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

PROGRAM ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

PORTUGUAL - School Construction

150-004

AID-DLC/P-2160

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

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AID-DLC/P-2160
May 18, 1976

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Portugal - School Construction

Attached for your review are the recommendations for authorization of a loan to the Government of Portugal ("the Borrower") in an amount not to exceed Eleven Million United States Dollars (\$11,000,000) to assist the Borrower in financing the construction of secondary and preparatory schools to be erected at various localities throughout Portugal, and in the purchase of educational television equipment, said schools to be selected and agreed upon by A.I.D. and the Borrower.

No meeting has been scheduled for this project which is financed from supporting assistance funds; however, if any member wishes to have a meeting on this project, please advise us immediately and one will be scheduled.

Your concurrence or objection is required by close of business on Wednesday, May 26, 1976. If you are a voting member a poll sheet has been enclosed for your response.

Development Loan Committee
Office of Development Program Review

Attachments:
Summary and Recommendations
Project Analysis
Annexes A-E

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

PROJECT ASSISTANCE PAPER

PORTUGAL: SCHOOL CONSTRUCTION

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PORTUGAL: SCHOOL CONSTRUCTION

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- A. Logical Framework - Narrative and Matrix
- B. Project Performance Tracking Network
- C. Checklist of Statutory Criteria
- D. Certification Pursuant to Section 611(e) of FAA
- E. Draft Loan Authorization

PORTUGAL: SCHOOL CONSTRUCTION

Summary and Recommendations

1. Project Description: The project consists of constructing approximately nineteen secondary and preparatory schools at various locations throughout Portugal, and of procuring a modest amount (\$100,000 in value) of equipment to be used for educational television. The nineteen schools included within the definition of this project are part of the Government of Portugal's ongoing five-year program of preparatory and secondary school construction throughout the country.

2. Project Financing: The total cost of constructing and equipping the nineteen schools, plus purchasing the educational television equipment is estimated to be Escudos 487.8 million, or \$16,258,000* equivalent. The net construction costs (less school equipment) are estimated to be Esc. 404 million (\$13,466,000 equivalent). A.I.D. proposes to lend the Borrower up to a total of \$11,000,000, from Supporting Assistance Funds, to assist in financing (a) the construction costs of the nineteen schools (on a reimbursable basis, up to 80% of each school's cost), plus (b) \$100,000 to finance foreign exchange costs of educational television equipment. The balance of costs will be borne by the Borrower. The following table summarizes the Project's financial plan:

	Escudos (millions)	Dollars (millions)	(\$ million equivalent)	
			A.I.D.	GOP
Construction of Buildings	404.0	13.466	10.773	2.693
Movable Equipment	40.4	1.346	-	1.346
Teaching Equipment & Supplies	40.0	1.346	-	1.346
Sub-Total	484.8	16.158	10.773	5.385
Educational Television Equipment	3.0	.100	.100	-
Total	487.8	16.258	10.873	5.385
Contingency			.127	.115
Total Project Costs	<u>495.0</u>	<u>16.500</u>	<u>11.000</u>	<u>5.500</u>

3. Borrower and Executing Agency: The Borrower will be the Government of Portugal; the executing agency will be the Ministry of Education. The schools will be constructed by private Portuguese building firms under contract to the Ministry of Education.

4. Other Donors: No other donors are known to be interested in and prepared to assist the Borrower in financing this program of secondary/preparatory school construction.

5. Views of the Country Team: The Country Team supports the project and recommends approval of the proposed loan.

*U.S. \$1.00 = 30 Escudos

6. Statutory Criteria: All applicable statutory criteria have been satisfied; see Annex D.

7. Recommendation: Authorization of a loan in the amount of up to Eleven Million Dollars (\$11,000,000) to assist the Government of Portugal in financing the school construction project described above, on the terms and conditions set forth in the Draft Loan Authorization which appears as Annex E.

Project Committee

R. B. Perry, NE/CD (Chairperson)
G. Evans, NE/CD
J. D. Baird, SER/ENGR/OPNS
A. Buckland, NE/NENA
D. H. McClelland, NE/DP
R. Bostick, NE/TECH
W. A. Clark, GC/NE

PART I. BACKGROUND

A. Economic Overview

Portugal has gone through a traumatic period of political upheaval but now appears to be settling down to a more stable situation where the division of political power will be decided through democratic processes. A basic theme which has emerged from Portugal's April 1974 revolution has been the establishment of democracy, decolonization and the institution of a more equitable economic system. Portugal must now deal successfully with the massive economic problems left in the wake of last year's political turmoil if the emerging democratic process is to survive. The VI Provisional Government successfully guided the country through the Legislative Assembly elections on April 25, 1976, and is making every effort to see things through to the Presidential elections in June. Western failure to demonstrate strong and immediate support for the country and its new democratic government could shake Portugal's confidence in any alliance with the West.

In addition to the political disruption already noted, the economic problems stem also from the recession in Western Europe--Portugal's principal customer for exports and tourism--the rising price of imports, and the influx of some 550,000 refugees from the former African colonies. The increase in world prices of oil and raw materials combined with the increase in direct labor costs in Portugal has raised production costs and reduced the competitive status of Portuguese exports.

The April elections also impacted on the country's economic planning process. A gradualist and austere approach to problems will likely characterize the Provisional Government's basic economic policies, and some of the more difficult decisions, e.g. an escudo devaluation will probably not be considered until after the elected government is firmly in place.

Major problems facing the economy include:

- Loss of growth: GNP fell by an estimated 10% during 1975.
- Unemployment in major urban centers of around 13% and still rising; underemployment of a similar magnitude including both urban and rural areas.
- Inflation which has been running at a rate of about 20% per year and rising.

- Shortage of housing, health and educational facilities to accommodate about a 5% population increase from returning refugees and decline in jobs available in Europe to Portuguese workers.
- A balance of payments deficit estimated to be at least \$1.2 billion in 1976 arising from a combination of factors including reduced Western European demand and the increasing price of imports--particularly petroleum and food grains.

The GOP investment budget for 1976, if carried out as proposed, will lead to a \$1.2 billion deficit. Within the budget the sectors having top priority are those, like housing and public works, which help stimulate the very depressed construction industry and which create jobs.

In the face of the economic problems and a GOP request for assistance, the U.S. initiated its program in 1975 with a loan of \$13,250,000 for low-income housing combined with \$20,000,000 housing investment guarantee. In addition, at the time the refugee problem became acute, a \$7,500,000 grant was used to aid with the airlift of refugees from Angola to Portugal and another \$35,000,000 is planned in support of the GOP emergency assistance to refugees in Portugal. Also, a PL 480 Title I Credit Agreement for \$15,000,000 to provide 50,000 tons of rice was signed on March 18, 1976, and an additional \$5,000,000 of PL 480 cotton is programmed in FY 1976. Also agreed upon to date is a CCC guaranty arrangement which will cover up to \$50,000,000 purchases of food products from the U.S.

Assistance on a considerably larger scale than the U.S. programs is being provided by other donors, particularly Portugal's Western European neighbors who have committed about \$1.0 billion, mostly in short-term balance-of-payments assistance, bilaterally and through the European Economic Community.

Economic measures adopted last December 1975 by the VI Provisional Government include:

- Freezing of collective labor negotiations
- Establishment of measures to reduce power consumption
- New complementary tax system
- Transactions tax, including consumption tax on beer, soft drinks and mineral waters
- Taxes on tobacco, vehicles and fuel

- Tax on transfer and inheritance of property
- Reduction in military budget
- Opening the bond market
- Reestablishment of confidence in the banking system by regulating bank secrecy and freezing of bank accounts

It should be noted, however, that all these measures will be subject to reconsideration once the new government is in place.

B. Basis for Assistance to School Construction Program

In January 1976 a team from AID/W visited Portugal and met with the GOP as the "Joint U.S./Portuguese Economic Commission" and agreed on further U.S. Government assistance programs. School construction was one of the areas in which mutual interest was expressed. Next, an AID/W construction engineer visited Portugal in February to review the GOP program and evaluate its technical, managerial and implementation capability. The loan proposed in this Project Paper resulted from these efforts.

