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

PROJECT ASSISTANCE PAPER

Proposal and Recommendations  
For the Review of the  
Development Loan Committee

150-018

PORTUGAL - SCHOOL CONSTRUCTION II

AID-DLC/P-2235

UNCLASSIFIED

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

UNCLASSIFIED

AID-DLC/P-2235

August 16, 1977

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Portugal - School Construction II

Attached for your review are recommendations for authorization of a loan to Portugal (the "Cooperating Country") in an amount not to exceed Fifteen Million United States Dollars (\$15,000,000) to help in financing certain foreign exchange and local currency costs of goods and services required for the project.

No meeting is scheduled for this loan proposal. However, please advise us of your concurrence or objections as early as possible, but in no event later than close of business on Friday, August 26, 1977. 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 - L

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AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT PAPER FACESHEET</b> TO BE COMPLETED BY ORIGINATING OFFICE		1. TRANSACTION CODE <input checked="" type="checkbox"/> Original <input type="checkbox"/> Change <input type="checkbox"/> Add <input type="checkbox"/> Delete	PP DOCUMENT CODE 3
2. COUNTRY/ENTITY <b>PORTUGAL</b>		3. DOCUMENT REVISION NUMBER	
4. PROJECT NUMBER <b>150-0018</b>	5. BUREAU a. Symbol <b>NE</b> b. Code <b>03</b>	6. ESTIMATED FY OF PROJECT COMPLETION FY <b>810</b>	
7. PROJECT TITLE (SHORT (stay within brackets)) <input type="checkbox"/> <b>SCHOOL CONSTRUCTION II</b> <input type="checkbox"/>		8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION a. INITIAL <sup>mo.</sup> <b>4</b> <sup>yr.</sup> <b>77</b> b. FINAL FY <b>77</b>	

9. ESTIMATED TOTAL COST (\$000 or equivalent, \$1 = 38 )

a. FUNDING SOURCE	FIRST YEAR FY <b>77</b>			ALL YEARS		
	b. FX	c. L/C	d. Total	e. FX	f. L/C	g. Total
ALL APPROPRIATED TOTAL		<b>15,000</b>	<b>15,000</b>		<b>15,000</b>	<b>15,000</b>
(Grant)	( )	( )	( )	( )	( )	( )
(Loan)	( )	<b>(15,000)</b>	<b>(15,000)</b>	( )	<b>(15,000)</b>	<b>(15,000)</b>
Other						
HOST GOVERNMENT						
OTHER DONOR(S)			<b>9,543</b>		<b>9,543</b>	<b>9,543</b>
TOTALS			<b>24,543</b>		<b>24,543</b>	<b>24,543</b>

10. ESTIMATED COSTS/AID APPROPRIATED FUNDS (\$000)

A. Appia. Program (Alpha Code)	B. Primary Purpose Code	C. Primary Tech. Code	FY <b>78</b>		FY <b>79</b>		FY <b>80</b>		ALL YEARS	
			d. Grant	e. Loan	f. Grant	g. Loan	h. Grant	i. Loan	j. Grant	k. Loan
<b>SA</b>	<b>623</b>	<b>632</b>		<b>15,000</b>						<b>15,000</b>
TOTALS				<b>15,000</b>						<b>15,000</b>

11. ESTIMATED EXPENDITURES    **8,150**    **6,320**    **530**    **15,000**

12. PROJECT PURPOSE(S) (stay within brackets)     Check if different from PID/PRP

- To provide educational facilities to relatively poorer areas where schools did not exist formerly or where overcrowding predominated.  
 - To provide additional real income to underdeveloped areas and poorer elements of society.  
 - To provide balance of payments, budget, and general economic support.

13. WERE CHANGES MADE IN BLOCKS 12, 13, 14, or 15 OF THE PID FACESHEET? IF YES, ATTACH CHANGED PID FACESHEET.  
 Yes     No

14. ORIGINATING OFFICE CLEARANCE Signature <i>Glenn O. Patterson</i> Title <b>Glenn O. Patterson</b> <b>AID Representative</b>		15. Date Received in AID/W, or For AID/W Documents, Date of Distribution Date Signed <b>03/07/77</b> mo. day yr.    mo. day yr. <b>04/01/77</b>
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SCHOOL CONSTRUCTION II LOAN

PROJECT PAPER

TABLE OF CONTENTS

Part I.	<u>Summary and Recommendations</u> .....	1
	A. Recommendations.....	1
	B. Description of the Project.....	1
	-Project Synopsis.....	1
	-Implementation.....	1
	-Input-Output-Purpose Linkages.....	2
	-End of Project Status.....	3
	C. Summary Findings.....	3
	D. Project Issues.....	4
	USAID Project Committee.....	5
Part II.	<u>Project Background and Detailed Description</u> .....	6
	A. Background.....	6
	-General Economic Background.....	6
	-American Response to Portuguese Economic Difficulties.....	12
	-Education Sector Background.....	13
	-GOP Preparatory/Secondary School Improvement Program.....	21
	-Foreign Assistance in the Education Sector.....	25
	-Evaluation of Prior AID Experiences.....	26
	B. Detailed Description.....	27
	-AID Role.....	27
	-Logical Framework Narrative.....	32
Part III.	<u>Project Analysis</u> .....	36
	A. Technical Analysis.....	36
	-Introduction.....	36
	-Appropriate Technology and Design.....	36
	-Operation and Maintenance.....	38
	-Cost Estimate.....	39
	-Environmental Analysis.....	40
	-Summary.....	41
	B. Financial Analysis and Plan.....	42
	-Recurrent Budget Analysis and Implementing Agency.....	42
	-Financial Plan/Budget Tables.....	46
	-Summary Opinion.....	49
	C. Social Analysis.....	49
	D. Economic Analysis.....	51

TABLE OF CONTENTS  
(continued)

Part IV. Implementation Planning.....53  
A. Administrative Arrangements.....53  
    -Government of Portugal (GOP)  
        Organization.....53  
    -AID Monitoring Requirements.....55  
    -Method of AID Disbursements.....56  
B. Implementation Plan.....58  
    -Sub-Project Development and Approval....58  
    -Contracting Procedures.....59  
    -Schedule.....61  
C. Evaluation Plan.....62  
D. Conditions, Covenants, and Negotiating Status.62

Annexes:

Annex A. Economic Information  
Annex B. Illiteracy Information  
Annex C. Preparatory/Secondary Education Information  
Annex D. GOP School Construction Program  
Annex E. Initial Environmental Examination  
Annex F. Checklist of Statutory Criteria  
Annex G. AID Representative Certification  
Annex H. Project Design Summary: Logical Framework  
Annex I. Project Performance Tracking Network  
Annex J. GOP Application for Assistance  
Annex K. Project Description  
Annex L. Draft Loan Authorization

#### CURRENCY EQUIVALENT

1 U.S. Dollar = 39.00 Portuguese Escudos  
1 Portuguese Escudo = 0.0256 U.S. Dollar

#### ABBREVIATIONS

CGD Caixa Geral de Depósitos  
(Public Borrowings Bank)

DGAP Direcção Geral da Administração e Pessoal  
(General Directorate of Administration and Personnel)

DGCE Direcção Geral de Construção Escolar  
(General Directorate of School Construction)

DGEE Direcção Geral de Equipamento Escolar  
(General Directorate of School Facilities)

GEP Gabinete de Estudos e Planeamento  
(Office of Studies and Planning)

GOP Government of Portugal

MEIC Ministério da Educação e Investigação Científica  
(Ministry of Education and Scientific Investigation)

MOP Ministério das Obras Públicas  
(Ministry of Public Works)

OGE Orçamento Geral do Estado  
(General State Budget)

SEAS Secretaria do Estado da Administração Escolar  
(Secretariat of State for School Administration)

OECD Organization for Economic Co-operation and  
Development

UNDP United Nations Development Programme

UNESCO United Nations Education, Science, and Cultural  
Organization

#### TERMS

Assembleia da República - Assembly of the Republic -  
the uni-cameral legislative branch of the  
Portuguese Government.

Câmara Municipal - municipal council - the popularly-  
elected council which administers the concelho,  
equivalent to township in U. S.

Conselho de Ministros - Council of Ministers - the  
Cabinet.

Retornado - returnee - a refugee from the former  
Portuguese overseas provinces (colonies).

List of Tables

Table I. Statistics for Retornados, By District..... 9  
Table II. Student Population in Non-Technical Schools,  
1974/75 School Year.....16  
Table III. Attendance in Public Preparatory and Secondary  
Schools, 1969/70 to 1974/75.....18  
Table IV. Outputs of the GOP "Crash" Construction  
Program, 1976-1980.....22  
Table V. New Teacher Training.....24  
Table VI. Probable Impact of AID Investment on  
Student/Class Ratio.....28  
Table VII. Proposed Sub-Projects for School Construction II..30  
Table VIII. Investments in School Construction, 1965-1977....43  
Table IX. Components of MEIC 1977 Preparatory and  
Secondary School Construction Budget.....45  
Table X. Summary Cost Estimate and Financial Plan.....47  
Table XI. General Construction Cost Index.....48

ANNEX A. Table 1. Gross Domestic Product Per Capita,  
per District.....1  
Table 2. Distribution of Investments By  
District/Region for 1977.....2  
Table 3. Rates of Urbanization By District/  
Region, 1960 and 1970.....3

ANNEX B. Table 1. Illiteracy in Population of 14  
Years and Older, by District For 1960 and  
1970.....1  
Table 2. Illiteracy Rate of Population Over  
14 Years of Age by Areas of Inhabitants,  
1960.....2  
Table 3. Illiteracy Rate by Area and Age  
Cohort, 1960.....3

ANNEX C. Table 1. Public Preparatory Education, 1973/  
74 and 1974/75 School Years, by District/  
Region.....1  
Table 2. Public Secondary (Liceu) Education,  
1973/74 and 1974/75 School Years, by  
District/Region.....3

ANNEX D. Table 1. Five-Year Preparatory/Secondary  
School Construction Program.....1-2

List of Maps

Map 1. Location of Proposed Sub-Project Sites  
for School Construction II.....31

ANNEX D. Map 1. Location of Schools To Be Built  
in GOP's Five-Year Construction Program...3

## Part I. SUMMARY AND RECOMMENDATIONS

### A. Recommendations

The School Construction II Project Paper requests the following authorizations:

- Grant	-0-
- Loan (from Security Supporting Assistance under following terms: 25 years, 5-years grace period, 5% interest)	<u>15,000,000</u>
<u>Total New AID Obligations</u>	15,000,000

### B. Description of the Project

Project Synopsis. This project, a follow-on to the School Construction I Loan, signed August 13, 1976, consists of the construction and equipping of approximately eighteen preparatory and secondary schools in eleven districts of continental Portugal and the autonomous region of the Azores. It represents a continuing U.S. interest in the Portuguese education sector, currently plagued by **chronic overcrowding of old** school buildings and characterized by geographic malallocation of structures, effectively hindering student access to facilities. These are included in the Government of Portugal (GOP) five-year "crash" program to construct approximately 215 secondary and preparatory schools throughout Portugal by 1980.

AID funding will be retroactive to October 1, 1976 and school construction contracted subsequent to that date will be included. AID will finance up to 75 percent of construction costs, including fixed equipment.

Implementation. The project will be implemented by the Direcção Geral de Equipamento Escolar (DGEE) - General Directorate of School Facilities - which forms part of the Ministério da Educação e Investigação Científica (MEIC) - the Ministry of Education and Scientific Investigation. Upon construction of the buildings, the Direcção Geral da Administração e Pessoal (DGAP) - General Directorate of Administration and Personnel of the same Ministry will be responsible for staffing the school with an appropriate number of teachers and custodians. Both the DGEE and DGAP are under the Secretário de Estado da Administração Escolar (SEAE) - Secretary of State for School Administration. (See organigram of the Ministry in Annex C, page 7.)

Input-Output-Purpose Linkages. The GOP and AID will provide some \$24.5 million in local currency costs related to the construction (labor, material, equipment, and management expenses) and equipping (teaching supplies, furniture, fixtures, etc.) of approximately eighteen secondary and preparatory schools. In addition to the building of these eleven preparatory and seven secondary schools, the project outputs will include some 35,000 worker-months of employment in the more under-developed areas of Portugal, and the support of the education construction budget. This proposed loan represents one element in a larger American response to the economic difficulties facing Portugal today.

The current experience under the School Construction I Loan has shown that the contractors are able to translate escudos into facilities in place, with the minimum amount of delays. Those delays which have existed were usually due to factors beyond the contractors control: delay in site selection by municipalities; shortage of materials, etc. In order to accelerate the contracting procedures, DGEE has pre-qualified firms and assigned construction works on a non-bid basis. Although this is expected to be modified under the new loan - allowing more work to companies based in the interior - it is anticipated that pre-screening will maintain the same high level of contractor managerial competence.

It is reasonable to expect that the construction of the schools will alleviate serious overcrowding conditions which currently exist and will locate secondary schools in areas where such schools now do not exist. New facilities will mean the adaptability to newer teaching techniques and the existence of more modern laboratory/workshop areas. Together with additional teaching staff, which can be drawn from a ready supply of unemployed educators (in some cases, from the ex-colonies), and the adequate maintenance personnel, the buildings should become centers of learning for children from the ages of eleven to seventeen. Another purpose - that of increased real income - will be realized by the additional employment provided from this loan for the building industry in the lesser developed areas. Many of the day laborers are from the areas impacted; in some cases, the GOP is anticipating the letting of contracts to firms headquartered in the district where the school is to be erected. The final purpose of budget/balance of payments support will be achieved through the rapid disbursement of the \$15 million.

foreseen in this project.

End of Project Status (EOPS). The adequate operation of eighteen schools is the major indicator of success as the project comes to an end; this calls for the instruction of some 12,000 students by approximately 600 teachers, in subject matters which were planned to be part of the curricula. In addition, the ratio of students to classrooms will decrease markedly in the impacted areas. (Table VI, page 28, shows the probable impact of the AID investment in terms of this ratio in some eleven districts/regions.)

### C. Summary Findings

In Section III of this Project Paper, the technical, financial, social, and economic analyses indicate that the project is feasible and is ready for implementation. The designs, specifications, and technology to be used generally correspond to those accepted under School Construction I. Construction has been undertaken in an expeditious manner; the pressure to relieve overcrowding and access problems is so great that experience has shown school buildings to be occupied by students, teachers, and administrative and auxiliary staffs, even before the site landscaping and finishing external works have been completed. Price and cost estimates are reasonably firm, but subject to an inflationary economy. A review of the current School Construction I project suggests that the DGEE needs to improve and reinforce its engineering supervision and monitoring role for the new sub-projects. Prior to initial disbursement under the loan, such improvement, satisfactory to AID, will be required.

On the basis of a review by James Baird, SER/ENGR, an initial environmental examination was written and resulted in a negative determination, i.e. that no significant negative impact is foreseen on the environment. The examination and subsequent determination of no significant adverse impact is to be found in Annex E.

The economic, financial, and social analyses indicate that the beneficiaries perceive that the

significant impact of education for underdeveloped areas of Portugal will outweigh the costs involved. These analyses also show that educational construction in lesser-developed districts is one of the GOP means of narrowing the investment gap between districts and will, in the long-term, provide a higher-skilled labor force and a more-educated public, anticipated to increase productivity in some of the more rural areas of Portugal. Financially, costs have been stabilized at low levels by the establishment of proto-types, their replication nation-wide, and almost continual review of price fluctuations by MEIC.

The project meets all applicable statutory criteria. The statutory checklist is attached as Annex F.

The AID Representative has signed the Section 611 (e) certification, stating that Portugal has the capability to maintain and utilize effectively the project. Such certification is found as Annex G.

#### D. Project Issues

Monitoring of the current School Construction I Loan has brought one salient issue to light: that of the management capacity of the DGEE. School Construction I was signed on August 13, 1976, with retroactive financing for contracts signed on or after November 1, 1975. The loans represented an increased investment over what had been anticipated by the GOP; this expansion led to various scheduling problems. Construction has not started on two projects (in the Açores and Madeira) while others in Continental Portugal have been delayed, but not seriously. In some cases, schools have been opened before the completion of exterior, finishing works. Site inspections appear to be infrequent. (For a discussion of DGEE management, see the Administrative Arrangements Section.) The Director General has indicated his willingness to increase the central staff and create field offices. As condition precedent to initial disbursement, AID shall require both a management plan for effectively administering the program and the first action steps undertaken in relation thereto, e.g. employment of adequate supervisory personnel in MEIC.

USAID Project Committee

Alan A. Silva, Capital Development Officer (Chairperson)  
Charles A. Buchanan, Jr., Program Officer  
Morley H. Gren, Controller

PART II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

A. Background

General Economic Background. Assistance is provided to Portugal to help:

- consolidate and reinforce its democratic institutions;
- create an economic system sufficiently flexible to allow a measure of freedom from international economic pressure and dependence; and
- create conditions conducive to the improvement of the quality of life.

In as much as the social problems within a democracy are dynamic and not static, the Government of the United States is endeavoring to support the development of governmental agencies, programs, and institutions which directly assist the welfare and health of the Portuguese people. The primary areas of interest lie in the rural, less developed regions of Portugal. In addition, there is a desire to assist the Portuguese Government in the execution of plans related to increased employment, balance of payments support and general economic recuperation.

