENERAL PLAN



-56-

Área total — 186,6 ha
Número de fogos — 8500
Número de habitantes 34 000
Densidade 180 hab./ha
Investimento Global 1 000 000 contos
Investimento da C.M.L. 214 000 contos

Surface total — 186,6 ha
Nombre d'habitations — 8500
Population — 34 000
Densité — 180 h/ha
Investissement total — 167 M nf.
Inv. de la Municipalité de Lisbonne 35,7 M nf.

Total area — 461 a
Number of dwellings — 8500
Population — 34 000
Density — 73 P.P.A.
Total investment — £ 14,3 m
Municipality of Lisbon's inv. £ 3,05 m

Attachment
#5B

**PLANO GERAL
PLAN GENERAL
GENERAL PLAN**

CHELAS



SOURCES OF INFORMATION

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10. Camara Municipal de Lisboa, Gabinete Tecnico da Habitacao, Plano de Urbanizacao de Chelas, Lisbon, Aug. 1965
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13. GOP, Olivais Norte, Lisbon, undated
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16. GOP, III Development Plan 1963-1973, Lisbon, 1964
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18. GOP, Fundo de Fomento da Habitacao, The Financing of Housing in Portugal, Lisbon, 1972
19. GOP, Housing Plan for Santiago-Aveiro, Lisbon, 1972
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23. Bank of Portugal, Report of the Board of Directors, for the Year 1973 Lisbon, 1974
24. Decree Laws:
 1. #658-74, 23 Nov. 1974
(Financing for FFH)
 2. #730-74, 10 Dec. 1974
(Cooperative Housing)
 3. #445-74, 12 Sept. 1974
(Rent Control)
 4. #663-74, 26 Nov. 1974
(Development Contract Program)
 5. #365-74, 20 Aug. 1974
(Taxation)

Administrative Decrees:

1. #759-74, 23 Nov. 1974
(Minimum standard rents)
2. #343-74, 19 May 1974
(Adjudication of units by FFH)

LIST OF CONTACTS

Jose da Silva Lopes	-	Minister of Finance
Jose Augusto Fernandes		Minister of Social Services & Environment
Joaquim Caldeira Rodrigues	-	Mayor of Lisbon
Vitor Costancio	-	Secretary of State for Planning
Artur Alves Condes	-	Secretary of State for Treasury, Ministry of Finance
Antonio Seixas da Costa Leal	-	Secretary of State for the Budget, Ministry of Finance
Nuno Portas	-	Secretary of State for Housing & Urban Development, Ministry of Social Services and Environment
Luis Simoes	-	Chief of Cabinet, Secretariat for Housing and Urban Development
Manuel Moura	-	Chief of Cabinet, Secretariat for Planning, Ministry of Finance
Alves de Souza	-	Architect in private practice

GABINETE TECNICO DA HABITAÇÃO, LISBON MUNICIPALITY (GTH)

Ruy Poole da Costa	-	Director
Gomes Teixeira	-	Engineer
Saraiva Marques	-	
Maria Margarida	-	Economist

CAIXA GERAL DE DEPOSITOS

Carlos Filipe	-	Director of Credit Operation
Joao de Matos	-	Chief of Loan Service Section

EMPRESA PUBLICA DE URBANIZACAO DE LISBOA (EPUL)

Fernando Perry da Camara	-	President
Augusto Teles Marques	-	Manager
Jose Manuel Dias	-	Economist

FUNDO DE FOMENTO DA HABITACAO (FFH)

Lemos Cardoso	-	Vice President for Development
R. Guimaraes	-	Financial Advisor
Silva Neves	-	Chief of Finance Division, Administration Department
Antonio S . Ferreira	-	Chief of Management, Administration Department
Maria Helena Charters	-	Chief of Social Services, Administration Department
Maria Proença	-	Director, Site & Services Program (SAAL)
Calçada de Carvalho	-	Engineer, Zambujal Project
Carlos Pessanha Pereira	-	Almada Project
Oliveira Martins	-	Engineer, Almada Project
Fortuna Pereira	-	Manager, Porto Office
Jorge Meireles	-	Architect, Porto Office

U.S. EMBASSY

Ambassador Carlucci		
Herbert S. Okum	-	Deputy Chief of Mission
James White	-	Economic/Commercial Consular
Lee Graham	-	Economic Officer
Robert Pastorino	-	Commercial Officer
Jose Tenreiro	-	Economic/Commercial Specialist

AID/Washington

Glen Patterson

- NESA/DP

Ted Lustig

- NESA/CD