C. Other Donors

To the knowledge of the Project Committee, there are no other international or third country donors contributing, or who have expressed an interest in contributing to this program of secondary/preparatory school construction. However, such donor assistance is planned for other programs within the education sector, namely:

(1) World Bank - a relatively large loan program, to span perhaps four to five years, for construction of facilities such as teacher/student residences, libraries, a teacher training faculty, polytechnic school expansion, and for technical assistance;

(2) Government of Sweden - exchange program for professional educators;

(3) OECD - technical assistance and short-term training programs in such areas as curriculum design, educational television, financial planning and open university planning; and

(4) Council of Europe - technical assistance to the Ministry of Education, plus short-term training for primary teachers and longer-term training for higher level professional educators.

PART II. PROJECT ANALYSIS

A. Statement of the Problem

Prior to the April 1974 revolution in Portugal, attention to the school system, and the construction and maintenance of school facilities in particular, was minimal.

Schools were generally built or renewed at a very reduced rate under protracted, time consuming design and construction procedures followed by the Ministry of Public Works. As municipalities had (and still have) no real means of raising revenues, they were totally dependent on the initiative of the central government for school facilities.

While only limited statistics are available to highlight the problem, they indicate that illiteracy for children over 14 years runs at about 30% in Portugal. Out of a total country population of about 9,000,000, the following figures indicate current school attendance:

<u>School Attendance</u>	<u>Approximate Ages</u>	<u>Total Enrollment</u>	<u>% Female</u>
Primary school (4 years)	7-10	971,000	48.6%
Preparatory school (2 years)	11-12	245,000	49.4%
Secondary school (3 years)	13-15	212,000	51.7%
Technical schools	16-17	136,000	36.7%
University	16-18	54,000	47.4%
		<u>1,618,000</u>	

Nevertheless, a high percentage (almost 100%) of children aged 7-10 years are in school because of the mandatory attendance rules. Children aged 11-15 years, however, have a 64% attendance rate.

The primary schools extend over four years of elementary education; then come secondary schools for five years, the first two years of which are called "preparatory". If the child elects and is admitted, he may continue to a "technical" or vocational-type following secondary schooling for an additional two years.

University level education for three years normally follows secondary schooling (if the student is not obliged to begin working for a living); this leads to a bachelor's degree and, when followed by two additional years, would lead to that of "licenciado" (roughly equivalent to a Master's degree in the U.S.).

The school system existing in Portugal up to the time of the revolution was highly centralized in its administration within the Ministry of Education (Min Ed or Ministry).

Little attention was given to making curriculum improvements, or to tailoring educational activities to functional demands of modern society. Teaching methods are antiquated and impractical, and teachers are inadequately trained for their profession. Facilities were and continue to be totally inadequate and heavily overcrowded. Naturally the conditions are worse outside of Lisbon and Oporto, the major urban areas. Those families who could afford to do so have educated their children in private schools or outside of Portugal elsewhere in Europe.

The public school system has contributed, therefore, to class discrimination as wealthy children had a chance for a reasonably good education and the poor remained only minimally prepared for a useful livelihood. Clearly under these circumstances professional level jobs were usually beyond the reach of the poor.

The present government has only started, but it clearly intends to radically change this situation. As a major area of priority, and the major area of importance to the new government in achieving social reforms, the Ministry has embarked on an ambitious new school construction program. An agreement has been reached between the Ministry of Public Works and Min Ed that secondary and preparatory schools will be built on a "crash" basis where needed in Portugal by Min Ed school construction unit. Under young and trained professional leadership, this unit has initiated its program and has 15 schools underway, and an additional 42 (not including several on the islands of Azores and Madeira) will be initiated in CY 76. The GOP (Min Ed) budget for secondary/preparatory school construction in 1976 is \$33.9 million (equivalent), twice the amount spent in 1975 and up nearly eight times the amount spent in 1972 for the same purpose. Over the next five years, some 215 schools at the preparatory and secondary level are programmed for construction.

The fundamental problem being addressed by the expansion of schools at the preparatory and secondary levels is the overcrowding of classrooms. There is generally high attendance by children at those preparatory and secondary school facilities available because it is, first, obligatory, and second, a tradition. However, many communities have no facilities at all, and many young children are obliged to travel long distances to schools. Overcrowding of the kind suggested in Table No. 1 (next page) results; many schools are on two and three shifts to reduce class size to a manageable number.

PUPIL/CLASSROOM RATIOS FOR PREP AND SECONDARY SCHOOLS IN PORTUGAL BY DISTRICT
Table No. 1

DISTRICT	PREPARATORY			SECONDARY			SECONDARY TECHNICAL		
	TOTAL PUPILS	TOTAL CLASS-ROOMS	PUPILS PER CLASS	TOTAL PUPILS	TOTAL CLASS-ROOMS	PUPILS PER CLASS	TOTAL PUPILS	TOTAL CLASS-ROOMS	PUPILS PER CLASS
Aveiro	15221	243	62.6	9883	268	36.9	9597	253	37.9
Beja	4190	91	46.0	2586	114	22.7	2155	32	67.3
Braga	15834	172	92.1	9581	183	52.4	7397	170	43.5
Braganca	5451	69	79.0	4956	96	51.6	1563	57	27.1
Castelo Branco	6389	91	70.2	4121	79	52.2	3551	78	45.5
Coimbra	10313	188	54.9	9929	217	45.8	7509	171	44.5
Evora	5291	52	101.8	4701	110	42.7	2711	58	46.7
Faro	7110	78	91.2	5777	156	37.0	5006	115	43.5
Guarda	5577	142	39.3	4881	118	41.4	1448	62	23.4
Leiria	10614	150	70.8	5913	144	41.1	5843	73	80.0
Lisboa	53206	585	90.6	67003	691	97.0	38564	512	75.3
Portalegre	3744	78	48.0	2670	53	50.4	1650	50	33.0
Porto	37411	470	79.6	33943	506	67.1	26338	367	73.1
Santarem	12181	159	76.6	9388	159	59.0	7832	149	52.6
Setubal	16307	257	63.5	10754	183	58.8	13551	201	67.4
Viana Do Castelo	6423	65	98.8	3828	87	44.0	2436	49	49.7
Vila Real	6422	86	74.7	4574	97	47.2	2149	100	21.5
Viseu	10637	138	77.1	8598	194	44.3	2333	71	32.9
Angra Do Heroismo	1469	15	97.9	1204	34	35.4	580	28	20.7
Horta	808			1006	24	41.9	59	30	
Ponta Delgada	2653	56	47.4	2290	49	46.7	1399	28	60.0
Funchal	7402	84	88.1	4186	35	19.6	2175	59	38.3
TOTAL	244653	3263	75.0	211772	3597	58.9	135975	2724	49.9

Source: Ministry of Education

In the opinion of the Ministry, the learning process for young children in such overcrowded classrooms (not to mention overcrowded recreational, lunch or extra-curricula facilities) is tantamount to no learning at all. The process is virtually choked off by the numbers of children in attendance. Many secondary aged children must attend schools during a "night" shift because of overcrowding.

The problem of overcrowding, particularly at the preparatory and secondary levels, has recently been aggravated by:

(1) A decision to increase compulsory education from six to eight years of schooling precisely at the ages requiring access to preparatory and secondary facilities. While this decision was made well prior to the revolution, its full effects are being felt now. Further, a recent survey shows that the current rate of growth of students in preparatory schools is 63%, and 14% in secondary schools.

(2) The return to Portugal, during 1975/76 of an estimated 550,000 refugees from former colonies among whom about 50% are estimated to be under 15 years old.

(3) A general awakening of interest on the part of the populace at large in education as a means of achieving social goals and a higher standard of living.

B. Other GOP Measures to Improve Education

Generally speaking, the GOP's efforts to improve education can be considered substantial, as is evidenced by the following:

- Expenditures for education, as a proportion of the overall GOP budget, rose from 11% in 1970 to 17% in 1975 (during these years roughly 15% to 20% was spent for buildings and equipment); for 1976, Min Ed's share of the total GOP budget rises to 20%.
- The approved 1976 Min Ed budget totals \$633 million (equivalent), including both operational and capital expenditures, which represents an increase of approximately 62% over the amount budgeted in 1975. However, the increase drops to 21% if compared with actual expenditures in 1975 because that amount exceeded the budgeted amount by 35%.
- The Ministry's investment in secondary/preparatory school construction has risen in recent years as follows (in \$ million equivalent): 4.3 for 1972; 4.7 for 1973; 13.2 for 1974; 17.0 for 1975; 33.9 projected for 1976.