The past three years have been a crucial time in the history of Portugal. After almost fifty years of the dictatorial regimes of Salazar and Caetano, the Armed Forces Movement on April 25, 1974 staged a revolution. The first free election (for a Constituent Assembly) in modern times was held a year later; on April 2, 1976, a new Constitution was approved and three subsequent elections were held in April, June and December of the same year for the Assembly of the Republic, President, and local government councils, respectively. The process of democratization has been short, but active, punctuated by two attempted coups, six provisional governments, and the emergence of approximately fifteen political parties, the most significant of which are the Socialist Party, Social Democratic Party, Social Democratic Center and Portuguese Communist Party.

The traumatic period of political upheaval appears to have passed with the election of a President and appointment of the first Constitutional Government - a minority one formed by the Socialist Party. The roots of democracy have been established; the process of decolonization in Angola, Moçambique, and Guiné completed; and a more equitable economic system initiated.

The new government must now confront the massive economic dislocations which arose, in part, from the excesses of the past. The prior provisional governments sponsored substantial increases in wages (particularly for the lower income workers), initiated land expropriations and agricultural reforms, and nationalized private banks, insurance companies and basic industries. (In 1976, the public sector directly controlled 25 percent of the value added and 46 percent of the gross fixed capital formation.)

The immediate effects of the wage increases were to stimulate domestic consumption beyond the capacity of local production and increase production costs; secondarily, prices were increased and more imports demanded. Compounding the problem was a decrease in productivity due to the lack of labor discipline, general uncertainty, and the flight of experienced managerial talent. International concerns with the political and economic turmoil and nationalizations were manifested in the decrease in tourism receipts in Portugal and the drying up of investments from abroad. Rising oil prices, a world-wide recession and the slow recovery therefrom, and the profound modifications in external trade equilibrium with the former colonies severely affected the Portuguese balance of payments. Economically, the results of former policies have been increased inflation, unemployment, increased subsidies to the public sector, enlarged budget deficits, and decreased domestic savings and investment.

Adding to the economic difficulties have been the severe consequences, in social terms, of decolonization. The OECD estimates that as of August 1976, 700,000 refugees have been repatriated to Portugal, principally from Angola and Moçambique. In general, the "retornados" left their wealth behind, fleeing with little more than the clothes on their backs. This large influx (accompanied, as well, by an outmigration of some 200,000 to other parts of the world) presents problems

of assimilation to an economy already in turmoil. The staggering numbers and the age structure (50 percent are younger than 16; 48 percent between 16 and 65; and 2 percent above 65 years of age) imply the need for new social infrastructures - schools, housing, health centers, basic sanitation systems, etc. Their former occupations (more than two-thirds were involved in services, twenty percent in industry, and only four percent in agriculture) do not mesh well with the Portuguese economy's needs and thus make integration difficult, even under the best of conditions. Of those retornados with overseas experience in the private sector, only two percent have been able to find work. An estimated 113,000 are unemployed and are competing for jobs in an economy that already has ten percent unemployment and a substantially high rate of under employment.

As a result, the Government in 1976 had to provide some \$400,000,000 (about eleven percent of its total budget) for monetary grants, hotel accommodations, construction and housing assistance, and the purchase of goods of primary necessity for the still-mounting figure of retornados. (A full discussion of contemporary economic problems in Portugal can be found in OECD Economic Studies: Portugal, published in November 1976.)

While exact statistics on the total number of retornados are unavailable, the High Commissioner for Refugees has provided USAID with the results of a recent census of those retornados who are without adequate housing. (These represent the numbers of persons who are relying on the GOP for support of some kind. Another 20 percent of the retornados do not appear in the statistics, as the state does not have responsibility to house them.) Table I shows that the prevailing unemployment rate for the retornados ranges in the area of 80 percent. These include some 113,437 who are unable to find work, and another 14,356 former government employees who have not yet been placed within a ministry. The inadequately housed refugees constitute approximately five percent of the total Portuguese population; including other retornados, the number probably borders today on six percent. Some of the more rural, less developed areas bear the greatest burden, with Bragança, Guarda, Vila Real, Faro, and Viseu far above the national average. In some cases, in northern Portugal, population of freguesias (villages) have increased almost fifty percent due to the return of "native families"

TABLE I  
 STATISTICS FOR RETORNADOS <sup>1/</sup> BY DISTRICT

<u>District/ Regions</u>	<u>Individuals</u>	<u>Unemployed</u>	<u>Public Employees Not Yet Integrated</u>	<u>Employed</u>	<u>Retornados as % of Population (1976)</u>
Aveiro	27,917	6,876	758	2,734	4.76
Beja	2,856	732	127	241	1.49
Braga	15,494	3,863	460	1,284	2.33
Bragança	19,510	4,550	440	1,207	12.59
Castelo Branco	12,154	2,786	316	829	5.04
Coimbra	21,438	5,102	571	1,685	5.23
Évora	2,466	490	96	205	1.39
Faro	20,131	6,616	559	1,150	7.51
Guarda	18,427	4,267	493	1,324	10.01
Leiria	17,125	4,495	516	1,301	4.45
Lisboa	125,076	34,570	5,507	7,935	7.13
Portalegre	2,580	722	118	241	1.84
Porto	46,963	12,077	1,339	4,401	3.19
Santarém	17,499	4,169	509	1,555	3.97
Setúbal	26,378	6,691	900	2,372	4.72
Viana do Castelo	8,318	2,109	253	512	3.23
Vila Real	19,260	4,787	532	1,205	7.83
Viseu	24,593	6,078	611	1,485	6.19
Açores	3,838	973	115	472	1.32
Madeira	7,619	1,484	136	943	2.93
TOTAL	439,642	113,437	14,356	33,087	4.79

<sup>1/</sup> Statistics include only those retornados which have inadequate housing and thus require GOP assistance. These data underestimate the magnitude of refugee problems. Almost 440,000 refugees are included here; USAID estimates approximately 20% more are in Portugal.

Source: High Commission for Refugees.

who had left the rural areas of Portugal in search of economic opportunities in the colonies. While Table I does not include all retornados, it does, however, indicate general realms of magnitude.

Before the 25th of April, Portugal was by far the least developed nation in Western Europe. The wars and investments in Angola and Moçambique drained many of the GOP revenues that might have been utilized to increase the quality of life in continental Portugal and the adjacent islands of the Açores and Madeira. During the Salazar-Caetano years, the needs of social infrastructure, especially in the rural areas, went unmet; investments under the six-year plans had a distinct urban and industrial bias.

Today, the GOP is formulating long-term plans to redress the "old regime's" neglect in social services and is seeking to counter the major economic disruptions caused by the massive extension of the public or collective sector, decolonization, and drastic modification of the regulations governing the private sector. Steps taken to stabilize the economy include:

- increase in interest rates for bank credits.
- creation of National Council on Revenues and Prices to develop wage/price guidelines;
- increase of direct taxes: introduction of "progressivity" on the profits tax, increase rates for income, professional, and capital revenues taxes, and creation of a temporary surtax;
- increase in importation surtaxes and financing of portion of imports from external sources;
- re-establishment of a bond and stock market in Portugal for investors;
- establishing a February 28, 1977 deadline for determining ways and means of ending state intervention in private enterprise management;
- increase in public transportation fares;

- increase in prices of petroleum products;
- establishing labor regulations governing the dismissal of employees, placing a 15 percent ceiling on increases in salaries for 1977.
- reduction (in real terms) of 1977 Budget, as compared to 1976 expenditures.

On February 26, 1977, the GOP announced other financial, trade, and price policies to impact principally on the balance of payments and investment. To have immediate effect were such financial policies as the 15 percent devaluation of the escudo; the institution of a rediscount line by the Caixa Geral de Depósitos (as a means of utilizing excess liquidity); raising of the central bank rediscount rate (from 6.5 to 8 percent); establishment of a provisional value for compensation for nationalizations; and fixing of indemnities due foreigners by May 30, 1977. Those pricing policies undertaken include the limitation of price subsidies to essential commodities and price controls on other food products. In addition, the GOP expanded the list of import items subject to a sixty percent surcharge.

Other measures were submitted to the Assembleia da República for its consideration and approval. These include:

- an increase in basic sales tax rates by twenty percent,
- a rise in rates on treasury bonds sold in 1975 and 1976,
- an establishment of a 15 billion escudo public loan issue, yielding four to fourteen percent,
- an increase in benefits payable to exporters,
- the authorization of a 20-mile marine economic zone and
- the regulation of firms under worker management.

The Portuguese Government's affirmative actions to regularize its economy and provide basic services for its citizens are worthy of foreign donor support.

American Response to Portuguese Economic Difficulties.

In the past few years, the United States has responded to requests for assistance from the GOP. In 1975, the AID program was initiated with a low-income housing loan of \$13.25 million and a \$20 million Housing Investment Guarantee. (Additional assistance was authorized in 1976 to this sector with the availability of a \$10 million loan and \$20 million guarantee to social housing construction and slum eradication programs.) As the retornado problem became more acute in late 1975, the United States assisted with the airlift of some 35,000 refugees (amounting to \$7.5 million) from Angola and continued to manifest its humanitarian concern through a \$35 million refugee relief and resettlement grant; approximately \$33.5 million has already been disbursed to the Government for expenditures in this area. The GOP is utilizing these reimbursements to establish a loan program to stimulate retornado employment and business opportunities.

In the sectors of basic sanitation and school construction, AID loans were signed in August 1976, for \$8 and \$11 million respectively. A one-million dollar loan has been provided to fund feasibility studies in the areas of the GOP's development concerns. AID grants for \$1.75 million have been made available for training of GOP officials and for technical consultant services in such areas as public management, tourism, health, education, agriculture, housing and sanitation.

American assistance has also been channeled through other federal agencies. P.L. 480, Title I concessional sales agreements signed in 1976 amounted to some \$75 million in rice, cotton, tobacco, corn and wheat. The proceeds of the sales will be directed to such self-help concerns as investments in food production, marketing, and processing, grain storage, agricultural extension expansion and fisheries improvements. The Commodity Credit Corporation provided \$62 million in 3-year credits for commercial sales of soybeans, corn, sorghum and wheat in 1976. Export-Import Bank guarantee agreements total approximately \$60 million. A Treasury-sponsored short-term \$300 million balance of payments support agreement was concluded in February 1977. The President's 1978 budget contains the first \$300 million of a \$550 million three-year contribution to a \$1.5 billion consortium of Western nations; this loan package will provide medium-term support for the Portuguese economy.

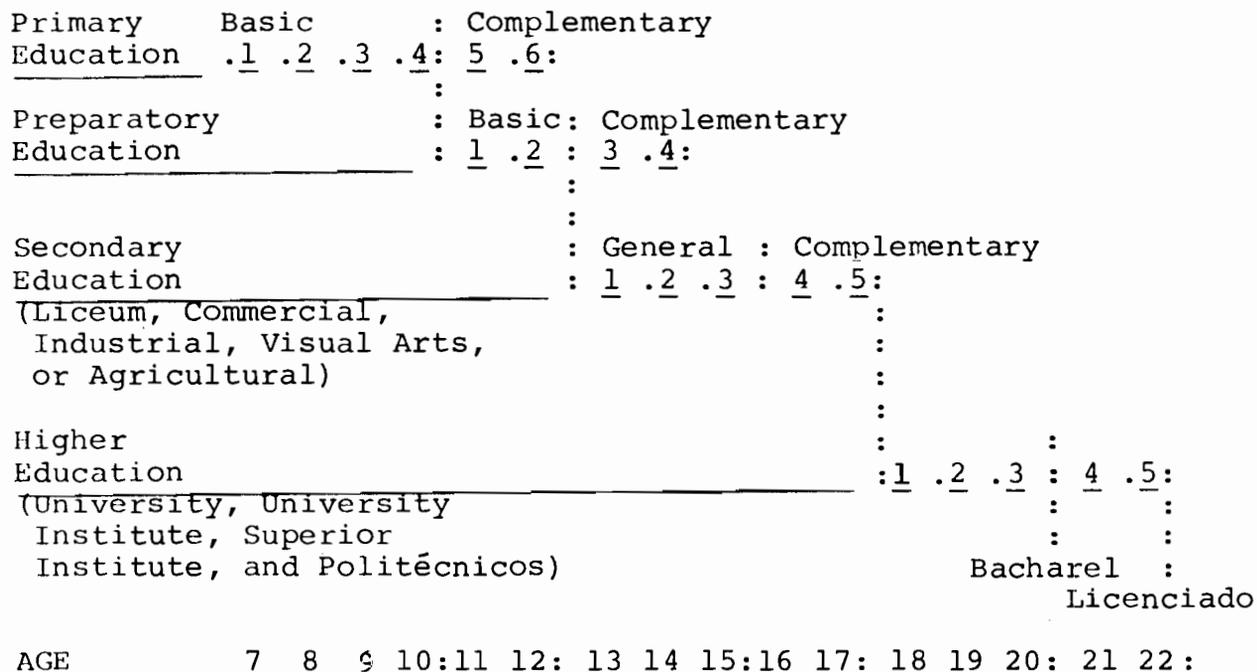
Education Sector Background. The proposed loan will assist in the construction of preparatory and secondary schools - a high priority of the GOP in the education sector. It will likewise provide an infusion of foreign exchange which will be transformed into local currency in order to create employment and assist to bring into equilibrium the balance of payments of the GOP. Although appropriated under Security Supporting Assistance, the proposal fully adheres to the Congressional Mandate to benefit directly low-income people, especially in predominantly rural, less developed areas of Portugal, by focussing on education and the development of human resources and by providing employment opportunities in economic depressed regions. (Table I, Annex A shows per capita gross domestic product by district; this is a good indicator of those less developed areas of Portugal. Table 2 of the same annex gives the urbanization rate by district.) This loan, one of the elements in a broad-based U.S. assistance program, attempts to assist in the provision of a significant societal need: education, specifically at the preparatory and secondary levels.

The Portuguese education system has been in a state of flux since the revolution of 1974. Attempts have been made to render the system more egalitarian; education has been seen as the "great leveler", providing the key to social mobility and reinforcement of new democratic ideals. In the past, education had been more a privilege than a right; expenditures in the sector were small in comparison to the magnitude of the needs. The past neglect of this social sector during the Salazar years is graphically illustrated by the high level of illiteracy among older citizens of Portugal in 1960. Illiteracy totalled 2.3 million Portuguese over the age of 14; the number had been reduced to 1.8 million by 1970. Tables 1, 2, and 3 in Annex B show the magnitude of the illiteracy problem: in 1960, some 87 percent illiteracy was found in rural areas, the progress in extending literacy to those under 35 years of age, and the differences in literacy rates between districts.

In 1964, in order to combat illiteracy in the lower age groups, the decision was made to increase compulsory education from four to six years; starting in 1968, the child, who had completed the four years of primary education, had to continue either a primary complementary course (for the fifth and sixth years) or in a preparatory course for

secondary education. (It was this decision fourteen years ago to increase obligatory education and the inadequate action undertaken to ensure sufficient school facilities at the preparatory and secondary levels for the new waves of children, which gives rise to this loan in the first instance.) Today, the basic complementary is being phased out, with only the preparatory cycle remaining. Secondary education continues for up to five years after preparatory school.

The diagram below represents the general, four-tiered schematic of the Portuguese education system.



AGE                    7 8 9 10:11 12: 13 14 15:16 17: 18 19 20: 21 22:

Primary education teaches children basic reading and arithmetic skills usually for four years (as indicated above, the fifth and sixth year are being phased out). Upon graduation from the fourth year of primary school, the child enters preparatory school, where manual work (shop), a foreign language, and more advanced mathematics, sciences, and Portuguese are introduced. (The complementary cycle of preparatory education is in the experimental stage and is focussed at those whose skill development needs lie between the six years of obligatory education and secondary education.

Upon graduation from preparatory school, the teen-ager may choose from amongst five types of secondary education: the (traditional liberal arts, classical) lyceum, or such technically-oriented programs as are found in commercial, industrial, visual arts, or agricultural schools. Secondary education has two cycles: the general, which gives a three-year overall education in languages, the social sciences, and the more exact sciences; and the complementary cycle, which is a more detailed, specialized two-year preparation for the higher education level. Depending on academic major, upon graduation from secondary school, one enters a university, various institutes (usually for technical fields), or politécnicos. After three years of successful study, the student becomes a bacharel (equivalent to a bachelor of science); in another two years, he/she earns a licenciatura (masters degree).

The following table represents the numbers of children in the pre-university school system (excluding the technical schools):

TABLE II  
STUDENT POPULATION IN NON-TECHNICAL SCHOOLS  
1974/1975 SCHOOL YEAR

<u>Level/Year of Education</u>	<u>Approx. Age</u>	<u>Student Enrollment</u>			<u>Percentage Female</u>	<u>Graduates to Next Highest Class</u>
		<u>Public</u>	<u>Private</u>	<u>Total</u>		
<u>Primary</u> -Sub-Total-	7-10	<u>875,924</u>	<u>57,188</u>	<u>933,112</u>	<u>48.44</u>	
1st Year	7	249,889	16,098	265,987	47.16	258,544
2nd Year	8	220,537	14,296	234,833	48.01	189,428
3rd Year	9	197,410	13,449	210,859	48.82	177,767
4th Year      1/	10	193,496	13,344	206,840	49.90	176,677
5th & 6th Year		14,592	1	14,593	52.37	12,687
<u>Preparatory</u> -Sub-Total-	11-12	<u>227,830</u>	<u>25,362</u>	<u>253,192</u>	<u>48.87</u>	
1st Year	11	116,167	8,960	125,127	48.16	96,094
2nd Year      2/	12	104,559	16,402	120,961	49.35	91,210
3rd & 4th Year		7,104	-0-	7,104	53.17	5,947
<u>Secondary</u> -Sub-Total- (Lyceu)	13-17	<u>160,704</u>	<u>77,352</u>	<u>238,056</u>	<u>53.17</u>	
1st Year	13	47,574	10,961	58,535	54.01	41,651
2nd Year	14	36,484	8,315	44,799	54.65	33,866
3rd Year	15	29,114	38,318	67,432	54.23	23,418
4th Year	16	31,425	1,797	33,222	51.49	21,696
5th Year	17	16,107	17,961	34,068	49.30	17,147
 Total Non-Technical, Pre University Education		<u>1,264,458</u>	<u>159,902</u>	<u>1,424,360</u>	<u>49.31</u>	

1/ Being phased out; students will go to Preparatory School.