- The total amount allocated for construction (at all levels) by the Ministry in 1976 is \$118 million, or 17% of its overall budget.
- Operating expenditures of Min Ed have steadily increased from \$93.2 million in 1970 to \$356.3 million in 1975 (as a rule, approximately 85% of operating expenditures have been for salaries of teachers and administrative staff, the remaining 15% going for maintenance and general expenses).
- For secondary/preparatory schools, operating costs are budgeted at \$219.7 million in 1976, which is 34.7% of the total Min Ed operating budget. To provide for maintenance, Min Ed intends to continue its practice of allocating from 200,000 to 400,000 escudos per year per school, depending on school size, and has stated its intention to budget increasing amounts for maintenance, staffing and equipment as needed for new schools. No projection of the operating budget is offered at this time because the 1977 budget will not be drafted until June/July 1976.

Several important initiatives are being taken to improve both the quantity and quality of the teacher corps as rapidly as possible. These will be managed by the new Institute for Teaching Innovation now being formed.

(1) Teacher training departments with three-year programs of study have been created recently by the universities of Minho, Aveiro, Vila Real, Evora, Azores, and Covilha which will shortly graduate roughly 200 professionals each for teaching at preparatory and secondary levels.

(2) The Universidade Aberta Centereo in Lisbon with branches in major cities (essentially a correspondence training system) was created in January 1976 and will begin operation in November. A first priority activity, according to Min Ed, will be in-service training of teachers at secondary and preparatory levels.

(3) Under the auspices of OECD, and with continuing OECD technical assistance, a new system, designed to provide technical/professional support to teachers throughout Portugal, is now being established; centers are to be located in Funchal, Ponta Delgada, Porto and Faro. Each will have its own professional and paraprofessional staff to consult with and advise teachers within a defined region on a day to day basis in such matters as teaching methods, educational psychology curriculum design and training of handicapped children. This will be experimental for one year before expansion to other areas, but it is directly aimed at reinforcing teaching staff quality.

(4) As the highest institution in the education sector, the new teaching faculty at Universidade Nova de Lisboa will be constructed beginning October 1976 if funding permits. The new faculty will serve as the education sector research and planning center, acting as a "mother" institution to all teacher training programs and will offer specialized and advanced study programs to upgrade professors. It is expected to graduate some 500 teachers annually when fully operational. Other than the new initiatives above, universities of Lisbon and Coimbra continue existing teacher training programs for secondary and preparatory levels graduating about 100 annually.

Responsibility for educational planning rests with the Gabinete de Estudos e Planeamento (GEP), which reports directly to the Minister of Education, and is currently used as the key policy and planning advisory unit. It is well-staffed with about 150 persons of which 90 are professionals, divided equally between research and planning. GEP also acts as the coordinator of all external assistance to the education sector, and exercises a control function for the Ministry over all GOP capital expenditures in the sector. The current work priorities of GEP are capital budgeting, educational facilities planning, teaching programs, vocational education, curriculum reform and statistical compilation (not necessarily in that order).

The activities outlined above indicate what is felt to be a serious commitment by the GOP to deal with the problems of the education sector; the GOP's recognition of the problems, plus the steps being taken to alleviate them, constitute a fully adequate basis for U.S. assistance to overcoming what is an obvious and immediate constraint--the actual lack of classrooms, particularly at the secondary/preparatory level. The proposed A.I.D. loan is not, nor does it purport to be, part of a long-term comprehensive, integrated plan designed to address all constraints in the education sector--indeed no such plan exists at this time. As Portugal continues to move to representative government with a higher degree of stability, it will be reasonable to expect the formulation of long-term strategies for dealing with sectoral problems; should U.S. assistance still be required, its linkage(s) to such strategies should be a major consideration. In the meantime, our primary objective is to help provide the financial resources which Portugal needs in order to address problems requiring immediate attention.

C. Description of Project

In its simplest terms, the project consists of constructing and equipping nineteen secondary and preparatory schools at various

locations throughout Portugal, plus the procurement of \$100,000 worth of U.S. equipment for use in educational television. The schools which comprise this project are, of course, included in the overall construction program of Mid Ed, which program calls for 215 new secondary and preparatory schools (5190 classrooms) to be built over the five-year period 1976-1980. In 1976, the Ministry will initiate construction of 42 schools, which is 19 more schools than the Ministry's own budgetary resources would have permitted, in the absence of the proposed A.I.D. loan. In other words, the A.I.D. loan will permit a 45% increase in the number of schools on which construction will begin this year. To illustrate the impact of the project on classroom overcrowding, the following selected examples are offered.

<u>District</u>	<u>Pupils per Class</u>	
	<u>At Present</u>	<u>After Project</u>
Porto	79.6	67.8
Viana do Castelo	98.8	72.2
Faro	91.2	69.7
Evora	101.8	69.6
Leiria	70.8	61.0
Santarem	76.6	66.6

A list of schools to be included in the A.I.D.-financed program is given in Table 2; the locations of the proposed schools are shown on the map following Table 2. Sixteen schools are on the mainland, two in the Azores and one on Madeira. However, should circumstances require changes in this list, such will be considered by the Mission with TDY technical advice as may be needed. As a general rule, no schools on which work had begun prior to January 1, 1976, will be eligible for A.I.D. financing.

No fixed schedule of reimbursements to the GOP has been agreed to at this time; prior to the initial disbursement of loan funds, such details will be negotiated. In all probability, reimbursement will be made every three months for work accomplished and documented by contractor invoices. If required, however, reimbursements could be made at shorter intervals. Advances to contractors are not customary under Min Ed rules and therefore no advance disbursement of loan funds is contemplated.

The educational television equipment proposed for financing will be used in setting up a telesola station in Porto similar to the existing station in Lisbon. Cameras, cable, sound-light equipment and accessories, all to be of U.S. manufacture are included. This is the first phase of a long-term effort to create an effective educational system for the country. The principal activity under the first phase will be to provide in-service teacher instruction courses through telescola;

TABLE 2

SCHOOLS TO BE FINANCED UNDER PROPOSED A.I.D. LOAN

Location (District/City)	Student Accommodation	Estimated Cost (000's escudos)	Contract Signed (or to be signed)	Work Started (or to start)	Est. Completion Date	Contractor
Lisboa/Pontinha	720	24000	Mar. 76	Mar. 76	Dec. 76	ERG
Madeira/Funchal	720	35000	Apr. 76	Apr. 76	Dec. 76	ERG
Azores/Riberia Grande	540	20000	1/	May 76	Feb. 77	(not selected)
Azores/Rabo de Peixe	540	20000	1/	Jun. 76	Feb. 77	"
Lisboa/Olivais	720	26000	Dec. 75	Mar. 76	Dec. 76	EDIFER
Oporto/Leca da Palmeira	480	16000	Dec. 75	Apr. 76	Oct. 76	INDUBEL
Chaves/Boticas	480	15000	Apr. 76	May 76	Nov. 76	SOREFAME
Oporto/Ferreira	480	16000	Mar. 76	Mar 76	Oct. 76	INDUBEL
Oporto/Canaveses	540	18000	Dec. 75	Mar. 76	Oct. 76	INDUBEL
Lisboa/Chelas	420	14000	Apr. 76	May 76	Jan. 77	(not selected)
Lisboa/Azambuja	720	24000	Apr. 76	Mar. 76	Mar. 77	"
Oporto/Matozinhos	480	16000	Mar. 76	Jun. 76	Feb. 77	"
Oporto/Vila Nova Gaia	480	16000	May 76	Jun. 76	Feb. 77	"
Beja/Ourique	720	24000	May 76	Jun. 76	Mar. 77	"
Viana do Castelo/Braga	720	24000	Mar. 76	Jun. 76	Mar. 77	"
Faro/Silves	720	24000	Apr. 76	May 76	Mar. 77	"
Evora/Evora	720	24000	Jun. 76	Aug. 76	Jul. 77	"
Leiria/Leiria	720	24000	Jun. 76	Aug. 76	Jul. 77	"
Santarem/Santarem	720	24000	Jun. 76	Aug. 76	Jul. 77	"
Total Construction Costs		404000 ^{2/}				
Movable Equipment (at 10% of construction)		40400				
Teaching Equipment (at 10% of construction)		40400				
Total Project Costs		Esc. <u>484800</u>	= U.S. \$16,160,000 (at Esc. 30/\$1.00)			

1/ Azores contracting not under control of Min Ed; dates not available at time PP drafted.