2/ Taken in lieu of Secondary School.

Source: Estatística da Educação, 1975, Instituto Nacional de Estatística

In August 1975, the United Nations Education, Science and Cultural Organization (UNESCO) published a sector report entitled Éléments pour une politique de l'éducation au Portugal (ASMS/ED/EPP/002). It indicated that illiteracy among those fourteen years of age and older totalled some 30 percent. In addition, in the 1972/1973 school year, although 100 percent of the children between the ages of seven and eleven were in school, the proportion fell to 64 percent of those in the twelve to fifteen age cohort. This suggests that the secondary level is a bottleneck to the mobility within the sector. In many areas, schools simply do not exist. In more rural areas, as students do not have secondary schools in their concelhos, and because distances make busing infeasible, students must board in a neighboring area. This expense becomes too overburdensome for poorer families. As a result, the poor simply do not attend secondary school in the same proportion that they represented in the total population.

UNESCO found the preparatory schools, almost universally, to be characterized by double shifts, requiring long, continuous hours of teaching, with resultant low student achievement levels. The study also indicated that 25 percent of the teachers were underqualified and 45 percent did not have teacher education.

Table III shows the increases in the preparatory schools student population since 1969/70. Up to school year 1974/75, there had been accumulated increases of 57.34%. Given the promotion figures from Table II, page 16, it seems assured that approximately 50,000 more students will be added in each of the next two years. In terms of facilities, this translates into about 50 percent more classrooms, merely to keep pace with the present over-crowded conditions. In order to improve classroom/student ratio and provide for construction of replacement facilities, a construction program of a great magnitude must be undertaken, to double the number of schools existant in 1975.

Table I of Annex C presents a district-by-district breakdown of students, teachers, and classrooms. Annex C also contains a more detailed discussion of preparatory education.

TABLE III  
ATTENDANCE IN PUBLIC PREPARATORY AND SECONDARY SCHOOLS  
1969/70 TO 1974/75

<u>Type of Education</u>	<u>School Year</u>	<u>Nº of Students</u>	<u>Increase Over Previous Year</u>	<u>% Increase</u>
<u>Preparatory</u>	1969/70	144,800		
	1970/71	165,840	21,040	14.53
	1971/72	183,788	17,948	10.82
	1972/73	212,052	28,264	15.38
	1973/74	210,407	( 1,645)	(0.76)
	1974/75	227,830	17,423	8.28
	Change from 1969/70 to 1974/75			<u>83,030</u>
<u>Secondary</u>	1969/70	53,913		
	1970/71	65,226	11,313	20.98
	1971/72	79,030	13,804	21.16
	1972/73	99,506	20,476	25.91
	1973/74	123,095	23,589	23.71
	1974/75	160,704	37,609	30.55
	Change from 1969/70 to 1974/75			<u>106,791</u>

Source: Éléments pour une politique de l'éducation au Portugal, UNESCO

Much the same problems that predominate in preparatory education also exist at the secondary level: overcrowding and double shifts. The disparity in student/teacher and pupil/classroom ratios vary significantly from district to district. A further aggravating element in the education equation is that schools do not exist in more rural concelhos, forcing the Portuguese to choose between expensive daily travelling or boarding and no secondary education at all. Annex C provides a more detailed discussion of the secondary school level.

Table III shows that in the six years to 1975, enrollment in secondary schools has increased some 200 percent. In 1974/75 alone, the educational sector had to absorb 30.55 percent more students. The statistics by district are even more catastrophic: Viana do Castelo recorded a 72.3 percent increase; in Castelo Branco, it was 45.39; in Leiria, 44.11; and in Santarém 43.72 percent.

The problem that is being addressed by this loan is the salient one which appears in the sector statistics: adequate access to education, hampered neither by "too many children for too few classrooms", nor by unavailability of schools. One solution would be to assist the GOP in a construction program. In the education equation, given a steadily increasing student body, GOP efforts to train new teachers, and up-grade older ones, only the facilities construction has not kept pace. The bottleneck does not lie with the number of teachers, but rather in the provision of classrooms. (Annex A shows that while the student/teacher ratio decreased by some 12 percent for secondary education, the pupil/classroom ratio increased by some 16 percent. In preparatory schools, the statistics are less dramatic, but the impact is the same: while the student/teacher rate declined 18 percent, the student/classroom rate decreased by only 13.5 percent.)

The increase in public school student enrollment, in the first instance, stems from the 1964 decision to extend universal obligatory education from the four years of primary school to the six years of primary and preparatory school. Compounding the problem, however, was that the number of students increased overnight by the aftermath of the April 25, 1974 revolution:

- democratic ideals and a more egalitarian society interested in achieving higher social goals and higher standards of living, fostered a need for better educated citizens;

- the decolonization effort resulted in the return of 700,000 (50 percent of which were under age 16) from the former colonies who had placed a premium on education;
- the number of private schools and more wealthy children going away to European schools declined because of political and economic uncertainties; and finally,
- the international economic recession drastically cut Portuguese emigration.

The same demographic pressure valves (of the overseas territories and emigration) which had saved the education sector millions of dollars in capital investment in the past now worked in reverse and provided a conduit to deluge already overburdened social infrastructures.

Exacerbating the problem was the centralized feature of the education system: all administration was centered in Lisboa within the Ministério da Educação e Investigação Científica (MEIC) yet school construction was the responsibility of the Ministério das Obras Públicas (MOP). During the early seventies, when the increase was gradual, but recognizable (by the mounting wave effect of the numbers of children graduating each year from primary school), communication of needs from the locality to the center and then within Ministries in Lisboa were slow. Efforts to construct more schools were further retarded by the practice of sacrificing social infrastructure budgets to the war effort in Angola, Moçambique, and Guiné. When the revolution and decolonization came, the inevitable became the actual; overnight, schools which had previously been filled to capacity, became overcrowded. Today, there are approximately 4,200 preparatory classrooms and 3,600 secondary classrooms; MEIC believes that these should be 8,000 and 6,000 respectively.

In the opinion of the Ministry, the learning process for young children in such overcrowded educational recreational, lunch, or extra-curricula facilities was tantamount to no learning at all. The educative

process was virtually choked off by the numbers of children in attendance. Many children had to attend schools during a "late afternoon/night" shift because of overcrowding. In the secondary education, schools did not even exist in more rural areas which previously did not have a sufficient student population to "justify" school buildings.

GOP Preparatory/Secondary School Improvement Program.

In 1976, the GOP approved and started to implement a preparatory and secondary school construction program to change radically the problem of inadequate space availability for students. The program has been granted high priority: it is of major importance to the new government which is interested in achieving social reforms and desirous of creating tangible social infrastructures on a large scale for the first time in recent history. Given the inability of MOP to mobilize quickly in an area (school construction) which had heretofore been its responsibility, MEIC charged its Direccão-Geral de Equipamento Escolar (DGEE) to undertake building on a "crash" basis. (For most schools with a capacity of more than 720 students, MOP still remains as the implementing agency.)

The five-year "crash" program, will build 215 schools, housing 5276 classrooms and attending to the educational needs of some 158,000 children. The total cost of such an ambitious plan (allowing for inflation and contingency over the five years) amounts to approximately \$182 million. (For details of location, size, and costs for the program, see Annex D.) This endeavor has placed a great burden on the Project Department of the DGEE: by the end of calendar year 1976, more than 50 sub-projects had been undertaken; this total was more than the 39 which had been foreseen in the plan. In 1977, the GOP's Orçamento Geral do Estado (OGE) - General State Budget - made provision for the initial funding of \$3.9 million for thirty-two schools totalling some \$20 million in final estimated construction costs. (See Annex D, page 4 for a list of those schools which will be undertaken in 1977; AID-financed structures are prefaced by an asterisk.) For budgetary information, see the Financial Analysis, on page 46. (Table IV shows the output magnitude of the GOP program.)

Although buildings are the site of the educative process, the GOP realizes that schools do not educate children, teachers do. Just as there is a crash program for building structures, there is also one for inculcating educative

TABLE IV

## OUTPUTS OF THE GOP "CRASH" CONSTRUCTION PROGRAM, 1976-1980

<u>Years</u>	<u>Classrooms Constructed</u>	<u>Construction Employment Created</u>	<u>Employment Creation During Normal Functioning</u>			<u>Schools Completed</u>
			<u>Teachers</u>	<u>Administrators</u>	<u>Custodians</u>	
1976	846	900	1,000	100	150	39
1977	1,446	1,500	1,800	180	270	58
1978	1,088	1,000	1,200	120	180	41
1979	1,002	1,000	1,200	120	180	42
1980	<u>894</u>	<u>900</u>	<u>1,000</u>	<u>100</u>	<u>150</u>	<u>35</u>
Total	5,276	5,300	6,200	620	930	215

Source: DGEE, Ministério da Educação e Investigação Científica

techniques and providing teacher training. Although a ready pool of teachers exists in Portugal today, some require in-service, up-grading training. Several important steps have been taken to improve both the quantity and quality of the teaching staff in the short term. First, teacher training departments have been established at institutions of higher learning (either universities, university institutes, or polytechnical institutes) located in Braga (Minho), Aveiro, Évora, the Açores, and Covilhã. Each will graduate approximately 100 professionals per year for staffing at the preparatory and secondary levels. Consideration is being given to the establishment of a Faculty of Education (outside of Lisboa) to concentrate on the education of teacher trainers.

The Universidade Aberta in Lisbon with branches in major cities (essentially a correspondence training system) was created in January 1976. A first priority activity, according to MEIC will be in-service, up-grading training of preparatory and secondary school teachers. In addition to the Universidade Aberta, other in-service training is being developed. For example, the system of "estágios" (teaching practice period and professional induction) is being implemented at the secondary level. In-service training and transference of new teaching techniques is especially important after the hiring of teachers who have returned from the former colonies.

The magnitude of the GOP effort in teacher training is shown in Table V. Between the 1974 and 1975 school years, both student-teacher enrollees and new teachers trained have increased by approximately 50 percent on the preparatory level and 80 percent in the secondary schools. These new teachers represent a five percent increase in the preparatory staff and seven percent increase in the secondary level educators.

TABLE V  
NEW TEACHER TRAINING

	Enrolled in Training Institutions			Concluded Training		
	1973/74	1974/75	%Change	1973/74	1974/75	%Change
Preparatory School Training	584	852	+ 45.89	556	845	+ 51.98
Secondary School (Liceum) Training	411	744	+ 81.02	391	724	+ 85.17

Source: Estatística da Educação, Instituto Nacional de Estatística

The provision of a new curriculum responsive to today's Portugal and with relevance to a modern, democratic society is one of the main focal points in the education sector. In part, as a result of the UNESCO report, a national curriculum development network is being studied. Preliminary plans concerning teacher training and preparatory/secondary curriculum reforms will be presented this year to decision-making levels of government.

Responsibility for education planning rests with the Gabinete de Estudos e Planeamento (GEP), which reports directly to the Minister of Education. It is currently the key policy and planning advisory unit. Well-staffed with about 150 persons (of which 90 are professionals), GEP exercises a control function for MEIC 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.

USAID perceives GOP activity in school construction, teacher training, and curriculum reform as the manifestation of a serious commitment to the improvement of the education sector. The GOP recognition of the problems, plus the realistic steps being taken to surmount them constitute a fully adequate basis for U.S. assistance in overcoming what is an obvious and immediate constraint - the actual lack of classrooms at the preparatory/secondary level.

Foreign Assistance in the Education Sector. During the past year, the United States was the only foreign lender who was active in the educational facilities construction sub-sector. Other foreign assistance is, however, currently being contemplated by a variety of nations and international agencies. The World Bank is considering a relatively large three-year loan program for construction of polytechnical schools, substitution of rented facilities at all levels with new state-owned structures, and possibly, building of preparatory and secondary schools; a technical assistance component will assist teacher training institutions, post-secondary technical training, and a curriculum development network.

The OECD is providing technical assistance and short-term training programs in curriculum design, educational television, open university planning, and financial planning. Besides general technical assistance, the Council of Europe is also making available short-term training for primary teachers and longer-term training for higher level professional educators. UNESCO, in addition to its sector study, has provided technical assistance services similar to those of the OECD and Council of Europe.

The Government of the Netherlands has lent the GOP approximately 6 million guilders for the construction of, equipment for, and technical assistance to the Polytechnical Institute of Vila Real and the University Institute of the Açores. The Government of Sweden, on the other hand, will be maintaining its exchange program for professional educators and evaluators; it will also be procuring equipment and audio/visual aids for permanent education centers. The United Kingdom has committed a 50,000 pounds sterling grant for any technical cooperation needed by the education sector,

while the Government of Norway will be providing the funding for the construction of two schools of dentistry.

Discussions are currently underway between the United Nations Development Program (UNDP) and the GOP on the allocation amongst competing ministries of a \$4 million grant which is to be disbursed from 1977 to 1981. MEIC has submitted a proposal consisting of research and technological exchange, equipment procurement, and technical assistance elements. As yet, no decision has been made on UNDP financing in the education sector.

Evaluation of Prior AID Experiences. The proposed project is a follow-on activity to the School Construction I Loan, signed August 13, 1976. As a consequence of condition precedent review and project monitoring, USAID has found the general capacity of the GOP to contract, execute, and maintain preparatory and secondary school facilities, while far from ideal, to be well above that experienced in most developing countries. Two problem areas which have been identified and which the GOP fully recognizes are set forth below.

First, the management capacity to inspect and supervise construction has been overburdened. Given the geographic dispersity and relative small size of the sub-projects, the stringent cost control/analysis by DGEE, the nature of the work (i.e., replication of model modules), and the contractor's total liability for construction, USAID and DGEE agree that constant on-site engineering supervision is not required. However, a minimum of monitoring is needed; for example, one engineer, assisted by several overseers, could supervise a cluster of sub-projects. Under the existing program, the practical time restraints of review, contracting, cost analysis, and overall coordination have made it difficult for Lisboa-based staff to visit project sites as regularly or as frequently as necessary. As new projects were started, the staff did not expand to meet the exigencies of close monitoring. We have brought this to the attention of the Director-General of School Facilities, in connection with the first loan and its anticipated impact on this loan proposal. He has assured us that his Lisboa staff will be increased and at least six field offices will be established for monitoring purposes. As the provision of supervisory engineering must be assessed on a case-by-case basis, USAID will be reviewing this improved management plan as a condition precedent to initial disbursement.

Second, the sub-project concept comprehends the construction of the school, site preparation and landscaping, and provision of electrical, water, and sewerage lines up to the property line. The municipality is responsible for the provision of power source, water supply, and sewerage collection. Given many municipalities' lack of technical staff and financial resources, the local câmara municipal (local government councils) may be unable to undertake these actions in a timely fashion. In the cases of two AID-financed schools nearing completion, but already fully occupied for instruction, electricity had not been made available in Lisboa and sewerage and electricity were lacking in Resende. USAID is recommending to the GOP that prior to the commencement of construction, MEIC representatives, the contractor, and the local câmara discuss the question of connections; if the câmara is unable to provide utility connections, these costs will be built into the contract and a change order to that effect issued.

#### B. Detailed Description

AID Role. This project seeks to provide the construction and equipping of some eighteen schools: approximately eleven on the preparatory level and seven secondary schools. The activity may also fund a supervisory engineering component, if the DGEE is unable to conduct supervisory engineering functions with its own internal staff. This loan represents a continuing commitment to the educational sector, specifically in the more rural, lesser-developed areas of continental Portugal and the autonomous region of the Azores. It is substantially the same as School Construction I, except that this loan does not provide for the procurement of educational television equipment.

The eighteen schools to be assisted form part of the 215 school construction program which was initiated by the GOP in 1976. Of the thirty-two schools included in this year's budget for the 1977 tranche of the program (see Annex D, page 4 ) AID will be financing up to 75 percent of the estimated costs of eighteen. Table VI shows the probable impact on the overcrowding problem by district/regions as a result of the AID investment.

TABLE VI

PROBABLE IMPACT OF AID INVESTMENT ON STUDENT/CLASS RATIO

<u>District/Region</u>	<u>Pupils per class - Preparatory education</u>		<u>Pupils per class - secondary education</u>	
	<u>As of 1974/75</u>	<u>After Project</u>	<u>As of 1974/75</u>	<u>After Project</u>
Aveiro	60.09	50.87	28.03	23.89
Coimbra	49.98	43.42	29.53	25.84
Faro	69.97	62.19	33.68	31.12
Guarda	34.20	25.78		
Leiria	63.86	43.35		
Porto	67.53	58.46	57.63	54.90
Santarém			36.16	33.60
Viseu	48.20	46.34	44.66	37.22
Açores	44.42	36.22		
Lisboa	58.15	55.24		

Source: USAID Estimate (based on data in Annex C.)