2/ A.I.D. loan proceeds will be used to reimburse GOP a fixed amount for each completed school, such amount to be 80% of the total construction cost of each school.

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these courses will be integrated with existing programmed courses at Universidade Alberta. The Ministry has advised that in-depth feasibility planning for subsequent phases will be carried out, for which consulting services, possibly from the U.S., will be required. The second and third phases will consist of the expansion of the installations in Lisbon and Oporto, plus the transmission capacity to reach the entire country.

D. Technical/Financial Analysis

1. Architectural/Structural Design and Pilot Construction Projects

In 1973, in an attempt to develop a greater interest and capability within local industry to construct educational facilities based on standardized designs, the Ministry issued a request for technical proposals (RFP) to all design/construction firms in Portugal interested in participating in the school construction program. The RFP contained detailed design criteria and suggested alternative site plans for schools to accommodate a specified number of pupils. Typical design criteria regarding space requirements for specific activities were as shown below:

<u>USE</u>	<u>SPACE ALLOCATION</u>
General Classroom (32 students)	40-51 m ²
Natural Science (32 students)	58-77 m ²
Manual Training (32 students)	100-130 m ²
Music (36 students)	51-64 m ²
Visual Education (32 students)	70-87 m ²

Similar criteria regarding space requirements for administrative services, conference rooms, offices, sanitary facilities, gymnasium, and cafeteria/multipurpose halls were also included. Each firm then developed a detailed structural design for modules which could be repeated to form a school of a specified size. All structural designs took into consideration appropriate building codes and other Portuguese regulations concerning structural steel design, reinforced concrete design, and seismic requirements.

Following receipt of the proposals, the technical staff of the Ministry and the National Laboratory of Civil Engineering of the Ministry of Public Works evaluated each proposal and negotiated construction contracts for pilot projects with those firms whose designs were acceptable.

In 1975, in an attempt to further reduce costs per square meter, the Ministry conducted a similar "design competition" using a basic two-story square module approximately 22 meters on a side and slightly different design criteria. Structural designs proposed were evaluated as per the 1973 competition, and again, construction contracts for pilot projects were negotiated with those firms whose designs were acceptable.

In evaluating the proposed designs, a basic distinction was made between systems involving traditional construction (normally brick, masonry or timber structures erected through largely labor intensive techniques), and industrialized or prefabricated construction. A further distinction was made between construction utilizing relatively light structural steel or timber frames and heavier reinforced (poured-in-place or precast) concrete.

Contractors who performed in a satisfactory manner on pilot projects were subsequently awarded contracts for construction of additional facilities at the same or new sites. These contractors, some 15-20 in number, will be utilized for all further construction to be undertaken in this building program. The contractor for a specific project will be selected on the basis of criteria discussed under Section II.D.3, Contracting Procedures.

2. Analysis of Construction Costs

Based on contracts awarded to date, the Ministry has made a detailed cost analysis of each structural system proposed in the design competitions. These cost analyses were used by the Ministry to insure itself that per square meter costs of each system were reasonable and in line with market conditions at the time of contract negotiations.

Average construction cost for each type of building have also been developed from construction carried out during 1973, 1974 and 1975. This data may be summarized as follows:

<u>SYSTEM</u>	<u>TYPE OF CONSTRUCTION</u>	<u>BASIC BUILDING COST *</u>
Light	Timber	3950
"	Structural Steel	4850
Heavy	Prefabricated	5700
"	(single story)	
"	Prefabricated	5390
"	(two story)	
"	Traditional	4380
"	(two story)	

* Note: Costs as of October, 1975.

Depending on the contractor and hence the structural system utilized, the cost of constructing the facilities to be financed under the A.I.D. loan will generally reflect the average costs noted above, adjusted for escalation and variations in transport costs. These average costs, which range from \$12 to \$17.50 per square foot, are deemed quite reasonable for the facilities proposed. As essentially all construction materials and fixed equipment to be incorporated into the work are manufactured locally, there are no foreign exchange costs involved.

3. Contracting Procedures, Rules, and Payment Provisions

When Min Ed's school construction program was initiated, contracts for both pilot projects and subsequent construction were negotiated rather than awarded on the basis of competitive bidding. For additional work undertaken on the same site as a pilot project, unit prices paid under the new contract were adjusted to reflect cost escalation as computed from a standard formula. Unit prices for subsequent work performed by the same contractor at a different site were renegotiated based on cost escalation over the intervening period and variations in the cost of transporting materials to the new site.

Future contracts for the construction of additional schools, including those projects to be financed under the A.I.D. loan, will be awarded in the same manner. The determination as to which contractor will be considered for a particular project will be based on the following criteria: (1) the geographic location of the project (the capacities of some smaller contractors limit them to projects within certain districts; also, traditional construction, in which some firms specialize, is more appropriate for remote areas of the country); (2) the amount of work underway or projected by each contractor at the time of award (capacity of each firm in total volume and number of contracts which an individual firm can effectively undertake simultaneously varies depending on size); and, (3) the type and size of school to be built and site conditions (some structural systems are more readily adaptable to a specific site). An estimate of the capacity of each firm was developed primarily from technical and financial information solicited from each of the contractors.

While the contracting procedures proposed are not customarily used under A.I.D. loans, competition among firms was, nevertheless, involved at the earlier design stage, and the Ministry has been successful in mobilizing the construction industry to provide quality schools at reasonable prices.

Contract rules have been examined and found acceptable. Standard construction contracts presently used by the Ministry of Education contain essentially all general provisions normally required by A.I.D. Mobilization

payments or advances are not normally made and 5-10% performance bonds depending on the type and complexity of construction are required of all contractors. Payments are made on the basis of monthly statements submitted by the contractor and verified and approved by the Ministry's technical staff. A 5-10% retention is withheld from each payment and reimbursed to the contractor upon final acceptance of the work. A building or equipment guarantee period of from 6 to 12 months is also required under each contract.

All projects are carried out under lump sum contracts based on unit prices. Additional payments are made only for foundation excavations and concrete poured below elevations indicated on the original design drawings and for additional work authorized under change orders issued by the Ministry of Education. Each contract also contains an escalation clause based on indices of material and labor costs published by the GOP.

Technical specifications for materials and construction methods were studied, are in accordance with normal Portuguese standards, and are considered acceptable.

In summary, it is concluded that Min Ed's contracting procedures, rules, form of contract, and payment provisions are acceptable to A.I.D., and that the applicable provisions of Sections 105 and 611 of the Foreign Assistance Act have been complied with. However, in order to assure continuing compliance with the Act, the loan agreement will provide that such procedures, contracts, etc. be subject to A.I.D.'s review and approval throughout the implementation of the project.

It is also felt that the approach taken by the Ministry in the whole area of secondary/preparatory school design and construction, as described above, will serve the best interests of both the education sector and the economy in general through stimulation of employment in the construction industry. Many firms are working at only a portion of capacity, as private investment in construction has generally fallen off dramatically during 1975. The firms which have responded to the Ministry's school construction program have expended considerable amounts in designing structural systems and developing construction techniques required to gear up a high volume of production. Through long term contracts with the Ministry, these firms are assured of additional work, thus somewhat stabilizing the market and more importantly lowering the unit cost of school construction.

4. Capabilities and Responsibilities of the Technical Division of the Ministry of Education

The Projects Department under the Direccao Geral de Equipamento Escolar is currently responsible for reviewing technical proposals, awarding construction contracts, approving pay estimates, and providing general construction supervision services. The staff includes three senior and two junior engineers, three senior and two junior architects, plus additional draftsmen and technicians.

Personnel from the Projects Department and the National Civil Engineering Laboratory normally make on-site inspections of each project once a month. More frequent site inspections are made by engineers or architects located in each province. Construction activities in the "adjacent islands" (Azores and Madeira) are normally monitored by local government personnel permanently stationed in the islands. In some cases, Ministry of Public Works personnel have been used to supplement Min Ed's inspection staff.

Although Min Ed does not have a permanent inspector assigned to each project or group of projects, construction to date has been adequately monitored and quality control maintained by existing staff as verified through a review of contract files and site inspections of several ongoing projects. As the volume of work increases, additional staff will be hired as needed to adequately monitor the program.

At present, the construction program under the guidance of the Ministry of Education is limited to preparatory and secondary schools having a maximum of 720 students. Construction of primary schools and preparatory and secondary schools accommodating in excess of 720 students is the responsibility of the Ministry of Public Works.

5. Summary and Cost Estimate of Proposed A.I.D.-Financed Program

Table 2 (preceeding) is a tentative list of school projects to be included under the proposed A.I.D.-financed program. As can be noted from the statistical data, the program is concentrated largely in those districts which have the highest pupil-to-classroom ratios. The list may be altered by the Ministry of Education with the consent of A.I.D.

For those schools for which contractors are indicated: (1) contracts have already been awarded but notices to proceed have not been issued, or (2) contracts are in the final stages of negotiation. Construction completion dates shown are estimates based on the time allowed under the contracts, which is normally 150 to 200 working days depending on school size. Cost estimates are based on actual contract prices escalated at an annual rate of about 15% over the period of the contract. Occasionally, the original contract excludes certain external site works, such as earth moving for sports fields, etc., the cost of which is negotiated after construction commences. In those instances, the estimated cost of these works has been added to the actual contract price to arrive at the total estimate.

Contractors for the remaining schools will be required to make additional engineering studies, particularly regarding foundation conditions, and to complete final design work prior to commencing construction.

It is anticipated that this additional work can be accomplished within 3 to 4 months and that all construction will be underway by August 1. Estimates for these schools are based on cost data previously discussed, escalated to the anticipated date construction will start and over the estimated life of the contract.

6. Proposed Construction Schedule

As noted above, construction contracts for several of the schools have already been awarded, while some detailed engineering work remains to be accomplished on others before construction can commence. Based on the present state of planning, Chart 1 following summarizes the anticipated construction schedule for each school.

7. Cash Flow Analysis

Based on the preliminary construction schedule, Table 3 following provides a cash analysis of the construction funds required, assuming a straight line disbursement of funds for each individual project over the life of the contract.

8. Repayment of Loan - GOP Debt Service Capacity

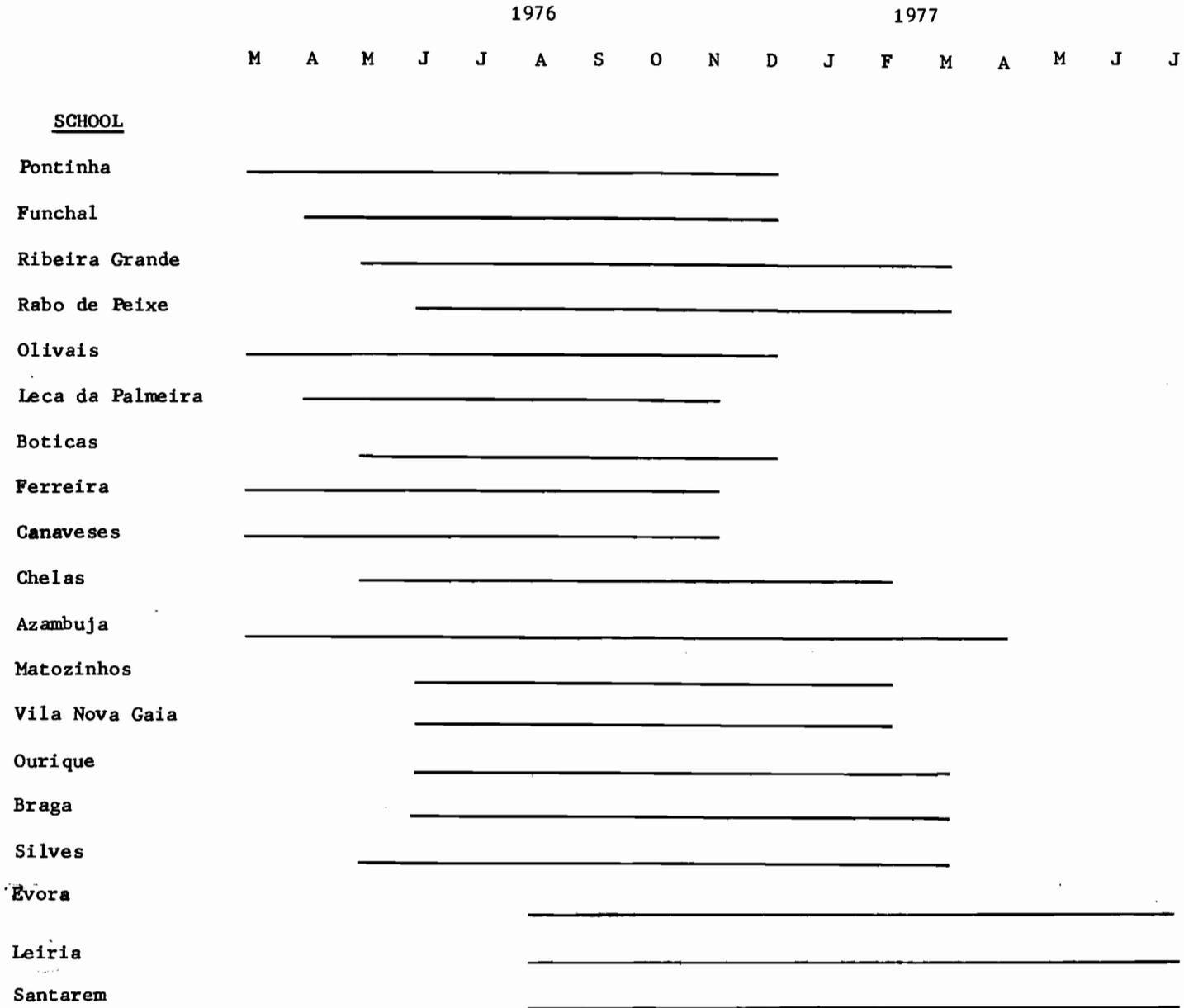
Portugal's official external debt as of December 31, 1974, stood at \$839 million of which \$516.9 million was direct government debt and \$322.1 million was government guaranteed debt of the airlines, railroads, etc. The estimated servicing cost of this debt as of the end of 1975 was \$157.9 million, 5.9% of estimated foreign exchange earnings. Additional foreign debt was incurred during 1975 and considerably more is in prospect for 1976. But, given the low initial level, the debt service ratio is not likely to become dangerously high.

Given Portugal's favorable medium and long term economic prospects, its overall creditworthiness seems clear. But, given its serious current economic problems and the likelihood that it will be some time before they can be resolved, some degree of concessionality in loan terms is in order. The terms of this loan are 25 years with 5 years grace and 5% interest throughout. These terms are considerably harder than normal A.I.D. loan terms, but involve sufficient concessionality to still qualify as official development assistance under the DAC criteria.

On the basis of the foregoing, it is concluded that prospects for the repayment of this loan are reasonable.

CHART NO. 1

PROPOSED CONSTRUCTION SCHEDULE



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TABLE 3

CASH FLOW ANALYSIS BASED ON PRELIMINARY CONSTRUCTION SCHEDULE

(Expenditures in 000's Escudos)

	1976										1977					
	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY
<u>SCHOOL</u>																
Pontinha	2500	2500	2500	2500	2500	2500	2500	2500	4000							
Funchal		4200	4200	4200	4200	4200	4200	4200	5600							
Riberia Grande			2000	2000	2000	2000	2000	2000	2000	2000	4000					
Rabo de Peixe				2200	2200	2200	2200	2200	2200	2200	4600					
Olivais	2700	2700	2700	2700	2700	2700	2700	2700	4400							
Leca da Palmeira		2500	2500	2500	2500	2500	3500									
Boticas			2000	2000	2000	2000	2000	5000								
Ferreira	2000	2000	2000	2000	2000	2000	4000									
Canaveses	2300	2300	2300	2300	2300	2300	4200									
Chelas			1600	1600	1600	1600	1600	1600	1600	2800						
Azambuja	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800	4200				
Matozinhos				1800	1800	1800	1800	1800	1800	1800	3400					
Vila Nova Gaia				1800	1800	1800	1800	1800	1800	1800	3400					
Ourique				2500	2500	2500	2500	2500	2500	2500	2500	4000				
Braga				2500	2500	2500	2500	2500	2500	2500	2500	4000				
Silves			2200	2200	2200	2200	2200	2200	2200	2200	2200	4200				
Evora						2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	4000
Leiria						2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	4000
Santarem						2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	4000
Total Expenditures	11,300	18,000	25,800	36,600	36,600	42,600	47,500	38,800	38,400	25,600	30,400	22,400	6,000	6,000	6,000	12,000
Cumulative Expenditures	11,300	29,300	55,100	91,700	128,300	170,900	218,400	257,200	295,600	321,200	351,600	374,000	380,000	386,000	392,000	404,000
Loan Disbursements (Equivalent U.S. \$ Millions)				73,360 2.45			101,360 3.38			82,240 2.74		47,040 1.57				19,200 .64
Cumulative Disbursements (Equivalent U.S. \$ Millions)				73,360 2.45			174,720 5.38			256,960 8.57		304,000 10.14				323,200 10.78

9. Summary of Technical Soundness

Basic building designs which have been adopted for the schools are relatively simple, and construction methods to be employed will not involve highly specialized technology. While the erection or construction of some of the structural systems proposed will require more industrialized techniques than others, most activities will be largely labor intensive. The expanded construction program will thus provide employment opportunities for both skilled and unskilled labor. Considering the planning accomplished to date, it is concluded that the technology adopted is appropriate for the area, and that the operation and maintenance of the proposed facilities are within the capability of the Ministry.