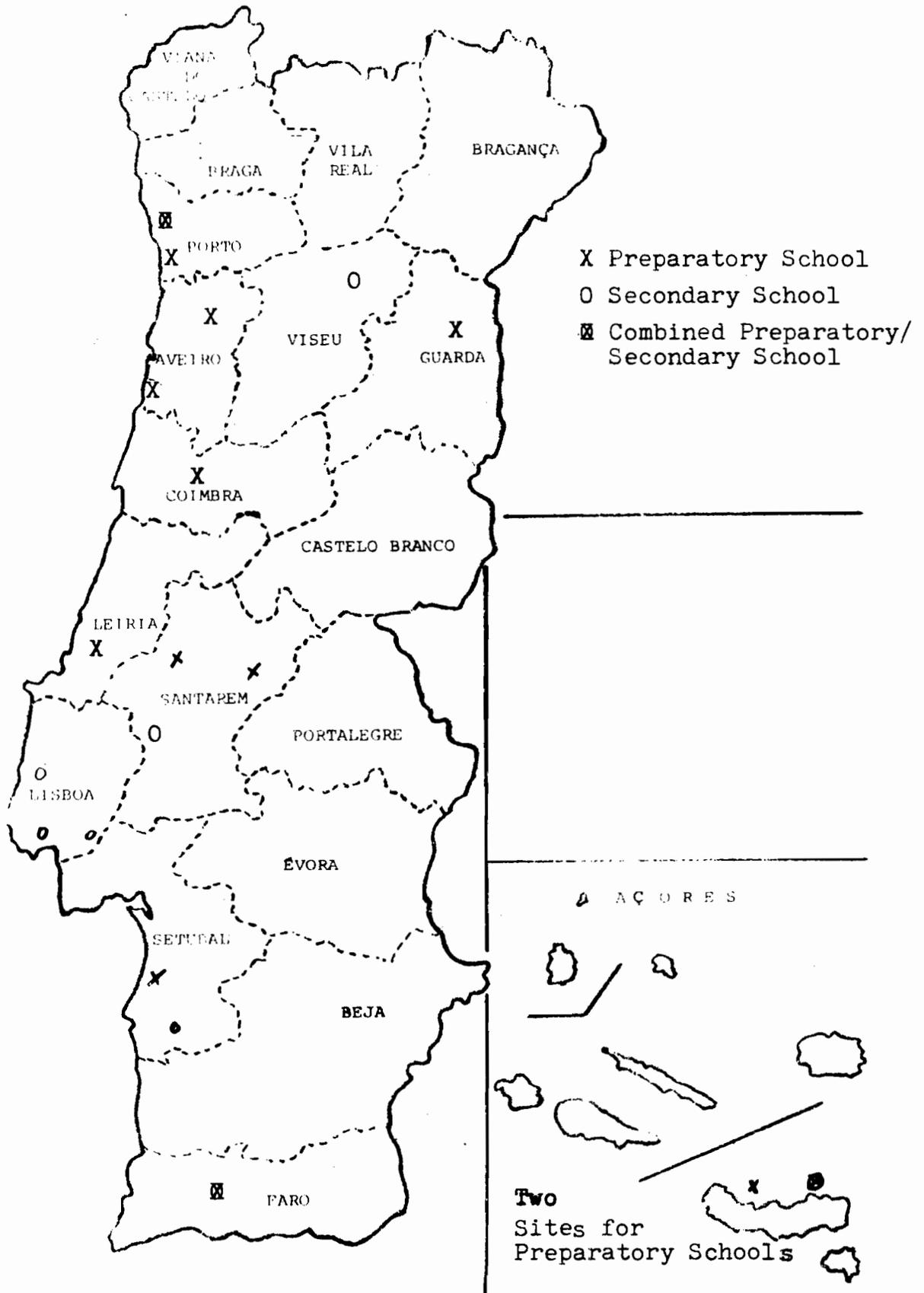
A preliminary list of schools to be included in the AID-financed program is given in Table VII; this listing may need some modifications at the time conditions precedent are submitted. The locations of the proposed schools are shown on the map following Table VII: sixteen schools are on the mainland, and two are in the Azores. This listing, however, is for illustrative purposes only; the final list of eligible sub-projects will be provided to the GOP by implementation letter. As a general rule, no schools on which work had begun prior to October 1, 1976, will be eligible for AID reimbursement.

TABLE VII

PROPOSED SUB-PROJECTS FOR SCHOOL CONSTRUCTION II

<u>District/ Region</u>	<u>Concelho</u>	<u>Type</u>	<u>(Esc. 000) Total Cost</u>
Aveiro	Ilhavo (Gafanha)	Prep.	47,600
Coimbra	Coimbra	Prep.	67,200
Faro	Silves (Messines)	Prep/ Sec.	20,700
Guarda	Pinhel	Prep.	32,400
Leiria	Alcobaca	Prep.	67,200
Lisboa	Azambuja	Sec.	17,600
	Sintra	Sec.	60,800
	Oeiras	Sec.	60,800
Porto	Matosinhos (Senhora da Hora)	Prep/ Sec.	32,400
	Vila Nova de Gaia (Gervide)	Prep.	67,200
Santarem	Cartaxo	Sec.	60,800
	Ferreira	Prep.	46,800
	Santarem	Prep.	20,700
Setubal	Palmela	Prep.	20,700
	Moita	Sec.	11,000
Viseu	Moimenta da Beira	Sec.	63,000
Azores	S. Miguel (Nordeste)	Prep.	29,200
	S. Miguel (Ribeira Grande)	Sec.	38,000
			764,100

Map 1. Location of Proposed Sub-Project Sites for School Construction II.



Logical Framework Narrative. The goals of this loan are socio-economic in nature and are related to the direct purposes in both the long and short-term. First, the project will increase the economic opportunities accruing from higher education for those who attend and teach school. In the more technically-specialized and high-unemployment economy that Portugal now faces, formal education will be the most predominant means of achieving social goals and augmenting one's quality of life. As a second, long-term goal, the assistance will contribute to a redistribution of national wealth to the more rural, less developed, interior areas, as well as the poorer elements of society. (Annex A presents, in tabular form, demographic and economic information on district distribution of gross domestic product and the urban/rural breakdown by district.) After fifty years of neglect under the Salazar and Caetano regimes, the GOP is seeking to restore an internal economic equilibrium in infrastructure investment flows amongst regions. The goal of the instant activity will be to support this GOP initiative. Finally, this loan, as a part of a large-scale U.S. assistance package to Portugal over a four-year period, will assist the Government to realize economic stabilization measures.

Measures of goal achievement include, in the first instance, the numbers of students in preparatory and secondary school who go on to higher education and the numbers of students who become qualified for higher paying, more productive jobs because of their education. Other indicators, on the macro-economic level, will be increases in employment, augmented investment in-flows to less developed districts or autonomous regions, and increased per capita income within impacted regions/districts. Economic stabilization can be measured by a plethora of indicators, the most salient of which being increases in the real growth rate and a decreased inflation rate.

These measures, as they relate to educational achievement, can be verified by MEIC records and statistics and by random sampling. Specifically, increased attendance at the non-compulsory secondary school level would indicate society's perceived need in the area. In a similar fashion, the request for additional schools in other areas of the nation would signal the fact that education and increased economic horizons are perceived to be interrelated by the citizenry. The GOP general budget, employment, and national income account records, provided through the Instituto Nacional de Estatística, would complete the means of verification.

The two major assumptions for achieving goal targets are:

- that education is a productivity increasing and social equalizing force, and
- that Portugal will be politically stable.

The project purpose is to provide new and/or improved educational facilities to relatively poorer areas of Portugal. (Such areas previously had no schools or had inadequate, overcrowded facilities.) In addition, the investment of U.S. assistance will ensure additional income to underdeveloped areas. Given the relatively low skill levels needed in some facets of the construction industry, it is anticipated that those poorest elements of rural society (usually under- or unemployed because of their low skills) will be provided with additional real income. Finally, the infusion of \$15 million will provide balance of payments and general budget support for the GOP.

The end of project status (EOPS) will consist of the realization of various conditions in the educational field. One of these will be the actual teaching of 12,000 students by approximately 600 educators. The courses taught will be those generally corresponding to the subject content indicated in Annex C, as amended by curriculum reform measures currently under study. In addition, student/teacher and pupil/classroom ratios in the impacted areas will show a decline. The final EOPS is that the eighteen schools will be operational and adequately maintained.

The end of project status can be verified by school records and reports, as accumulated by MEIC, and random samples, as necessary. Site inspections will be made to ascertain the optimal utilization of the schools.

The following represent the critical assumptions for achieving the purpose:

- that maintenance workers and teachers are hired and trained in a timely fashion to undertake the smooth and rapid functioning of the preparatory and secondary schools; and
- that teaching and other equipment and supplies are ready for installation, as the school nears completion.

The planned outputs include the construction of eleven preparatory and seven secondary schools in eleven rural and less developed districts of mainland Portugal, in the poorer sections of Lisboa, and in the autonomous region of the Azores. The dollars provided will represent approximately 35,000 worker-months of employment creation, in addition to a simultaneous \$15 million infusion into the Portuguese economy, support to the GOP priority budget item of educational facilities construction, and an increase in the foreign exchange reserves. Such outputs shall be quantified through site inspections, contractor records and vouchers, random sampling, MEIC records, GOP budget and accounting documents, and Government statistics on employment.

The two important assumptions necessary for achieving project outputs are:

- that labor unrest and lack of materials does not retard project progress, and
- that the Project Department of DGEE coordinates the various elements (including local municipality actions) to ensure proper and timely execution of the sub-projects.

As the planned inputs to the project, AID will provide \$15 million as reimbursement of local currency construction costs. The GOP will initially pay the totality of contractors' vouchers; as AID will be reimbursing up to a fixed amount (established at about 75 percent of estimated construction costs), the GOP share is expected to approximate 25 percent, or \$5.0 million in escudo equivalent for estimated construction. In addition, however, the GOP will bear full financing of movable equipment and teaching supplies for the new structures. (A fuller accounting of costs and attribution to either GOP or AID is found in the Financial Analysis Section of this paper.) Inputs shall be verified through AID and GOP financial records and individual sub-project contractor's vouchers.

The provision of inputs is dependent on two major assumptions. These are:

- the timely authorization by AID/Washington and signature of the loan, and
- the timely loan agreement approval by the GOP (Assembleia da República and Conselho de Ministros).

The Project Design Summary: Logical Framework Matrix  
is attached as Annex H.

PART III. PROJECT ANALYSIS

A. Technical Analysis

Introduction. During January 1977, Mr. James Baird, a TDY engineer from AID/W (SER/ENGR), assisted in the development of this project paper, concentrating on the technical aspects of the loan. He reviewed technical requirements of the program with DGEE officials, participated in site inspections, and evaluated past performance under School Construction I; he also reviewed and approved the regulations, contract procedures, and construction standards which were to obtain in the new loan proposal.

Appropriate Technology and Design. Basic architectural and structural design services for MEIC's school expansion program were provided in response to the "design competitions" conducted in 1973 and 1975. These competitions involved the issuance of requests for technical proposals to all Portuguese design/construction firms interested in participating in a school construction program. The object of the competition was to develop a greater interest and increased capacity in the building industry for education facilities; successful companies would be guaranteed a certain amount of work as an inducement to reply.

The request for proposal contained detailed design criteria and suggested alternative site plans for schools to accommodate a specific number of pupils. For example, typical design criteria in regards to space requirements were:

<u>Use/Activity</u>	<u>Students</u>	<u>Space Allocation</u> (in square feet)
General Classroom	32	430-550
Natural Science	32	625-830
Manual Training	32	1075-1400
Music	36	550-690
Visual Education	32	730-935

Similar criteria regarding space requirements for administrative services, conference rooms, offices,

sanitary facilities, gymnasium, and cafeteria/multipurpose halls are also included. Each firm then developed a detailed structural design for modules which could be repeated to form a school of a specified size. (To reduce costs per square foot, MEIC, in its second "competition" of 1975, stipulated, as part of slightly revised design criteria, that a two-story module, measuring approximately 72 feet to a side, be used as the basis for proposals presented.) All structural designs took into consideration appropriate building codes and other Portuguese regulations concerning structural steel design, reinforced concrete design, and seismic requirements.

In 1973 and 1975, following receipt of the architectural/structural design proposals, the technical staff of MEIC and the National Laboratory of Civil Engineering of MOP evaluated each proposal. Construction contracts for pilot projects were negotiated with those firms whose designs were deemed acceptable. In this review process, a basic distinction was made between systems involving:

- traditional construction (timber, masonry, or brick structures erected through labor-intensive techniques),
- industrialization or prefabricated construction,
- light structural steel or timber-frame construction, and
- heavier reinforced (poured-in-place or precast) concrete.

Seventeen firms were allowed to construct pilot modules. Of those, fifteen performed satisfactorily and were subsequently awarded contracts for construction of additional facilities. These firms are actively participating in MEIC's "crash" program for the construction of preparatory and secondary schools. Most of these firms have already successfully completed projects financed under the MEIC development budget; several projects partially financed under the FY 1976 AID loan are nearing completion. These firms should encounter no difficulty in undertaking the program proposed for 1977. The quality of work and internal management capabilities of these firms, as evidenced from on-site inspections of numerous school construction projects, are generally excellent.

Contracting procedures are currently under review and may

be revised, allowing other construction companies (mainly from rural Portugal) to bid on a limited basis for the Portuguese FY 1977 school program. However, USAID expects most of the sub-projects to be undertaken by those firms which already have experience in the sector.

As a result of the design competitions, the DGEE has the general plans and specifications for various types of modules. (These modules differ in student capacity and mode of construction, i.e. traditional, prefabricated, etc.) These proto-types are now being replicated throughout the country. However, more detailed engineering/design services are required following contractor selection for individual sub-projects. These generally involve adaptation of the basic design to specific site conditions and include:

- subsurface investigations to determine foundation conditions and subsequent foundation design;
- development of electrical and mechanical details;
- design of the water distribution network;
- design of stormwater and sanitary sewerage collection and disposal systems; and
- the design of any fixed or special equipment required.

These services are provided by the engineering/construction firm selected for a specific project on the basis of criteria described in the Contracting Procedures Section.

Operation and Maintenance. MEIC is responsible for the construction and staffing of schools to be built under this proposed loan and for ensuring the maintenance of the structures after they are built. Reliance on the local municipalities is mainly for the provision of water and sewerage connections (and electricity, in some cases) and in the transportation (busing) of students to schools. Experience under School Construction I has shown that coordination between local councils and the central authorities needs to be improved. Because of the lack of technical expertise and internal financial viability

of the *conselhos*, some project budgets are supplemented to ensure that these services, which localities cannot finance, are provided on a timely basis.

Both the construction of facilities and the staffing of the schools are undertaken by the *Secretaria de Estado da Administração Escolar (SEAE)*, or the Secretariat of State for School Administration, with the *DGEE* having responsibility to design and erect schools as indicated in the immediately preceding section. The *Direcção Geral da Administração e Pessoal (DGAP)*, or the General Directorate of Administration and Personnel, is charged with the management of the schools after construction (the staffing of teaching positions, the provision of administrators, and the hiring of custodial staff). Recent monitoring has revealed that teaching staff is placed in a timely manner; the only two schools, nearing completion under AID-financing, were opened and functioning even before exterior landscaping, electricity connections, and, in one case, the sewerage connection were completed. (This was done to alleviate the pressure of overcrowding and double sessions in other nearby schools.) However, teachers did maintain that enough janitorial staff had not been hired. To ensure that operations and maintenance staff is available for the sub-projects that AID is financing, we will review with the *DGEE* the teaching, administrative, and auxiliary services personnel staffing for all sub-projects at the conclusion of the individual sub-projects.

Cost Estimate. As a result of the detailed cost analysis carried out following completion of the pilot projects, *MEIC* has been able to control carefully the costs of subsequent sub-projects. During contract negotiations, increases in material prices and/or related line items of work proposed by the contractor, over prices paid under previous contracts, must be justified on the basis of increases in the indices of material and labor costs published periodically by the Government of Portugal. Depending on the site of the project, new contract prices may also be adjusted for increased transport costs. During the term of the contract, unit prices may be increased only to reflect those *GOP* official indices; quarterly increases must be sanctioned by *MEIC*.

Building construction costs in Portugal are currently escalating at an estimated nominal rate of 20 percent per year; labor rates have escalated at a somewhat higher rate and material prices have increased at a slightly lower rate. (Because of devaluation, the effects of inflation in dollar terms is considerably less than the rate would indicate.) Nevertheless, the maximum basic building cost under contracts now in effect is approximately 5500 escudos square meter or about \$13.24 per square foot. Some structures are being completed at a considerably lower cost. MEIC estimates that maximum costs for schools to be constructed under the new loan will be 6000 escudos per square meter or approximately \$14.70 per square foot. Prices are deemed quite reasonable for the facilities being constructed.

The provision of construction supervisory engineering may be undertaken by a Portuguese firm. The 2.5 percent fee applied to the total construction cost estimate is based on current regulations governing such costs and has been found to be acceptable.

Environmental Analysis. The construction program to be financed under the proposed AID loan involves some eighteen schools scattered over eleven districts and the autonomous region of the Azores. As the total land area involved is relatively small, environmental effects relating to land use and the commitment of resources are negligible. In addition, disruptions due to, and air and noise pollution associated with, construction activities will be confined to extremely limited areas and are considered of little consequence.

Water requirements for individual schools are generally provided from the distribution system of the municipality in which the school is located. Likewise, sanitary sewage generated by the facilities is normally disposed of through the municipal collection/treatment system. In those instances where it proves to be more economical and soil conditions permit, septic tanks may be utilized. Provisions for the water supply and sewerage systems are made in the final design drawings.