The Ministry has developed sufficient planning data to determine the technical feasibility of the project. Detailed engineering plans for all schools included in the program are essentially complete, and cost estimates are deemed reasonably firm, thereby meeting the requirements of Section 611 of the Foreign Assistance Act.

E. Environmental Analysis

1. Land Use Planning

Land to be utilized for the school construction program in the districts of Lisboa and Oporto is already the property of the municipalities in which the schools are to be built. In accordance with previously developed land use plans, this property has been reserved for the new school facilities. Land to be utilized in other districts has been or must be purchased by the Government of Portugal. Where possible, efforts have been made to avoid the taking of land suitable for agricultural or other purposes.

2. Wastewater Disposal

Wastewater generated from sanitary and kitchen facilities provided in each school will be disposed of through the municipal sewage collection system or, where soil conditions permit, through individual septic tank systems. Provisions for the disposal of wastewater are included in the final design drawings. Where septic tanks are utilized, absorption fields will be designed so as to prevent the effluent from polluting groundwater resources.

3. Disruptions Due To Construction Activities

Sites for the school expansion program are widely scattered throughout the country; hence, construction activities at a particular site will not cause major disruptions to pedestrian or vehicle traffic and will not present hazards to the general public. Nevertheless, where appropriate, the general conditions of contract will require the construction contractor to make provisions for maintaining traffic and take other safety precautions required to protect both construction workers and local inhabitants.

4. Socio-Cultural Aspects

As a result of the expanded preparatory and secondary school construction program, many of the existing school facilities will no longer be required to operate in multiple shifts. Subsequently, it is anticipated that the facilities will also be utilized for adult education classes, civic meetings, and cultural events. Hence, in addition to meeting the educational needs of the young people, the facilities will serve as a focal point for community life and provide opportunities for the social and economic growth of the general populace.

5. Summary and Conclusions

The construction program to be funded under the A.I.D. loan will enable a greater number of school-age children to have access to quality education and will enable the communities in which the schools are located to grow both socially and economically. As no adverse environmental effects are foreseen, the net result will be a discernible improvement in the human environment.

PART III. Project Implementation

A. General

Assuming enactment of appropriation legislation, we plan to seek authorization of this loan not later than May 31, 1976 and execution of the loan agreement as soon as possible thereafter but not later than June 30, 1976.

Given our confidence in the Ministry's ability to successfully carry out the project, the conditions precedent to disbursement of loan funds will be kept to the minimum, i.e. legal opinion, designation of Borrower's official representative, and an implementation plan (which will consist of an updating and/or confirmation of the procedures, etc. discussed in foregoing sections of this paper). The conditions are expected to be satisfied within 30 to 45 days after execution of the loan agreement. The first disbursement of loan funds could occur as soon as the conditions are satisfied, based on eligible construction accomplished to that date. Assuming no major interruptions, (e.g. prolonged strikes, civil disorder, unusual weather conditions), construction of all nineteen schools, and the procurement of television equipment should be completed by September 1, 1977. Allowing for final inspection and processing of documents, the final disbursement should take place by December 31, 1977 (the Terminal Disbursement Date). A summary form Project Performance Tracking Network outlining the overall implementation schedule is shown as Annex B.

B. Contracting Procedures

Construction contracts for the school facilities to be financed with A.I.D. loan funds will be negotiated in the same manner as previous contracts for the pilot projects. The Ministry, supplemented by additional technical staff, will be responsible for providing construction supervision services, reviewing and approving pay estimates, and making normal monthly payments to each contractor.

C. Fixed Amount Reimbursement (FAR)

A.I.D. proposes to disburse loan proceeds by reimbursing the GOP under a modified FAR procedure whereby (1) agreement is reached on a fixed escudo amount per school, equivalent to 80% of the net construction cost of each school, any cost overrun being borne by the GOP, and (2) reimbursement by A.I.D. to Min Ed will be made on a periodic (probably quarterly) basis against certification of construction progress and payment for that construction by Min Ed to contractors (Min Ed's normal practice is to pay contractors monthly for work completed; exceptions can be made in cases where one month's progress would not be enough to warrant inspection, processing of vouchers, etc., and payment is then made at predetermined

points in the construction cycle, e.g. foundation poured, roof on, etc.). A.I.D.'s procedures for reimbursing Min Ed will provide for a retention of the final progress payment (equivalent to about 20%) until the school is completed and certification made by the GOP and inspection by A.I.D. which verifies such completion.

The basic reasons for adopting the modified FAR described above -- as opposed to reimbursement of the agreed total fixed amount upon completion of the structure -- are as follows:

(1) A major objective of the Portugal program, particularly in view of the country's difficult budgetary and balance of payments situation, is to provide for quick disbursing assistance. We feel that the above proposed FAR approach takes into consideration the need for quick disbursing assistance and is much more suitable to the Government of Portugal's liquidity problems.

(2) In discussing the school construction program with the GOP, it was emphasized by the GOP that A.I.D.'s timely assistance would permit the Ministry to add additional schools this year to the overall program which ordinarily would not be constructed if A.I.D. assistance were not available. Providing for timely disbursement on the basis of physical progress assists the GOP with its cash flow requirements. According to our analysis of the Project's cash flow requirements (see Table 3, page 21), Min Ed would be out-of-pocket about \$10.5 million (equivalent) before the first reimbursement by A.I.D. if reimbursement was not made until school buildings were completed.

(3) The average time period for completing most school units is about 9-12 months. This takes account of the time necessary for the Ministry to submit its vouchers and for appropriate certification and inspection to be made with respect to the completed units. We feel that withholding reimbursement for the entire 9-12 month period would be inconsistent with the "quick disbursing" objective of our Security Supporting Assistance.

(4) Portugal has an overall excellent capacity to manage and implement the school construction program and given the Ministry's own procedures for paying contractors for progress or certain physical construction completed, we feel it best to follow Portuguese procedures in reimbursing for work done. Such procedures appear sensible to us.

(5) Finally, A.I.D. will withhold the final progress payment (about 20%) until all the school units are completed and accepted.

Payment will be made in Escudos, purchased with dollars from Portuguese banks, by the U.S. Regional Finance Center in Paris. This is the same procedure currently being used to disburse proceeds of the A.I.D. Housing Loan to Portugal.

D. Reporting Requirements

The major reporting required will consist of the certified pay estimates submitted as documentation for loan disbursements. In addition, the Ministry will provide a quarterly summary which lists each project and indicates the total value of the contract, value of work completed during the quarter to date, and the estimated completion date. The summary will also note problems encountered in carrying out the construction activities and steps taken to remedy these problems.

E. Evaluation

Subsequent to the final inspection of completed school buildings and disbursement of loan proceeds, an evaluation of the project will be conducted to determine to what extent project purposes have been achieved. Not only will the physical existence of additional, improved facilities (i.e. schools) be verified, the use to which those facilities are being put will be examined. A detailed evaluation "scope of work" remains to be developed, but at a minimum such criteria as the following will be included:

- Effect of reduced pupil-to-classroom ratio on learning environment
- Adequacy and quality of teaching staff
- Pupil attendance
- Availability and use of texts and other teaching aids
- Use of building for other purposes (e.g. adult education in evening hours, community activities, etc.)
- Maintenance of buildings
- Employment creation, in both construction industry and education

Portugal

Secondary/Preparatory Schools

Logical Framework Narrative

The goals to which this project are addressed are (1) to assist the Ministry of Education in its efforts to provide better education to the students of Portugal and (2) to assist the GOP in its general goal of increasing the performance of the Portuguese economy.

The purpose of this project is essentially to increase the budget of the Ministry of Education to allow for an expanded school construction program. Nineteen schools will be constructed under the AID loan providing classroom facilities for approximately 12,000 students.

The improved educational facilities together with Ministry of Education efforts at improving curriculum and improving teacher training result in a logical approach to improving education in Portugal.

As a result of the AID loan, employment will be generated in fields of construction and education, fields which are currently experiencing high unemployment rates. As a result of the employment, and the direct and indirect income generated, some stimulus to the economy may be evident in the project areas and in the economy as a whole. The project has not, however, built in a means of verifying its specific impact on the economy. An attempt to verify the impact could be made through the available GOP records.

In addition to the 19 secondary and preparatory schools, the loan will finance \$100,000 of educational TV equipment, which amount represents less than 1% of the loan proceeds; 99% of the loan will provide local financing for up to 80% of the construction costs of the schools. Major project outputs (i.e., the construction of the schools) will be achieved providing the school designs have been well executed and the construction is performed to specifications with timely and thorough inspections by the staff of Ministry of Education, AID/W and AID/Lisbon.

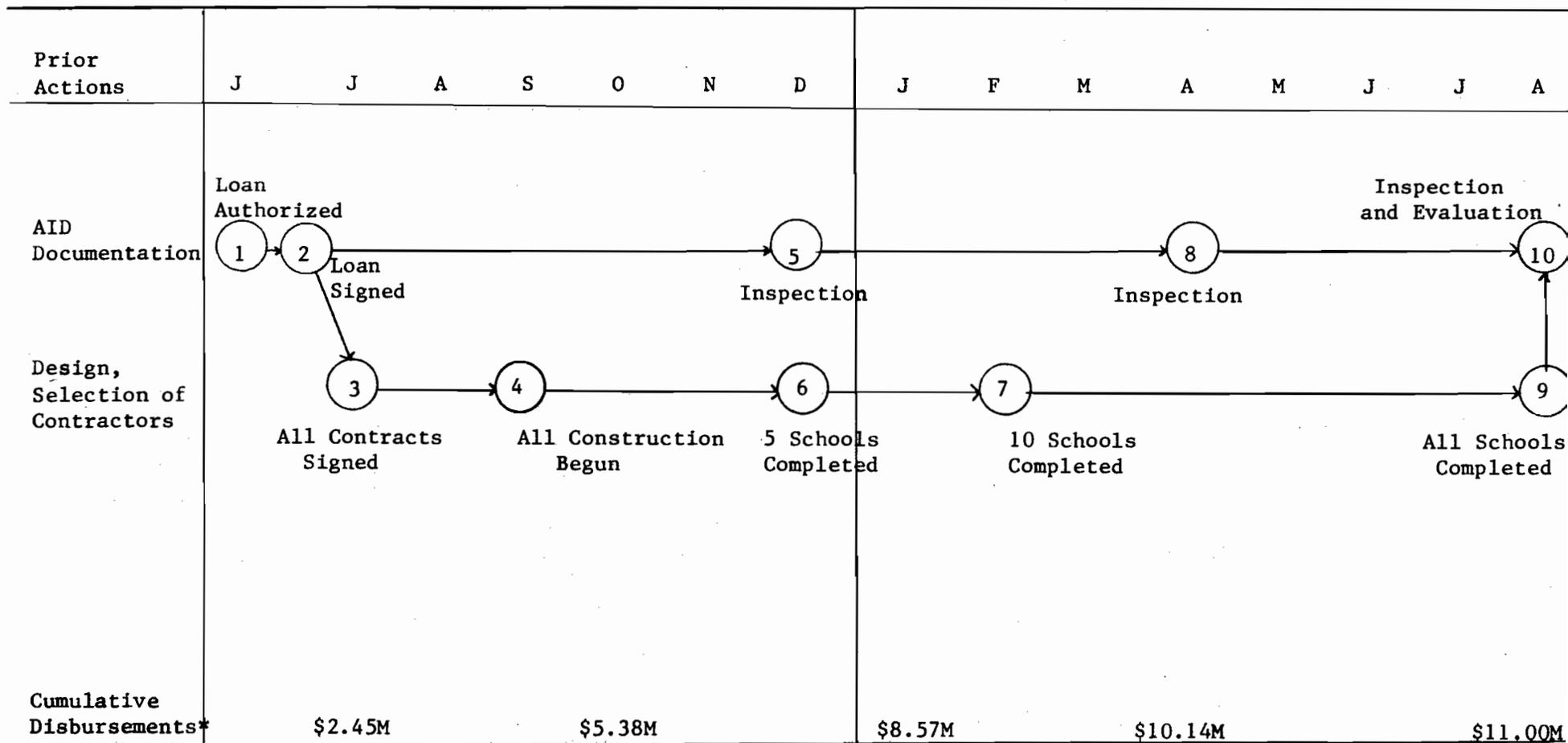
PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project: _____
From FY 76 _____ to FY 77 _____
Total U.S. Funding \$11.0 Million
Date Prepared: May 17, 1976

Project Title & Number: Portugal: Secondary/Preparatory Schools

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>Program or Sector Goal: The broader objective to which this project contributes:</p> <ol style="list-style-type: none"> To provide better education in secondary and preparatory schools in Portugal. Improved performance of economy of Portugal. 	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> Improved scores on standardized tests, studies by education experts. Improved balance of payments, increased GNP, decreased unemployment, decreased inflation rate. 	<ol style="list-style-type: none"> Min. Ed. records, reports GOP records 	<p>Assumptions for achieving goal targets:</p> <ol style="list-style-type: none"> Improved curriculums, improved training of teachers. GOP remains stable, other sectors improve their performance.
<p>Project Purpose:</p> <ol style="list-style-type: none"> To provide improved educational facilities. Stimulate economy through public sector investment. 	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> Provision of new classroom facilities for approximately 12,000 students. Increase in real income in project areas. 	<ol style="list-style-type: none"> Min. Ed. records GOP records 	<p>Assumptions for achieving purpose:</p> <ol style="list-style-type: none"> Teachers will be available Equipment and Supplies will be provided O & M will occur <ol style="list-style-type: none"> Employment will have a multiplier effect
<p>Outputs:</p> <ol style="list-style-type: none"> Construction of secondary and preparatory schools Educational TV equipment Employment in construction and in education. 	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> 19 secondary and preparatory schools \$100,000 worth of TV equipment 1000 construction jobs 1400 school personnel 	<ol style="list-style-type: none"> Inspection Min. Ed. records Contractors records Min. Ed. records 	<p>Assumptions for achieving outputs:</p> <ol style="list-style-type: none"> School designs are satisfactory Construction is performed in a timely manner Min. Ed. hires additional inspection staff AID/Lisbon and AID/W inspections are thorough & timely
<p>Inputs:</p> <ol style="list-style-type: none"> AID - 80% of local construction costs reimbursed to Min. Ed. Min. Ed. - remainder of project costs. 	<p>Implementation Target (Type and Quantity)</p> <ol style="list-style-type: none"> \$11.0M \$5.5M in local currency 	<ol style="list-style-type: none"> AID records Min. Ed. records 	<p>Assumptions for providing inputs:</p> <ol style="list-style-type: none"> Timely approval of AID loan Min. Ed. budgets required funds.

Portugal
Secondary/Preparatory Schools



*Tentative

Portugal

Secondary/Preparatory Schools
CPI Description

	<u>Date</u>	<u>Action</u>	<u>Responsibility</u>
1.	6/15/76*	Authorization of AID loan	AID
2.	6/30/76	Signature of loan agreement	AID/GOP
3.	7/30/76	Signature of all construction contracts	Min. Ed.
4.	9/1/76	Construction is begun on all AID financed School projects	Contractors
5.	12/15/76	Inspection	AID/Lisbon, SER/ENGR
6.	12/15/76	Completion of construction of 5 schools	Contractors
7.	2/15/77	Completion of construction of 10 schools	Contractors
8.	4/15/77	Inspection	AID/Lisbon, SER/ENGR
9.	8/1/77	All schools completed	Contractors
10.	8/30/77	Final Inspection and Evaluation	AID/Lisbon, SER/ENGR

*Assumes enactment of appropriation legislation for FY '76.