The major impact associated with the project, a favorable effect, relates to the socioeconomic/cultural aspects of the human environment. The construction of additional preparatory and secondary schools will relieve the overcrowded conditions existing in facilities currently in use, will locate schools in areas previously not having a school, and will enable these facilities also to

be utilized for adult education classes and cultural events. In addition, a much larger number of children will have access to a quality education beyond the primary school level. Subsequently, more will qualify for further training in technical schools or universities. Ultimately, the new facilities will thus contribute to an improvement in the economic status of both the adult population of the communities in which the schools are located and the children directly benefiting from the program.

On the basis of the above discussion and the Initial Environmental Examination (Annex E), the Near East Bureau made a negative determination in its initial environmental examination, and no further assessment is contemplated.

Summary. Excluding those design activities which must await the acquisition of land for a specific project, the detailed architectural/structural designs for the schools to be financed under the AID loan have been completed. The schools are relatively simple, one to three story structures which can be completed in seven to twenty three months, depending on size and site conditions. All are constructed of poured-in-place, reinforced concrete; precast concrete; or more traditional materials. 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. The structures are deemed adequate for the purpose intended and appropriate for the technology available; operation and maintenance of the proposed facilities is within the capabilities of MEIC.

Cost estimates are based on detailed cost analyses carried out following completion of earlier pilot projects and refined as a result of contracts awarded during 1976. Estimates also contain a certain percentage for anticipated cost escalation and contingencies. Estimates are judged to be reasonably firm.

The major bottleneck to a further expansion of construction activities is the inability of the present

DGEE Project Department staff to administer effectively an increasing number of contracts and, at the same time, adequately supervise on-site construction. The DGEE is planning increases to its central staff and will create and staff regional offices; these will be reviewed as part of the condition precedent satisfaction process.

#### B. Financial Analysis and Plan

Recurrent Budget Analysis and Implementing Agency. An analysis of the budgets for school construction, from 1965 to 1977 indicates that annual expenditures in the sub-sector increased from 69 million escudos to 2,521 million escudos, or approximately a 3700 percent increase in twelve years. During that period of time, the only years of decrease of allocations were 1970 and 1973. Since the revolution of 1974, expenditures in this area have shown a marked increase; in 1973, the GOP spent 319 million escudos, while the total expected for 1977 has risen to 2,521 million, an eight-fold increase. Closely paralleling this increase has been the entrance of MEIC into the area of school construction; previously, the large capital investments in education sector facilities had been made through MOP and its Direcção Geral de Construção Escolar. Table VIII shows actual and projected school construction expenses from 1965 to 1977. The almost continuous percentage increase over previous years and the magnitude of expenditures within the last four years detailed in the table reveals the high priority which the GOP attributes to the sub-sector. (Note that percentage increases in the last three years have decreased only because of the progressively higher bases to which they are applied.)

Ministry of Education expenditures, as a proportion of overall budget authority, has risen from 11 percent in 1970 to 15 percent in 1973. In 1976, the Ministry's allocation totalled some 20% of the budget.

The consideration of only the MEIC budget, however, does not give the full picture of the magnitude of the public expenditures made available to the education sector. Other ministries, notably MOP, are directly concerned with education and the construction of schools. In 1975, of a total GOP investment budget of 15.2 billion escudos, the allocation for the education function amounted to 2.3 billion or 15.4 percent; in 1976, this rose to 3.6 billion escudos out of a general investment budget of 22.7 billion, or 16 percent. The Assembleia da República has recently approved a public investment plan of some 35 billion escudos to be financed through the budget revenues. The plan envisions the reservation of 4.97 billion escudos for education, representing approximately 14.5 percent.

TABLE VIII

INVESTMENTS IN SCHOOL CONSTRUCTION, 1965-1977  
(in million escudos)

<u>Years</u>	<u>Preparatory Schools</u>			<u>Secondary Schools</u>			<u>Both Schools</u>			<u>Percentage Change Over Previous Year</u>
	<u>MEIC</u>	<u>MOP</u>	<u>TOTAL</u>	<u>MEIC</u>	<u>MOP</u>	<u>TOTAL</u>	<u>MEIC</u>	<u>MOP</u>	<u>TOTAL</u>	
1965	-	*	*	-	69	69	-	69	69	
1966	-	*	*	-	76	76	-	76	76	+ 10.14
1967	-	*	*	-	130	130	-	130	130	+ 71.05
1968	18	*	18**	-	177	177	18	177	195	+ 50.00
1969	35	46	81	-	233	233	35	279	314	+ 61.03
1970	42	93	135	-	163	163	42	256	298	- 5.10
1971	51	105	156	-	152	152	51	257	308	+ 3.36
1972	129	116	245	-	120	120	129	236	365	+ 18.51
1973	80	90	170	61	88	149	141	178	319	- 12.60
1974	282	150	432	115	109	224	397	259	656	+105.64
1975	355	300	655	155	287	442	510	587	1097	+ 67.23
1976	700	380	1080	317	300	617	1017	680	1697	+ 54.69
1977	<u>1188</u>	<u>497</u>	<u>1685</u>	<u>500</u>	<u>336</u>	<u>836</u>	<u>1688</u>	<u>833</u>	<u>2521</u>	+ 48.55
TOTAL	2880	1777	4657	1148	2240	3388	4028	4017	8045	

\* Included in secondary school construction

\*\* Plus MOP allocation included in secondary school construction

Source: USAID estimates, based on general budget information, obtained from MEIC and UNESCO.

After the fifty years of neglect under authoritarian regimes, the first Constitutional Government is undertaking to compensate in a wide range of social areas - housing, health centers, basic sanitation, and urban development. At a time when large investments are being made in social infrastructures, education has been given a priority status and has maintained its funding momentum in post-revolution Portugal. While other Ministries and sectors have been cut in real terms due to GOP efforts to lower budgetary deficits, the education sector has stayed at a relatively high level.

The total MEIC budget allocated by the Assembleia da República for 1977 is 23.3 billion escudos (\$598 million) of which 12.98 billion (\$333 million) is allocated for the Secretary of State for School Administration. The MEIC development investment budget for construction and equipping of preparatory and secondary schools amounts to 1,780,000,000 escudos (\$44 million) and is given in Table IX.

In addition to the MEIC school construction budget, the Ministry is budgeting increased amounts for teacher training. The 1977 investment totals 55 million escudos, of which all but one million is in current expenditures (mainly personnel costs). At the secondary education level, a 12 million escudos obligation is foreseen. Furthermore, to provide for maintenance, Ministry of Education 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.

Based on past general budget increases, present and projected teacher availability, and projected numbers of auxiliary and administrative staff needed for adequate operations and maintenance (see Table IV, page 22), USAID reasonably believes that the school construction sub-sector is a priority area. In addition, the GOP has established funding parameters which will effectively allow and encourage the continued undertaking of a "crash" program. Adequate funding has been authorized in the general budget for training of teachers and provision of custodial and administrative staffs. As indicated by the foregoing discussion, operations and maintenance for the individual sub-projects has been planned; it is reasonable to anticipate that the GOP will implement these plans, given its financial and managerial capacity.

TABLE IX

COMPONENTS OF MEIC 1977 PREPARATORY AND SECONDARY  
SCHOOL CONSTRUCTION BUDGET  
(in million escudos)

Elements	Investment in 1977			Sources of Financing			Foreign Aid (USAID)
	Total	Capital Account	Current Account	Total	Capital Account	Current Account	
Facilities of preparatory and secondary education	<u>1,508</u>	<u>1,493</u>	<u>15</u>	<u>1,351</u>	<u>1,336</u>	<u>15</u>	<u>157</u>
Renewal of 1976 Authorizations	32	32		32	32		
Works Commencing 1977	268	268		268	268		
Acquisition of Buildings	150	150		150	150		
Functional Expenses	2		2	2		2	
"Crash" Construction Program:							
Ongoing Works	893	893		734	734		157
New Starts	150	150		150	150		
Functional Expenses	13		13	13		13	
Furnishing of preparatory and secondary schools	<u>143</u>	<u>143</u>		<u>143</u>	<u>143</u>		
Actions Initiated in 1976:							
Teaching Material	26	26		26	26		
Furniture	12	12		12	12		
Actions to Initiate in 1977							
Teaching Material	<u>15</u>	<u>15</u>		15	15		
Furniture	90	90		90	90		
Production/equipping of educational TV (prep. level)	<u>18</u>	<u>9</u>	<u>9</u>	<u>18</u>	<u>9</u>	<u>9</u>	
Installation/furnishing of kitchens	<u>49</u>	<u>49</u>		<u>49</u>	<u>49</u>		
<b>TOTAL</b>	<u>1,718</u>	<u>1,694</u>	<u>24</u>	<u>1,561</u>	<u>1,537</u>	<u>24</u>	<u>157</u>
or in million dollars....	<u>44</u>	<u>43.4</u>	<u>.6</u>	<u>40</u>	<u>39.4</u>	<u>.6</u>	<u>4</u>

Source: Orçamento Geral do Estado e Plano, 1977, Ministério das Finanças.

Financial Plan/Budget Tables. USAID estimates that the total financing to be required for the School Construction II Project to be approximately \$24.5 million. Of this amount, which includes inflation and contingency factors, AID would loan up to \$15 million. The remaining \$5.5 million for construction and supervision, \$2.0 million for movable furnishings, and \$1.9 million for teaching supplies will be borne by the GOP. All costs of construction will be in local currency. Materials and equipment to be used for the preparatory and secondary school construction will be of Portuguese source and origin. A possibility does exist of some equipment (notably for the school kitchen) being other than of U.S. or Portuguese source and origin. Such procurement will be for the account of the GOP.

Individual school sub-projects (the type of structure, and total costs) are listed as Table VII on page 30 ; this listing is currently for illustrative purposes only, as a definitive list will be agreed to in writing by AID and GOP through the mechanism of an implementation letter. A map locating the proposed eligible sub-project sites is found on page 31 . The criteria for selection of sub-projects is outlined in the Implementation Plan, Sub-Project Development and Approval section.

Table X, Summary Cost Estimate and Financial Plan, indicates that AID will reimburse up to 75 percent of estimated construction costs, including contractor's fee for management/overhead, materials and equipment, and labor. AID financing will not extend to separately identifiable taxes and to indirect costs.

As this loan proposal is based on a fixed amount reimbursement, the "up to 75 percent" is only an estimate of the final costs to AID. The fixed amount will be defined by an implementation letter and shall not be subject to change.

The GOP will fund at least 25 percent of the estimated construction costs, in addition to payment for supervisory engineering and monitoring, procurement of movable equipment, and provision of teaching materials and supplies. To the extent that the GOP does not provide in-house staff to

TABLE X  
SUMMARY COST ESTIMATE AND FINANCIAL PLAN  
 (US\$000)

Source	AID	LC	Host Country		Other(s)		Total
	FX		FX	LC	FX	LC	
Use							
1. <u>Construction</u>		10,870		3,623			14,493
2. <u>Supervision/ Monitoring</u>		-0-		396 *			396
3. <u>Movable Equipment</u>				1,448			1,448
4. <u>Teaching Equipment and Supplies</u>				1,448			1,448
<u>Sub-Total</u>		<u>-0-</u>		<u>6,915</u>		<u>-0-</u>	<u>17,785</u>
Inflation Factor (30%)		3,260		2,075			5,335
Contingency (8%)		870		553			1,423
Total Project Cost		15,000		9,543		-0-	24,543

\* It is assumed that the GOP will provide in-house construction supervision/monitoring. If an engineering firm is hired, AID may pay up to 75% of such costs.

Source: USAID/Portugal

monitor the progress of the project, AID may require the retention of a consultant supervisory engineering firm; AID may pay up to 75 percent of the estimated costs incurred in the procurement of such services.

For the purposes of financial planning, an inflation rate of 30 percent and a contingency factor of 8 percent are assumed. Costs in the past few years have increased rapidly; as indicated in the Background Section, after the 25th April, 1974 revolution, salaries rose substantially. The following table shows the general price index for materials and labor used in school construction, with 100 equivalent to a 1970 base year. Prior to devaluation, on February 26, 1977, AID assumed a 25 percent inflation rate. Although not fully proportional, the 15 percent devaluation will mean some additional increases in prices and salaries; as a result, an incremental 5 percent is added to the previously foreseen inflation rate.

TABLE XI  
GENERAL CONSTRUCTION COST INDEX  
(100=1970)

Item/Year	1970	1971	1972	1973	1974	1975	1976
Cement	100	100	100	100	110	119	175
Fibercement Tubing	100	100	109	109	114	126	161
Labor	100	100	123	146	238	430	500

Source: Instituto Nacional de Estadística

The Mission believes it to be reasonable to anticipate 30 percent in cost escalation in a two-year construction program; the increases in material costs will be minimized by making advances available for purchase of material and equipment. The formulation of standard modules for construction have fixed material quantities; thus overruns, due to inflated units of material, should not be a factor in school construction. Given past experience in the School Construction I Project, an eight percent contingency is reasonable to account for changes in design, unforeseen foundation problems, change orders, and other uncertainties.

Summary Opinion. Based on the analysis contained in this section, the Mission considers the financial plan presented herein to be adequate and firm. The Mission concludes that the project envisioned is financially sound.

### C. Social Analysis

In the Portuguese experience, education is regarded as a way to attain higher social goals and a better quality of life - both in personal and aggregate terms. The sector is one which is open to all citizens, regardless of social and economic status. It represents a means to activate the individual's desire to better himself, and a way for society to prepare itself to grow in a more technological world.

In 1964, obligatory education was increased from the four years (of the primary cycle) to six years (of both the primary and preparatory levels). In a country of 30 percent illiteracy, it was felt that education had to be extended to reduce the likelihood of regression from literacy to semi-literacy. Even the pre-1974 dictatorial regime considered too low a level of education to be socially unacceptable: workers were not being prepared properly in the basics of mathematics and reading, and were not exposed to basic analytical skills.

Although education is highly centralized in Portugal, this decision to extend universal obligatory education has been widely accepted by the population. Indeed, individual localities had perceived the need for more facilities under the old regime. The numbers of children who graduated from preparatory school and wanted to go to secondary schools (liceus) increased. In the past, as a response to this perceived pressure from the "aldeias"

(villages), the education construction budget increased, especially during the last years of the dictatorship under Marcelo Caetano.

With the Revolution of April 25, 1974, education underwent a radical change. In a frenzy of democratic activity, administrative councils in the secondary schools were established with teacher, student, administrator, and custodial worker representatives. The revolutionary ideals of democracy and socialism had to be reinforced through the school medium. Education was freed from its elitist moorings, as thousands more students entered the classroom. Secondary education - which had been mainly in the private sector during the dictatorship - now was needed in public facilities. This was due to the inability of the new students to pay fees and the non-availability of private schools (which were closing due to political uncertainties, the flight of their patrons and their "reactionary" stigma). Education became more of a right - exercised by all classes - rather than a privilege - enjoyed by a select few.

The influx of retornados from the ex-colonies taxed the facilities even more, as half of their numbers (estimated at 700,000) were under age 16. These pioneer-like persons - probably more than the typical Portuguese - placed a high premium on education. Africans, in order to gain the full rights of Portuguese citizenship, had to be "assimilated", i.e. learn to speak, read and write Portuguese. The Portuguese who emigrated to the colonies usually were literate, or were induced to learn because of this law of assimilation. The retornado, thus, not only wanted his children to enter the obligatory schools, but also desired secondary and higher education for his children.

As a further inducement to education, students finishing the required six years of schooling are unable to find work. Unemployment in Portugal today approximates 15 percent. Given such an economic situation, employment is conceded more and more to older, more educated workers. As a result, children - who have nothing else to do - remain in public schools for their secondary education; this has the double-edged purpose of occupying the youths time, while preparing himself for a more skilled occupation.

From a developmental economics point of view, the increased level of education - even beyond the present six year obligation - is essential for a country which is trying to emerge into the democratic modern world. The authoritarian regimes of the past allowed, and in some cases induced, regional imbalances in gross domestic product and a social system whereby income gaps amongst sectors of society increased. The education sector is seen, therefore, as the most salient Portuguese institution for the introduction of democratic and developmental concepts. Regional investment endowments are being allocated to compensate for past neglect of rural areas, making available facilities to train new minds for a new world. Schools are being located in areas where schools did not previously exist thereby providing thousands with access to the primary benefit of education, social mobility. The farmer of today must be able to read in order to adopt certain, more technical agricultural practices; secondary education is needed to comprehend and implement concepts of cattle and crop disease prevention. In urban, industrial areas, higher educational achievement means better-paying employment. Education is translated into heightened skills and higher skill attainment potentials.

Education is viewed by the Portuguese as an institution open to all, allowing no discrimination on either sex, race or socio-economic bases. The limitation imposed is from within - the capacity of an individual to learn. No barriers are raised to women participation in this sector, yet neither are quotas established. By the constitution, all are equal in the right education. Today, statistics (See Annex C, pages 1 and 3; and Table III, page 18 ) show that women participate in this important development process in numbers which approximate their proportion of the population.

The prevailing Portuguese social sentiment is that a nation without educated citizens cannot grow. At a time in which Portugal keenly feels itself as part of Europe and is seeking integration into the European Economic Community, the sector of education assumes unequalled importance as the surest means of emerging from the "stagnation" of the past.

D. Economic Analysis. Quantification of streams of benefits arising under this loan would be impossible to provide, given the fact that they are mainly social, in scope, and long-term, in nature. In addition, the benefits are highly dependent on the capacities and initiatives of individuals who are taught in the preparatory and secondary schools constructed. The loan provides the site for the educative process; results in increased economic opportunities are more subjective, being a function of the abilities of teachers, the receptivity of students, and the efficacy of a curriculum tailored to the future needs of society and the individual.

Conventional wisdom indicates the higher levels of education correlate to greater skills development and to higher levels of employment income. In a time of severe unemployment, when the supply of workers is unusually high, employers tend to hire those who have the highest qualifications, generally in terms of experience and/or education. As Portugal enters a more technological world and engages more in exports to more developed nations, the demand for better-educated persons will become even greater. One of the purposes of this loan is to establish learning centers to fuel this future labor pool.

Portugal has long been a country of large regional differences in investment flows and per capita income levels. Rural areas have been forgotten by past regimes. By purposefully locating AID-financed schools in relatively less developed, rural areas, it is hoped that economic factors of production can be attracted to the interior regions and lead to an improved quality of life. We view this project as a part of a rural strategy - together with the AID-financed basic sanitation, housing, and health center programs - which will stem the flow of Portuguese from previously stagnating rural zones to currently overburdened urban areas. In economic terms, this project is one element in a joint Portuguese-U.S. scheme to dynamize the rural sector and allow it to enjoy the benefits of balanced national growth.

Although these benefits accruing cannot realistically be assigned a monetary value, magnitudes can be indicated. Construction currently envisioned will be undertaken in areas where no adequate learning facilities currently exists; there is not, therefore, the question of marginal returns from investment at the microeconomic (district or concelho) level. Through the process of design competition, as explained in the Technical Analysis, and continuous evaluation of price increases, MEIC has developed least-cost model modules for replication nationwide. Through the constant monitoring of price indices, standardization of units of materials and work, and almost exact specification of design, the GOP has controlled costs at essentially the lowest realistic levels.

As a result, cost/benefit computations for this project are not practicable and, further, would be of questionable accuracy and value. The benefits, as perceived by the GOP and the benefitting population, clearly outweigh the costs.

PART IV. IMPLEMENTATION PLANNING

A. Administrative Arrangements

Government of Portugal (GOP) Organization. The key GOP administrative organization of this project is the Direcção Geral de Equipamento Escolar (DGEE) or the General Directorate of School Facilities. The DGEE reports to the Secretaria de Estado da Administração Escolar (SEAE), or the Secretariat of State for School Administration, which in turn is a unit within the Ministério da Educação e Investigação Científica (MEIC), the Ministry of Education and Scientific Investigation. The Minister of Education is a member of the Prime Minister's Cabinet.

The construction program directed by MEIC is usually limited to preparatory and secondary schools having a maximum of 720 students. Construction of primary schools and preparatory and secondary schools accomodation in excess of 720 students is generally the responsibility of the Ministério das Obras Públicas (MOP), or the Ministry of Public Works.

The DGEE has its office in Lisboa and does not have regional or field offices to monitor or inspect the works. Currently, the implementation of the GOP preparatory/secondary school program is being executed by the Projects Department of the DGEE. Construction supervision in the Autonomous Region of the Azores is undertaken by the Regional Secretariat of Public Works.

Due to budget limitations, the Ministry of Education has not yet increased the technical staff of its Projects Department as envisioned under the School Construction I and as required for the increased number of sub-projects to be undertaken this year. Major responsibility for site supervision and contract management lies with a coordinating group (for AID financing) of three civil engineers, one electrical engineer and an administrative technical assistant. Each civil engineer assigned to the coordinating group is thus responsible for six to eight projects being undertaken under the current loan, in addition to another ten to twelve financed from the GOP's own resources. Duties involve:

- evaluating technical proposals submitted in response to requests to undertake a specific project;
- preparing provisional contracts;
- reviewing design work carried out under these contracts;
- negotiating definitive contracts following acceptance of the detailed design;
- conducting on-site inspection and supervision of construction activities;
- reviewing and approving progress payments;
- assessing impact of price fluctuations; and
- programming new school construction.

As project sites are widely scattered over twelve districts, the present staff is obviously not adequate to manage effectively the project. Due to the lack of staff to evaluate final cost proposals, the Ministry has had to delay the process of negotiating final construction contracts, even though construction has been proceeding for many months under provisional contracts. In addition, individual construction sites are inspected approximately once every six weeks; these site inspections are not supplemented by visits of regional personnel as originally envisaged. This inspection schedule does not enable the Ministry to monitor effectively and supervise adequately the contractor's day-to-day activities, nor to maintain adequate quality control over materials incorporated into the project. As a result, in the two schools that are nearing completion and are already utilized, water, sewerage, and electricity connections have not been provided in a timely manner by municipalities. In general, construction schedules have been delayed, but not seriously.

The Ministry is aware of these management deficiencies and has two alternative solutions under consideration. According to the Director General of School Facilities, the preferred solution is to hire additional staff within the Ministry itself, in Lisboa and to decentralize responsibilities by establishing and staffing six field offices. Considering the extent of the program proposed under this loan and on-going construction activities, both site inspectors (quantity surveyors) and graduate engineers may be required. The site supervisors could

monitor activities at two or three individual sites, depending on location, and would be responsible for insuring compliance with the technical specifications and contract drawing, verifying quantities of work completed, and certifying progress payments. The engineers assigned to the Ministry's Project Department could then more effectively deal with other contract management problems such as the review and approval of detailed design drawings, preparation of new projects/bid documents, contract negotiations, and the review and approval of major plan changes. In addition, the engineer assigned as the project manager would continue to make periodic, in-depth site inspection. The alternative remedy to the management problem is to negotiate a supervisory engineering contract with one or several outside consultants, who would provide both the on-site inspection staff and the supervisory engineering staff. Consultant personnel would then be directly responsible to the Project Department.

Either alternative is acceptable to AID. To insure that the Ministry takes adequate steps to resolve this issue, a condition precedent under the loan will be the presentation of a project management plan acceptable to AID and the first action steps taken in relation thereto, e.g., employment of adequate supervisory personnel by MEIC. The submission will specifically identify the project management team and describe the duties and responsibilities of each member. Loan funds may be used to finance the supervisory engineering contract, should the Ministry decide to utilize outside Portuguese consultants. USAID will press for this implementation plan prior to loan signature.

AID Monitoring Requirements. AID has reviewed and will approve each sub-project, prior to its inclusion in the construction program. In addition, it will review and approve the model final contract and the overall program of works with the DGEE. At periodic intervals, preferably shortly before or after receipt of requests for disbursements, the USAID/PORTUGAL will inspect a sample number of projects to ascertain the actual status of the work at each site. Brief on-site inspection reports will be prepared for each project, including a description of work completed, work in progress, and problems encountered. An estimate of the percentage of work completed in comparison to the percentage of contract time elapsed and percentage of contract funds expended will also be made. To assist in these inspections, MEIC will make available to AID the detailed construction schedules which

are incorporated into the definitive construction contracts.

An engineer from SER/ENGR or the Regional Office in Rabat will make periodic visits to review contracting and payment procedures to monitor construction progress, and to deal with other matters which might warrant his attention.

In order to assist USAID in its monitoring functions, MEIC will be required to submit brief quarterly reports covering each eligible school; this will be in addition to the information contained in disbursement requests. The initial report will be due following the end of the quarter in which the conditions precedent are met. The report will:

- provide some descriptive data on the school, including number of classrooms, number of students to be accommodated, type of construction, etc.;
- indicate the name of the contractor and date construction commenced or alternately, the reasons for commencement delays and estimated date for awarding of contracts;
- provide an estimate of the percentage of work completed, as compared to the original construction schedule;
- indicate original and current estimated completion dates; and
- identify problems encountered and describe the steps taken to remedy them. Information shall also be provided on the status of teaching staff and maintenance crew hiring and training.

The final report for each school will indicate the original scheduled and actual completion dates and the original estimated and actual total costs. Significant delays will be explained. The date the school will commence operations will also be given.

Method of AID Disbursements. Loan funds shall be disbursed to reimburse GOP expenditures to contractors under a "fixed amount reimbursement" system modified to include advances and progress payments. After the conditions precedent to initial disbursement have been

net, AID and MEIC will agree (and such shall be confirmed by an implementation letter) on a "fixed amount limit" for each eligible school. We anticipate that the fixed amount limit for each school will be approximately 75 percent of the estimate shown herein. Once established, the "fixed amount limit" may not be exceeded or changed; the total of the "fixed amount limits" cannot exceed the loan amount. Thus, MEIC will be responsible for all cost overruns. If real construction costs are lower than the estimates, the GOP will nevertheless receive the full fixed amount, as an incentive to exceptional management and appropriate policy determinations.

Following award of a construction contract, the DGEE may, by law, give an advance of up to 50 percent of the project costs; in practice, however, advances are rarely, if ever, that high. AID's reimbursement formula will provide for a 10% advance following the signing of a construction contract.

The reimbursement schedule to be followed for each subproject financed under the loan is as follows:

(a) 10% of the fixed amount, as an advance, when a construction contract for a sub-project has been executed.

(b) 21.67% of the fixed amount when 25% of the work on a sub-project has been satisfactorily completed;

(c) 21.67% of the fixed amount when 50% of the work on a sub-project has been satisfactorily completed;

(d) 21.66% of the fixed amount when 75% of the work on a sub-project has been satisfactorily completed;

(e) 15% of the fixed amount when 90% of the work on a sub-project has been completed; and

(f) Final 10% upon acceptance of the completed sub-project by AID. A completed sub-project is defined as an operating school with appropriate ancillary services provided.

Verification of construction progress and quality of work will be made by the Mission's local-hire engineer and will be complemented by some inspections by the regional direct-hire engineer in Rabat. The final inspection will determine, not only that physical construction has been completed in accordance with the approved plans and technical specifications, but that the school is a functioning one with adequate teachers, teaching equipment, and supplies. Additionally, the final inspection will verify that supporting services (such as access roads, electricity, sanitary facilities/hookups) are operational.

## B. Implementation Plan

Sub-Project Development and Approval. Table VII, Page 30 , lists probable AID-financed sub-projects from the DGEE portfolio of new preparatory and secondary schools which are scheduled for contract letting during calendar year 1977. The selection criteria that were generally followed was:

- location in smaller urban centers in rural Portugal, (or in poorer areas of metropolitan centers),
- location in areas of over-crowding,
- location in regions of highly unfavorable student/teacher ratios,
- readiness for implementation (that is, forms part of the DGEE action program for this budget year),
- location in school districts which have been heavily burdened by influxes of retornados,
- location in areas of high illiteracy, and
- location in the more underdeveloped districts of Portugal.

The list presented in Table VII is for illustrative purposes only. The final listing of sub-projects will be based on joint DGEE/AID agreement. AID will review and approve cost estimates of each sub-project prior to first disbursement under the loan. AID has already approved the design technical specifications, and plans of school module proto-types under

the School Construction I Loan; as only the proto-types will be replicated throughout the "crash" program, further AID review is unnecessary. A list of eligible schools and a fixed amount reimbursable by AID will be set forth in an implementation letter.

Contracting Procedures. The "design competitions" described in the Technical Analysis were conducted by MEIC in an effort to facilitate a rapid expansion of the preparatory and secondary school systems and develop a capacity in the construction industry to undertake the building of schools. Under current procedures, construction contracts incorporating standardized basic designs developed during these competitions are negotiated, rather than awarded on the basis of competitive bidding. The competitive element is assumed to have been introduced during the design phase. The technical evaluation, conducted following submission of the standardized designs and completion of pilot projects, also included a detailed cost analysis of each structural system utilized; this has enabled the Ministry to maintain close control over the costs of subsequent projects.

Under the School Construction I Loan, the criteria used to determine which contractors were considered for a specific sub-project included:

- the geographic location of the school (the capacities of some smaller contractors limit them to projects within certain districts; traditional construction, in which some firms specialize, is more appropriate for certain remote areas of the country);
- the amount of work underway or projected by each contractor at the time of award and his financial capacity (capacity of each firm in total volume, bank guarantees outstanding and number of contracts which an individual firm can effectively undertake simultaneously varies depending on size); and
- the type and size of school to be built and site conditions (some structural systems are more readily adaptable to a specific site).

(Eleven of the seventeen firms prequalified under the design competition are constructing the 21 schools being financed under the present loan.)

Under the proposed loan, MEIC may continue to follow current procedures or may revert to a system of limited competitive bidding, which would have the effect of contracting with firms headquartered in rural areas. (Currently all but one of the pre-qualified companies are from Lisboa; the other is established in Porto, Portugal's second largest city.) As the standardized designs developed by each firm, i.e., prefabricated, poured-in-place, traditional construction, etc., are directly related to that firm's construction capabilities, a number of contractors would not be able to bid on a specific project. Nevertheless, a sufficient number of firms are skilled in each type of construction to insure adequate competition. Hence, either a selective or limited competition method for contracting is fully acceptable to AID, in that cost control is being assumed by the basic module design and the continuing analysis of cost increase by DGEE.

Following selection of a contractor for a specific sub-project, MEIC awards a provisional contract under which the firm completes the additional engineering design services described under the Technical Analysis Section and commences construction. A sum equivalent to 5 percent of the estimated basic building cost is advanced to the contractor upon execution of this contract. The advance is covered by a bank guarantee. Further advances for materials, equipment and mobilization have not been given in the past, but, as they may be legally requested, may be given under School Construction II. Following completion of the engineering design and preparation of a detailed quantity take-off, a definitive construction contract is negotiated.

During negotiations, the contractor is required to provide a detailed cost breakdown of each line item of construction; these are normally defined in terms of basic building, equipment, and external works costs and are based on unit prices for materials to be incorporated into the work. In addition to cost data, the contractor is required to develop a detailed construction schedule for the project, normally a bar chart indicating the time required to complete foundation excavation, foundation concrete, concrete in columns, beams, and slabs, and other construction activities.

The cost information and construction schedules are ultimately incorporated into the contract form. The Technical

proposal of the contractor and the design criteria provided by MEIC (which include the technical specifications for materials and construction methods) also form a part of the contract. General terms and conditions of contract for the execution of public works, as described under Decree Law 48871, are also incorporated into the contract form by reference. (This document includes causes relating to termination, disputes, etc., and covers essentially all terms and conditions normally appearing in AID-financed contracts.)

In essence, the contract is lump-sum in nature, based on unit prices. Additional payments are authorized only for foundation excavations, concrete poured below elevations foreseen in original design drawings, and addition work undertaken under MEIC change orders. Contracts also include escalation clauses, based on material and labor indices established by the GOP.

The final contract price is delineated in terms of the individual line items of work included in the contract form. Depending on the size and complexity of the contract, a five to ten percent performance bond is required. A further five percent retention is made from each progress payment, the retention usually being released against submission of a bank guarantee. Progress payments are normally made on a monthly basis. The performance bond and retention (or the cumulative bank guarantee) are released following a one year guarantee period.

Schedule. The first sub-project will be underway in March of 1977; however, other sub-projects, not currently foreseen may be added to the eligible list. As a result, the Mission shall be requesting that AID-financing be extended retroactively to contracts executed on or after October 1, 1976. The average construction schedule is approximately fifteen months.

Loan authorization is estimated to take place by April 15, 1977, with the execution of the loan agreement set for the end of May. Conditions precedent will be satisfied by August 30, 1977; first disbursement is tentatively planned for September 30, 1977. The terminal disbursement date is December 31, 1979. Based on the preliminary construction schedule and the 10 percent retention feature for each school, the anticipated disbursement schedule for the School Construction II Loan is as follows:

<u>Date</u>	<u>Loan Disbursement</u> (in \$ million)	<u>Cumulative Disbursement</u> (in \$ million)
1st qtr. FY 1978	\$ 1.88	\$ 1.88
2nd qtr. FY 1978	\$ 2.26	\$ 4.14
3rd qtr. FY 1978	\$ 2.18	\$ 6.32
4th qtr. FY 1978	\$ 1.83	\$ 8.15
1st qtr. FY 1979	\$ 2.45	\$10.60
2nd qtr. FY 1979	\$ 1.08	\$11.68
3rd qtr. FY 1979	\$ 1.87	\$13.55
4th qtr. FY 1979	\$ 0.92	\$14.47
1st qtr. FY 1980	\$ 0.53	\$15.00

A Project Performance Tracking Network is presented in Annex I and shows all systems expected to be completed and inspected by December 31, 1979. Given the improvement expected in the management capabilities of DGEE, the demonstrated capacity of Portuguese firms to undertake the construction and the high priority attributed this program by the GOP, timely implementation of this loan in accordance with the network schedule is a reasonable expectation.

#### C. Evaluation Plan

The inspection prior to AID's final 10% disbursement for each sub-project will also serve as the evaluation for this project. This inspection will verify that construction meets the approved plans and technical specifications for each school. Additionally, the final inspection will verify that adequate teaching and custodial staff are in place; that MEIC has procured the necessary books, teaching aids, and movable equipment; and that all ancillary services are operational. Each school must be functioning in a manner satisfactory to AID before the final 10% disbursement is made; therefore, this inspection is an adequate evaluation of each sub-project.

#### D. Conditions, Covenants, and Negotiating Status

Prior to the execution of a Loan Agreement, the GOP must submit the Agreement to the Assembleia da República for its

approval and must establish a budgetary commitment for the project. The text of the Agreement also must be published in the Diário da República (the official government gazette) to give it legal effect.

USAID is proposing one special condition precedent concerning management of the project. It evolves from the experiences arising under the School Construction I Loan, as discussed in the Background and Administrative Arrangements Sections. Prior to initial disbursement under the loan, the GOP shall provide evidence that the DGEE project coordinating staff is adequate to manage and supervise the program. No special covenants are envisioned for inclusion in the Loan Agreement.