CHECKLIST OF STATUTORY CRITERIA

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

FAA, 1973 - Foreign Assistance Act of 1973.

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

MMA - Merchant Marine Act of 1936, as amended.

COUNTRY PERFORMANCE

Treatment of U.S. Citizens and firms.

1. FAA § 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) a such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government? No such situations are known to exist.

2. FAA § 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect or nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No such action is known to have been taken.

3. FAA § 620(o). Fisherman's Protective Act ⁵⁶ 5. If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters, No instance of any such seizure or imposition of any such penalty or sanction is known to have occurred.
 - a. has any deduction required by Fishermen's Protective Act been made? Not Applicable

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

Relations with U.S. Government and Other Nations

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

12. FAA § 620(t). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
- Portugal has not severed diplomatic relations with the U.S.
13. FAA § 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget?
- Portugal's payment obligations to the U.N. are current.
14. FAA § 481. Has the government of recipient country failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?
- No
15. FAA § 659. If (a) military base is located in recipient country, and was constructed or is being maintained or operated with funds furnished by U.S., and (b) U.S. personnel carry out military operations from such base, has the President determined that the government of recipient country has authorized regular access to U.S. correspondents to such base?
- The President has so determined.
- Military Expenditures
16. FAA § 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points is to be coordinated with the Bureau for Program and Policy Coordination, Regional Coordinators and Military Assistance Staff (PPG/RC).)
- The President has taken into account each of the listed considerations as to current military expenditures by the GOP and has determined that the actions of the GOP have not been such as to inhibit U.S. aid to Portugal.
- 0

CONDITIONS OF THE LOAN

General Soundness

17. FAA § 611(a)(1). Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the United States of the assistance? Yes
18. FAA § 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the loan. No such legislative action is required.
19. FAA § 611(e). If loan is for Capital Assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project? Yes

Loan's Relationship to Achievement of Country and Regional Goals

20. FAA § 601(a). Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions. Because of the nature of the project to be financed (i.e., the construction of buildings, plus a minimal amount of procurement of educational television equipment), it is unlikely that the loan will have any effect on the efforts of the country to (i) increase the flow of international trade, (ii) encourage development and use of cooperatives, credit unions or savings and loan associations, (iii) discourage monopolistic practices, or (iv) strengthen free labor unions. However, since private Portuguese architectural, engineering and construction firms will be contracted with to perform design and construction

services, the loan should foster private initiative and competition, and may have some positive effect on the technical efficiency of industry and commerce.

Portugal is not a newly independent country.

21. FAA § 619. If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?

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

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

The proceeds of the loan will be used 99% to finance local currency costs of a school construction program, and 1% to finance the procurement from the U.S. of educational television equipment. Thus, the impact of the loan on U.S. private trade and investment abroad, and on private U.S. participation in foreign assistance programs will be negligible.

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

No such services are required from any sources outside Portugal.

24. FAA § 602. Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services financed by the loan.

The nature of the activity being financed does not provide an opportunity for the participation of U.S. small business (see item 22 above).

25. FAA § 620(h). Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?

No

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

Loan's Compliance with Specific Requirements

27. FAA § 660. Will loan be used to finance police training or related program in recipient country? No
28. FAA § 114. Will loan be used to pay for performance of abortions or to motivate or coerce persons to practice abortions? No
29. FAA § 604(a). Will all commodity procurement financed under the loan be from the United States except as otherwise determined by the President? Yes. All commodity procurement will be from the U.S. (educational television equipment) or from Portugal (building materials), which is an eligible source country.
30. FAA § 604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price? The loan agreement will provide for enforcement of statutory pricing restrictions.
31. FAA § 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will the loan agreement require that marine insurance be placed in the United States on commodities financed by the loan? Portugal does not discriminate against U.S. marine insurance companies.
32. FAA § 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? No such procurement is to be financed.

33. FAA § 608(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.
- The nature of the activity to be financed precludes the utilization of U.S. Government excess personal property.
34. FAA § 611(b), App. § 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962?
- This is not a water or water-related land resource project.
35. FAA § 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable?
- For its school construction program, the Portuguese Ministry of Education has developed procedures under which contracts are negotiated and awarded on the basis of standardized unit costs for various types of school buildings, with provision for escalation, adjustment for transport costs, unusual circumstances at site, etc. Firms (some 15 to 20 in number) have been "prequalified" for participation in the construction program on the basis of their submission of proposals for standardized school designs and their performance on construction of prototypes of those designs. Thus, a competitive element was definitely a part of the contractor selection process. A.I.D. has reviewed these contracting procedures and found them to be acceptable and practicable in that they conform to standards of competition as practical in Portugal, and a satisfactory product is being obtained at a reasonable price.

36. FAA § 612(b); § 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.
- The small (1%) portion of the project's foreign exchange costs will be met with U.S. dollar loan proceeds. The balance of project costs are in local currency and will be met approximately 66% from loan proceeds and 34% from the GOP's own resources.
37. Section 30 and 31 of PL 92-189 (FAA of 1973). Will any part of the loan be used to finance directly or indirectly military or paramilitary operations by the U.S. or by foreign forces in or over Laos, Cambodia, North Vietnam, South Vietnam, or Thailand?
- No
38. Section 37 of PL 93-189 (FAA of 1973); App. § 111. Will any part of this loan be used to aid or assist generally or in the reconstruction of North Vietnam?
- No
39. FAA § 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?
- The U.S. does not own any excess Portuguese currency.
40. FAA § 620(g). What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property?
- The loan agreement will prescribe the uses to which loan proceeds may be put, and such uses will not include compensation for expropriated or nationalized property.
41. FAA § 620(k). If construction of productive enterprise, will aggregate value of assistance to be furnished by the United States exceed \$100 million?
- Not applicable. The project is not for construction of a productive enterprise.
42. FAA § 636(i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction?
- No

43. App. § 103. Will any loan funds be used to pay pensions, etc., for military personnel? No
44. App. § 107. Will any loan funds be used to pay UN assessments? No
45. App. § 108. Compliance with regulations on employment of U.S. and local personnel. (A.I.D. Regulation 7). The loan agreement will provide for compliance with A.I.D. Regulation 7.
46. App. § 110. Will any of loan funds be used to carry out provisions of FAA § 209(d)? No
47. App. § 112. Will any of the funds appropriated or local currencies generated as a result of A.I.D. assistance be used for support of police training of South Vietnamese? No
48. App. § 113. Describe how the Committee on Appropriations of the Senate and House have been or will be notified concerning the activity, program, project, country, or other operation to be financed by the loan. The committees will be so notified in accordance with established "prior notification" procedures before A.I.D. funds are obligated.
49. App. § 601. Will any loan funds be used for publicity or propaganda purposes within the United States not authorized by Congress? No
50. App. § 604. Will any of the funds appropriated for this project be used to furnish petroleum fuels produced in the continental United States to Southeast Asia for use by non-U.S. nationals? No
51. MMA § 901.b; FAA § 640C.
(a) Compliance with requirements that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. The loan agreement will provide for compliance with the U.S. Cargo Preference Law.

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

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

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

Glenn O. Patterson
GLENN PATTERSON
AID Representative

March 26, 1976

ANNEX E

Draft Loan Authorization

Portugal: School Construction

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

Pursuant to the authority vested in the Administrator, Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended ("the Act") and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan ("the Loan") pursuant to Part II, Chapter 4, Section 532 of said Act, to the Government of Portugal ("the Borrower") of not to exceed Eleven Million United States Dollars (\$11,000,000) to assist the Borrower in financing the construction of secondary and preparatory schools, to be erected at various localities throughout Portugal, and in the purchase of educational television equipment, said schools to be selected and agreed upon by A.I.D. and the Borrower. The Loan shall be subject to the following terms and conditions:

1. Terms of Repayment and Interest Rates

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

2. Other Terms and Conditions

(a) Unless A.I.D. shall otherwise agree in writing, goods and services financed under the loan shall have their source and origin in the United States and Portugal;

(b) United States Dollars utilized under the Loan to finance local currency costs shall be made available pursuant to procedures of purchase and disbursement acceptable to A.I.D.

(c) Such other terms and conditions as A.I.D. may deem advisable.

Administrator

Date

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