Finally, a special covenant will be included in the agreement ensuring that provision will be made for the timely installation of ancillary facilities.

During the implementation of the current loan, the Mission has discussed the area of prime concern to be resolved through condition precedent: project management. The CP was proposed after discussion with DGEE officials. The Director General of School Facilities has indicated that action will be taken on this matter. The condition precedent would make the action necessary before first disbursement. Given the fact that the GOP shares our concern on management and supervision of the school construction program, the Mission anticipates that the Government will accept the condition precedent indicated above.

## ANNEXES

- A. Economic Information
- B. Illiteracy Information
- C. Preparatory/Secondary Education Information
- D. GOP School Construction Program
- E. Initial Environmental Examination
- F. Checklist of Statutory Criteria
- G. AID Representative Certification
- H. Project Design Summary: Logical Framework
- I. Project Performance Tracking Network
- J. GOP Application for Assistance
- K. Project Description
- L. Draft Loan Authorization

TABLE I  
GROSS DOMESTIC PRODUCT PER CAPITA, PER DISTRICT  
IN 1970 <sup>1/</sup>

<u>District</u> <sup>2/</sup>	<u>Annual Amount (in escudos)</u>	<u>National Mean = 100</u>
Aveiro	17,930	145
Beja	10,627	86
Braga	11,312	92
Bragança	11,028	89
Castelo Branco	8,815	71
Coimbra	13,992	113
Evora	11,034	89
Faro	5,698	46
Guarda	7,052	57
Leiria	14,647	119
Lisboa	11,767	95
Portalegre	11,719	95
Porto	11,032	89
Santarém	12,960	105
Setúbal	26,642	216
Viana do Castelo	5,549	45
Vila Real	6,481	52
Viseu	11,895	96
Continental Portugal	12,363	100

Source : Planning Secretariat

Notes : <sup>1/</sup> Figures shown are based on the productive sectors (agriculture and industry) and not services in the Portuguese Economy. The more urban districts (see Table 2, this Annex) therefore have a lower than actual per capita G.D.P.

<sup>2/</sup> Only districts of Continental Portugal included.

TABLE 2

DISTRIBUTION OF INVESTMENTS BY DISTRICT/REGION, 1977

Location	1976 Population	INVESTMENTS IN 000 ESCUDOS			Total Invest. Per Capita	Social Sector Investment Per Capita
		Social <sup>1/</sup> Sectors	Other Sectors	Total		
Not Able to be Located		885,523	5,136,607	6,022,130		
Able to be Located		31,119,603	12,901,878	44,021,481		
Location to be Determined		22,772,871	5,095,389	27,868,260		
Location Determined		8,346,732	7,806,489	16,153,221		
<u>Continental Districts:</u>						
Aveiro	643,517	327,920	81,750	409,670	0.64	0.51
Beja	200,992	240,725	251,650	492,375	2.45	1.20
Braga	702,815	335,889	55,450	391,339	0.56	0.48
Bragança	212,798	212,762	118,520	331,282	1.56	1.00
Castelo Branco	267,632	206,219	105,890	312,109	1.17	0.77
Coimbra	470,027	470,164	789,186	1,259,350	2.68	1.00
Évora	189,101	289,682	104,329	394,011	2.08	1.53
Faro	371,164	630,355	366,780	997,135	2.69	1.70
Guarda	230,526	211,681	25,545	237,226	1.03	0.92
Leiria	420,060	254,747	89,622	344,369	0.82	0.61
Lisboa	2,000,209	964,157	965,149	1,929,306	0.96	0.48
Portalegre	148,800	172,945	36,893	209,838	1.41	1.16
Pórtó	1,526,540	768,237	607,478	1,375,715	0.90	0.50
Santarém	468,569	387,036	51,900	438,936	0.94	0.83
Setúbal	595,612	1,483,683	3,105,156	4,588,839 <sup>2/</sup>	7.70	2.49
Viana do Castelo	270,110	197,080	153,558	350,638	1.30	0.72
Vila Real	338,640	365,622	73,064	438,686	1.30	1.08
Viseu	454,649	269,711	9,786	279,497	0.61	0.59
Sub-Total for Continental Portugal	9,511,761	7,788,615	6,991,706	14,780,321	1.55	0.82
<u>Autonomous Regions:</u>						
Açores	253,736	323,256	550,600	873,856	3.44	1.27
Madeira	254,476	234,861	264,183	499,044	1.96	0.92
Total	10,019,973	8,346,732	7,806,489	16,153,221	1.61	0.83

<sup>1/</sup> Social Sectors include: education, culture, health, social security, housing, urban development, basic sanitation and public works.

<sup>2/</sup> Investment in Setúbal is inordinately high due to Sines Area Industrial Project

Source: Plano e Orçamento Geral do Estado, Ministério das Finanças, 1977

TABLE 3

## RATES OF URBANIZATION BY DISTRICT/REGION, 1960 AND 1970

District/ Region	Total Population 1960	Urban Population 1960	Percentage	Total Population 1970	Urban Population 1970	Percentage
Aveiro	524,592	41,435	7.9	538,040	45,875	8.6
Beja	276,895	15,702	5.7	201,660	14,760	7.3
Braga	596,768	64,206	10.8	601,860	73,015	12.1
Bragança	233,441	8,075	3.5	176,080	9,310	5.3
Castelo Branco	316,536	37,929	12.0	255,360	45,270	17.8
Coimbra	433,656	57,168	13.2	402,020	66,470	16.5
Evora	219,916	24,144	11.0	174,420	23,665	13.6
Faro	314,841	47,055	14.9	270,840	41,925	15.5
Guarda	282,606	9,094	3.2	206,360	9,735	4.7
Leiria	404,500	29,469	7.3	373,980	33,165	8.9
Lisboa	1,382,959	900,707	65.1	1,568,980	1,043,080	66.5
Portalegre	188,482	22,759	12.1	145,320	21,275	14.7
Porto	1,193,368	450,189	37.7	1,295,900	472,540	36.5
Santarém	461,707	16,449	3.6	422,880	39,530	9.3
Setúbal	377,186	151,518	40.6	466,520	218,960	46.9
Viana do Castelo	277,748	14,371	5.2	247,900	12,510	5.0
Vila Real	325,358	23,419	7.2	261,760	10,050	3.8
Viseu	482,416	16,961	3.6	404,720	16,140	4.0
Açores	327,480	42,927	13.1.	284,120	40,130	14.1
Madeira	268,937	43,301	16.1	246,400	38,340	15.6
Total	8,889,392	2,016,878	22.7	8,545,120	2,275,745	26.6

Source : Instituto Nacional de Estatística

TABLE 1  
ILLITERACY IN POPULATION OF 14 YEARS AND OLDER  
BY DISTRICT FOR 1960 AND 1970

District/Region	Illiterates (in thousands)		As % of 1970 Pop. 14 years or over
	1960	1970	
Aveiro	119	88	22
Beja	106	70	39
Braga	157	117	26
Bragança	68	48	36
Castelo Branco	107	82	44
Coimbra	123	95	32
Évora	74	53	41
Faro	103	79	41
Guarda	86	59	39
Leiria	121	93	34
Lisboa	254	217	19
Portalegre	66	48	45
Porto	247	193	20
Santarém	148	110	35
Setúbal	108	97	36
Viana do Castelo	79	57	31
Vila Real	94	64	33
Viseu	136	100	34
Açores	74	53	26
Madeira	75	62	33
TOTAL	2,348	1,789	29

Source: Instituto Nacional de Estatística.

TABLE 2

ILLITERACY RATE OF POPULATION OVER 14 YEARS OF AGE  
BY AREAS OF INHABITANTS, 1960

<u>Areas</u>	<u>Population Between 15 and 16</u>	<u>Population Over 60</u>	<u>Population Over 15</u>	<u>Total Population</u>
<u>Rural Areas</u>	3,948,050	798,453	4,746,503	6,490,428
Illiterates Illiterates as % of Rural Areas Categories	1,485,797 37.63	548,514 68.70	2,034,311 42.86	
<u>Urban Areas</u>	1,306,749	244,135	1,550,884	2,120,697
Illiterates Illiterates as % of Urban Areas Categories	219,849 16.84	85,356 34.96	305,205 19.68	
<u>All Areas</u>	5,254,799	1,042,588	6,297,387	8,611,125
Illiterates Illiterates as % of All Areas Categories	1,705,646 32.46	633,870 60.80	2,339,516 37.15	
<u>Rural vs. Urban Areas</u>				
Rural Illiterates as % of Total Illiterates by Category	87.11	86.53	86.95	

Source: National Project for Adult Literacy, José Antônio Fernandez,  
et al.

TABLE 3

## ILLITERACY RATE BY AREA AND AGE COHORT, 1960

Age of Cohort	Urban and Rural Areas	Urban Centers	Rural Zones
<u>Total</u>	<u>10,30</u>	<u>25,66</u>	<u>44,60</u>
Under 7	96,85	94,52	97,34
7 - 9	3,00	2,69	3,06
10 - 13	2,38	1,51	2,57
14	5,14	3,20	5,64
15 - 19	9,42	4,84	10,68
20 - 24	20,47	9,87	23,70
25 - 29	26,85	12,26	31,91
30 - 34	30,41	14,75	36,04
35 - 39	33,76	16,24	40,04
40 - 44	39,25	20,18	45,87
45 - 49	48,32	25,52	56,94
50 - 54	52,31	28,78	60,25
55 - 59	53,66	29,35	61,66
60 - 64	56,33	31,00	64,56
65 - 69	59,12	33,33	67,20
70 - 74	63,27	37,35	70,83
75 - 79	66,02	40,08	73,28
80 - 84	67,35	41,05	74,84
85 - 89	68,24	42,94	75,95
90 - 94	68,84	44,63	76,31
95 - 99	67,23	46,18	72,09
100 and over	71,57	48,15	77,86

Source: "Thoughts on the Concept of Illiteracy in Statistics and the Evolution of Illiteracy Rates", Pedro de Campos Tavares, MEIC, 1971, p.35.

TABLE 1  
PUBLIC PREPARATORY EDUCATION, 1973/74 and 1974/75 SCHOOL YEARS, BY DISTRICT/REGION

District/Region	Student Population				Change in Total Student Population	Number of Teachers		Student/Teacher Ratio		I Change in Student/Teacher Ratio	No of Classrooms		Student/Classroom Ratio		I Change in Student/Classroom Ratio
	1973/74		1974/75			1973/74	1974/75	1973/74	1974/75		1973/74	1974/75	1973/74	1974/75	
	Total Students	I Female	Total Students	I Female		1973/74	1974/75	1973/74	1974/75		1973/74	1974/75	1973/74	1974/75	
Aveiro	13604	47.10	14601	47.93	+ 7.32	814	1131	16.71	12.91	-22.74	243	243	55.98	60.09	+ 7.34
Beja	3814	52.73	4541	51.33	+19.06	285	419	13.38	10.84	-19.00	85	79	44.87	57.48	+28.11
Braga	13918	48.25	16835	47.62	+20.96	838	1315	16.61	12.80	-22.92	172	225	80.92	74.82	- 7.54
Bragança	5079	51.96	4735	51.32	- 6.78	381	403	13.33	11.74	-11.86	69	110	73.60	43.05	-41.51
Castelo Branco	5294	50.36	5384	49.41	+ 1.70	384	441	13.79	12.21	-11.47	85	121	62.28	44.50	-28.56
Coimbra	9196	46.64	10595	45.88	+15.21	705	910	13.04	11.64	-10.71	188	212	48.91	49.98	+ 2.18
Évora	4604	47.83	4425	47.73	- 3.89	364	402	12.65	11.01	-12.98	52	89	88.54	49.72	-43.85
Faro	6412	48.75	6717	50.39	+ 4.76	373	530	17.19	12.67	-26.27	78	96	82.21	69.97	-14.89
Guarda	4825	51.85	5028	51.35	+ 4.20	346	409	13.95	12.29	-11.87	142	147	33.98	34.20	+ 0.66
Lairis	9196	48.92	10621	48.38	+15.50	603	876	15.25	12.12	-19.81	144	209	63.86	50.82	-20.42
Lisboas	42252	49.01	46400	48.47	+ 9.82	2806	3517	15.05	13.19	-12.34	562	798	75.18	58.15	-22.66
Portalegre	3299	47.53	3153	47.04	- 4.56	273	283	12.08	11.15	- 7.71	72	89	45.82	35.45	-27.39
Porto	31739	47.85	35544	46.89	+11.99	2078	2578	15.27	13.78	- 9.70	470	568	67.53	62.58	- 7.33
Santarém	10490	45.80	11121	47.22	+ 6.02	740	947	14.17	11.74	-17.12	156	171	67.24	65.04	- 3.28
Setúbal	15132	49.99	15907	48.84	+ 5.12	781	1189	19.38	13.38	-30.97	246	272	61.51	58.48	- 4.92
Viana do Castelo	6056	48.65	6218	49.26	+ 2.68	431	575	14.05	10.81	-23.03	65	82	93.17	75.83	-18.61
Vila Real	6006	51.93	5892	48.64	- 1.90	393	501	15.28	11.76	-23.04	86	134	69.84	43.97	-37.04
Viana	9559	49.29	9639	48.67	+ 0.84	707	904	13.52	10.66	-21.13	138	200	69.27	48.20	-30.42
Açores	3856	49.61	4708	51.34	+22.10	259	386	14.89	12.20	-18.09	71	106	54.31	44.42	-18.22
Madira	6076	54.10	5732	55.32	- 5.66	282	560	21.55	10.24	-52.51	84	72	72.33	79.61	+10.07
Total	210407	48.81	227830	48.54	+ 8.28	13843	18276	15.20	12.47	-17.99	3214	4023	65.47	56.63	-13.50

1/ Does not include private education - 34,246 in 1973/74 and 25,362 in 1974/75

Source: Estatística da Educação, 1974/75, Instituto Nacional da Estatística

## PREPARATORY EDUCATION

Table I of Annex C presents the district-by-district breakdown of students, teachers, and classrooms. In general, the table shows that increases in students are greatest in the Açores, Braga, Beja, Coimbra and Leiria. Throughout all of Portugal, the number of students per teacher vary from 10 to 13. The pupil per classroom ratio, the most significant in terms of this loan, was the most negative element in the survey of preparatory education: the national average was 56.63 student per room, with highs of 79.61 in Madeira, 75.83 in Viana do Castelo, and 74.82 in Braga and lows of 34.20 in Guarda and 35.45 in Portalegre. Because of the increase of 8.28 percent in students from 1974 to 1975, the already overcrowded conditions were exasperated in Aveiro, Beja, Coimbra and Madeira.

As regards the preparatory cycle of education, the UNESCO report found that double sessions were utilized because of lack of facilities; this meant that students had to attend school for five consecutive hours in order to satisfy official time standards for instruction. As the law requires a 27-hour school week, children are divided into two shifts and are taught continuously from 8:30 a.m. to 1:30 p.m. or from 2:00 p.m. to 7:00 p.m. The residual two hours are made up on Saturday mornings. Given children's limited attention span, UNESCO was concerned that students were not learning as much as they would under different circumstances. The study also showed that at this level, some 25 percent of the teachers were underqualified and 45 percent of the staff did not have teaching education. (For time allotment by subject, see Annex C, page 5.)

TABLE 2  
PUBLIC SECONDARY (LICEU) EDUCATION, 1973/74 AND 1974/75 SCHOOL YEARS, BY DISTRICT/REGION

District/ Region	Student Population				% Change in Total Student Population	No of Teachers		Student/Teacher Ratio		% Change in Student/Teacher Ratio	No of Classrooms		Student/Classroom Ratio		% Change in Student/Classroom Ratio
	1973/74		1974/75			1973/74	1974/75	1973/74	1974/75		1973/74	1974/75	1973/74	1974/75	
	Total Students	% Female	Total Students	% Female											
Aveiro	5,890	55.62	8,074	54.79	37.08	431	703	11.67	11.48	- 15.98	246	288	23.94	28.03	+ 17.10
Beja	1,364	58.06	1,755	58.86	28.67	68	99	20.06	17.73	- 11.63	61	69	22.36	25.43	+ 13.75
Braga	5,418	52.10	7,389	53.78	36.38	278	420	19.49	17.59	- 9.73	171	151	31.68	48.93	+ 54.46
Brajança	3,412	56.42	4,565	58.12	33.79	159	231	21.46	19.76	- 7.91	64	77	53.31	59.29	+ 11.21
Castelo Branco	2,106	55.18	3,062	61.56	45.39	108	164	19.50	18.67	- 4.26	64	64	32.91	47.84	+ 45.38
Coimbra	6,160	51.38	8,269	50.57	34.24	523	755	11.78	10.95	- 7.03	206	280	29.90	29.53	- 1.23
Évora	2,139	57.92	2,765	58.16	29.27	178	262	12.02	10.55	- 12.20	96	132	22.28	20.95	- 5.98
Faro	3,808	57.17	4,917	54.89	29.12	218	338	17.47	14.55	- 16.73	156	146	24.41	33.68	+ 37.97
Guarda	2,565	60.08	3,342	59.01	30.29	136	214	18.86	15.62	- 17.20	63	87	40.71	38.41	- 5.64
Leiria	3,215	51.01	4,633	51.85	44.11	230	437	13.98	10.60	- 24.16	102	117	31.52	39.60	+ 25.63
Lisboa	38,097	53.49	47,504	53.54	24.69	1,971	2,666	19.33	17.82	- 7.82	658	743	57.90	63.94	+ 10.42
Portalegre	1,276	54.62	1,660	54.88	30.09	82	190	15.56	8.74	- 43.85	49	94	26.04	17.66	- 32.18
Porto	21,986	51.61	27,833	52.56	26.59	1,238	1,604	17.76	17.35	- 2.30	501	483	43.88	57.63	+ 31.32
Santarém	3,975	55.87	5,713	54.72	43.72	245	453	16.22	12.61	- 22.25	141	158	28.19	36.16	+ 28.27
Setúbal	8,092	56.18	11,110	55.96	37.30	350	718	23.12	15.47	- 33.07	175	235	46.24	47.28	+ 2.24
Viana do Castelo	1,718	54.37	2,970	52.56	72.88	97	161	17.71	18.45	+ 4.16	50	70	34.36	42.43	+ 23.48
Vila Real	2,475	58.55	3,225	59.38	30.30	130	162	19.04	19.90	+ 4.56	59	85	41.95	37.94	- 9.56
Viseu	3,803	55.06	4,913	54.98	29.19	196	278	19.40	17.67	- 8.90	129	110	29.48	44.66	+ 51.50
Açores	2,756	55.37	3,234	55.38	16.98	114	166	24.18	19.48	- 19.43	99	102	27.84	31.71	+ 13.87
Madeira	2,840	62.78	3,771	62.82	32.78	119	147	23.87	25.65	+ 7.47	35	35	81.14	107.74	+ 32.79
Total	123,095	54.20	160,704	54.44	30.55	6,871	10,168	17.92	15.80	- 11.80	3,125	3,526	39.39	45.58	+ 15.71

1/ Does not include private education - 88,677 in 1973/74 and 77,352 in 1974/75

Source: Estatística da Educação, 1974/75, Instituto Nacional de Estatística

## SECONDARY EDUCATION

UNESCO discerned much the same problems in secondary education: overcrowding, but, overall, to a less serious extent. As a result of students exceeding facility capacity, two shifts is the general practice; the schedule for class - five consecutive hours - parallels the preparatory school "model". Usually, there are no classes on Saturday. As a result, although officially courses must be planned on a 30 hour week, because of overcrowding, only 25 hours can be realized. Scientific equipment and audio-visual aids foreseen for the normal capacity of a school are insufficient for the actual student population. For subject matter and time schedules, see Annex C, page 6.

The disparity in student/teacher and pupil/classroom ratio is significant from district to district. Table II, Annex C shows that students per teacher range from a high of 25.65 in Madeira to a low of 8.74 in Portalegre, with the national average near to Guarda's 15.62. From 1974 to 1975, only these districts substantial exceeded this ratio - Madeira, Vila Real, and Viana do Castelo. In terms of pupils per classroom by 1975, the overcrowding phenomenon is noticed most in Madeira (with 108 students per classroom), Lisboa (63.94), Braganca (59.29), and Porto (57.63). The most salient characteristic of the secondary education sub-sector, however, was the fact that despite the addition of some 400 classrooms, the pupil/room ratio still rose nationwide from 39.39 to 45.58. Only the districts of Coimbra, Evora, Guarda, Portalegre and Vila Real registered a beneficial decline in the ratio.

PREPARATORY EDUCATION: DIVISION OF TIME, BY DISCIPLINE

Discipline	First Year		Second Year	
	Hours	Percentage	Hours	Percentage
Portuguese	5	18.5	4	14.8
Mathematics	3	11.1	3	11.1
Foreign Language	4	14.8	3 3	22.2
Sciences	2	7.4	3	11.1
History	3	11.1	2	7.4
Visual Education	3	11.1	2	7.4
Morality and Religion	1	3.7	1	3.7
Manual Work	2	7.4	2	7.4
Physical Education	3	11.1	3	11.1
Music Instruction	1	3.7	1	3.7
Total	27	99.9	27	99.9

Source: Time Schedule, Escola Fernando Pessoa, Lisboa

SECONDARY EDUCATION - GENERAL CYCLE

(FIRST THREE YEARS)

DIVISION OF TIME BY DISCIPLINE

Discipline	Hours	Percentage
Portuguese	4	13.3
French	2	6.7
English	4	13.3
History	2	6.7
Geography	2	6.7
Natural Sciences	2	6.7
Physics/Chemistry	3	10.0
Mathematics	4	13.3
Designing	2	6.7
Physical Education	4	13.3
Music (Singing)	<u>1</u>	<u>3.3</u>
Total	30	100.0

Source : Official Texts of M.E.I.C.



Table 1  
Five-year Preparatory/Secondary School  
Construction Program

Annex D  
Page 1

Area	Grouping of Concelhos	1976		1977		1978	
		Schools Commenced	Student Beneficiaries	Schools Commenced	Student Beneficiaries	Schools Commenced	Student Beneficiaries
I. Minho, Douro, and Tras-os-Montes	Valenca	1	360	1	720	1	360
	Viana do Castelo	1	180	1	900	1	720
	Barcelos						
	Braga	1	720	1	720		
	Guimaraes	1	720	3	2160		
	Fafe	1	720	1	720		
	Amarante	1	720	1	720		
	Penafiel			3	2160		
	Chaves	3	1080	1	540	1	900
	Vila Real	1	720	2	720	1	540
	Braganca					1	540
	Mirandela	1	900	1	360	1	540
	Torre de Moncorvo			2	1080		
	Lamego	1	540	1	720		
	S. Joao da Madeira	1	900	1	720	1	540
Sub-Total		<u>13</u>	<u>7560</u>	<u>19</u>	<u>12240</u>	<u>7</u>	<u>4140</u>
II. Porto	Metropolitan area	3	3060	2	1800	4	3960
Sub-Total		<u>3</u>	<u>3060</u>	<u>2</u>	<u>1800</u>	<u>4</u>	<u>3960</u>
III. Beira	Viseu	1	180	2	1080	3	1620
	Aveiro	2	360	2	1800	1	900
	Guarda	1	720	2	720	1	360
	Seia	1	720	2	1260	1	540
	Coimbra	1	1260	2	1620	1	360
	Figueira da Foz	1	180	1	720	2	900
	Arganil	1	540	1	540		
	Figueiro dos Vinhos						
	Covilha					1	720
Sub-Total		<u>8</u>	<u>3960</u>	<u>12</u>	<u>7740</u>	<u>10</u>	<u>5400</u>
IV. Lisboa	Metropolitan area	6	5220	13	14400	12	12960
Sub-Total		<u>6</u>	<u>5220</u>	<u>13</u>	<u>14400</u>	<u>12</u>	<u>12960</u>
V. Estremadura and the Tejo Valley	Castelo Branco						
	Leiria	1	720	1	360	1	900
	Caldas da Rainha	1	360	1	540	1	720
	Tomar			1	540		
	Abrantes	1	540				
	Torres Novas						
	Santarem	1	720	1	720	2	1480
Torres Vedras	1	720	1	720	1	720	
Sub-Total		<u>2</u>	<u>3060</u>	<u>2</u>	<u>2880</u>	<u>2</u>	<u>3780</u>
VI Alentejo	Portalegre						
	Estremoz					1	720
	Montemor-o-Novo						
	Evora	1	720				
	Sines			1	720	1	720
	Beja			1	900		
	Elvas			1	360		
Moura	1	720					
Ourique	2	1080					
Sub-Total		<u>4</u>	<u>2520</u>	<u>3</u>	<u>1980</u>	<u>2</u>	<u>1440</u>
VII. Algarve	Faro			1	720		
	Portimao			3	1620	1	960
	Tavira						
Sub-Total		<u>0</u>	<u>0</u>	<u>4</u>	<u>2340</u>	<u>1</u>	<u>960</u>
Total for Continental Portugal		<u>39</u>	<u>25380</u>	<u>58</u>	<u>43380</u>	<u>41</u>	<u>32640</u>
Cost (in million dollars, with Esc. 39=\$1)		21.7		42.7		36.9	

CONTINUED ON NEXT PAGE.

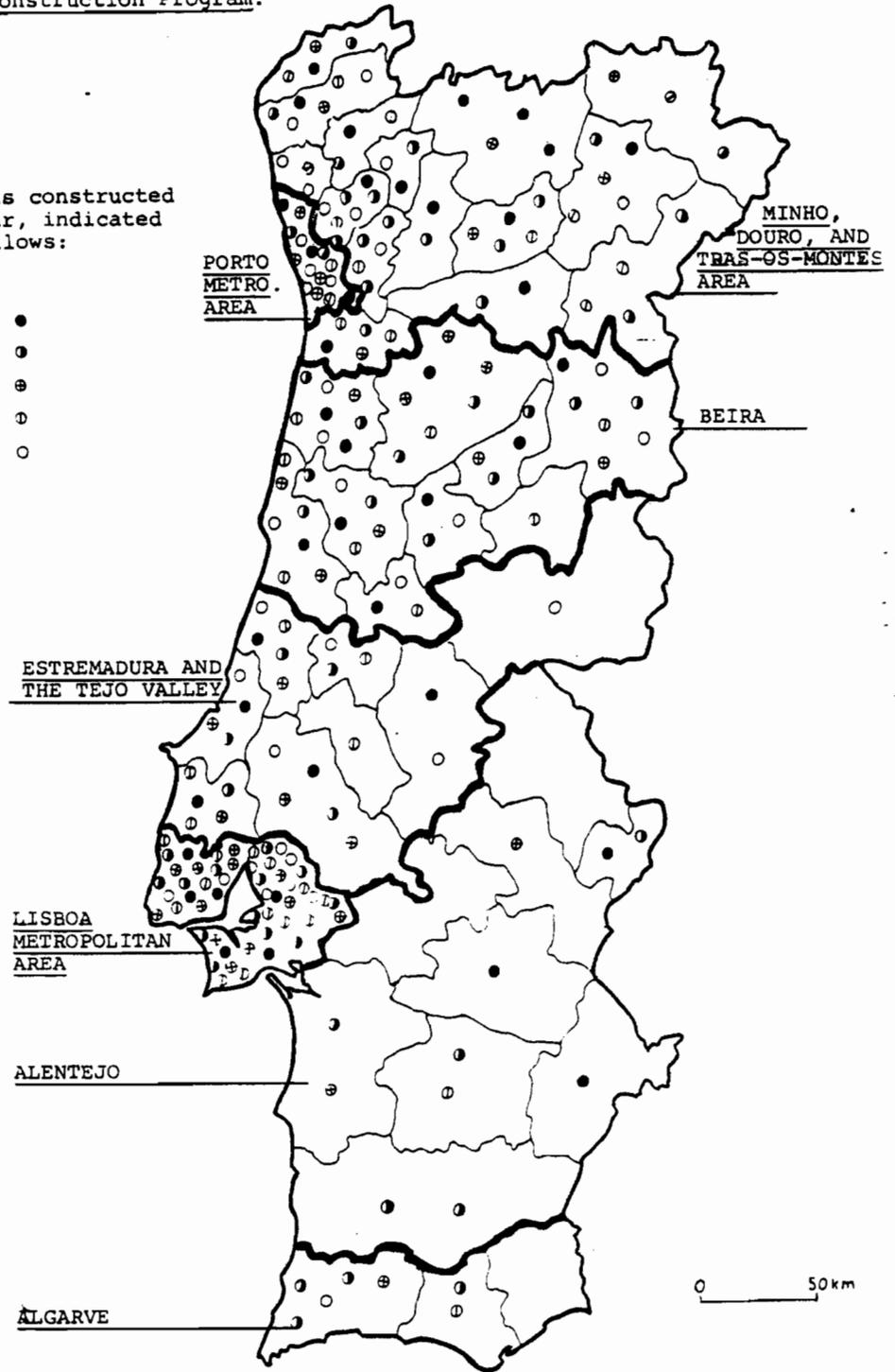
Table 1  
Five-year Preparatory/Secondary School  
Construction Program  
(Continued)

Area	Grouping of Concelhos	1979		1980		Total	
		Schools Commenced	Student Beneficiaries	Schools Commenced	Student Beneficiaries	Schools Commenced	Student Beneficiaries
I. Minho, Douro and Tras-os-Montes	Valenca	1	720			4	2160
	Viana do Castelo	1	720	2	540	6	3060
	Barcelos	1	360	2	1440	3	1800
	Braga	1	900			3	2340
	Guimaraes	1	900	2	2160	7	5940
	Pafe			1	900	3	2340
	Amarante					2	1440
	Penafiel	1	720	1	900	5	3780
	Chaves					5	2520
	Vila Real	1	540			5	2520
	Braganca	1	720			2	1260
	Mirandela	1	360	1	900	5	3060
	Torre de Moncorvo	2	1260			4	2340
	Lamego					2	1260
S. Joao da Madeira	2	720			5	2880	
<u>Sub-Total</u>		<u>13</u>	<u>7920</u>	<u>2</u>	<u>6840</u>	<u>61</u>	<u>38700</u>
II. Porto	Metropolitan area	2	1440	4	3600	15	13860
<u>Sub-Total</u>		<u>2</u>	<u>1440</u>	<u>4</u>	<u>3600</u>	<u>15</u>	<u>13860</u>
III. Beira	Viseu	1	540			7	3420
	Aveiro	1	540	2	720	8	4320
	Guarda	1	360	1	1440	6	3600
	Seia					4	2520
	Coimbra	1	360	1	360	6	3960
	Figueira da Foz	2	540	1	360	7	2700
	Arganil			1	540	3	1620
	Figueiro dos Vinhos	1	540	1	540	2	1080
	Covilha					1	720
<u>Sub-Total</u>		<u>7</u>	<u>2880</u>	<u>7</u>	<u>3960</u>	<u>44</u>	<u>23940</u>
IV. Lisboa	Metropolitan area	13	13140	8	8100	52	53820
<u>Sub-Total</u>		<u>13</u>	<u>13140</u>	<u>8</u>	<u>8100</u>	<u>52</u>	<u>53820</u>
V. Estremadura and the Tejo Valley	Castelo Branco			1	540	1	540
	Leiria	1	540	1	540	5	3060
	Caldas da Rainha			1	360	4	1980
	Tomar	1	360	1	900	3	1800
	Abrantes			1	360	2	900
	Torres Novas	1	360			1	360
	Santarem			1	900	5	3780
	Torres Vedras	2	1800			5	3960
<u>Sub-Total</u>		<u>2</u>	<u>3060</u>	<u>6</u>	<u>3600</u>	<u>26</u>	<u>16380</u>
VI. Alentejo	Portalegre						
	Estremoz					1	720
	Montemor-o-Novo						
	Evora					1	720
	Sines					2	1440
	Beja	1	720			2	1620
	Elvas					1	360
Moura					1	720	
Ourique					2	1080	
<u>Sub-Total</u>		<u>1</u>	<u>720</u>	<u>0</u>	<u>0</u>	<u>10</u>	<u>6660</u>
VII. Algarve	Faro	1	900			2	1620
	Portimao			1	720	5	3300
	Tavira						
<u>Sub-Total</u>		<u>1</u>	<u>900</u>	<u>1</u>	<u>720</u>	<u>7</u>	<u>4920</u>
<u>Total For Continental Portugal</u>		<u>42</u>	<u>30060</u>	<u>35</u>	<u>26820</u>	<u>215</u>	<u>158,280</u>
Cost (in million dollars, with esc. 39-\$1)		39.1		40.1		180.5	

Map 1. Locations of Schools  
To Be Built in COP's Five-  
Year Construction Program.

Schools constructed  
by year, indicated  
as follows:

- 1976 ●
- 1977 ○
- 1978 ⊕
- 1979 ⊖
- 1980 ○



SCHOOLS TO BE STARTED  
IN CY1977

- 1.\*Escola Preparatória de Meda, Guarda.
- 2.\*Escola Preparatória Silva Gaio, Coimbra, Coimbra.
3. Escola Preparatória de Telheiras (Lisboa) Lisboa.
4. Escola Preparatória de Santa Comba Dão, Viseu.
- 5.\*Escola Secundária do Cartaxo, Santarém.
- 6.\*Escola Secundária de Moimenta da Beira, Viseu.
7. Escola Preparatória de Caminha, Viana do Castelo.
- 8.\*Escola Preparatória de Alcobaça, Leiria.
- 9.\*Escola Preparatória de Montelavar (Sintra), Lisboa.
- 10.\*Escola Preparatória de S. Bartolomeu de Messines (Silves), Faro
11. Escola Secundária de Arganil, Coimbra.
12. Escola Preparatória de Fajões (Oliveira de Azeméis), Aveiro
- 13.\*Escola Secundária da Damaia (Oeiras), Lisboa.
- 14.\*Escola Preparatória da Senhora da Hora (Matosinhos), Porto
- 15.\*Escola Secundária de Gervide (Gaia), Porto.
16. Escola Preparatória de Trancoso, Guarda.
- 17.\*Escola Preparatória de Pinhel, Guarda.
18. Escola Preparatória de Pova do Lanhoso, Braga
19. Escola Preparatória de Queluz, Lisboa.
20. Escola Prpeparatória de Vila das Aves (S. Tirso), Porto.
- 21.\*Escola Preparatória da Benedita (Alcobaça), Leiria.
22. Escola Secundária de Vila Franca de Xira, Lisboa.
23. Escola Preparatória de Chelas (Lisboa), Lisboa.
24. Escola Secundária da Lousã, Coimbra.
  
- 25.\*Escola Secundária de Coimbrões (Gaia), Porto.
26. Escola Preparatória e Secundária de Esgueira (Aveiro), Aveiro.
27. Escola Preparatória de Cabeceiras de Basto, Braga.
- 28.\*Escola Preparatória da Gafanha (Ilhavo), Aveiro.
29. Escola Secundária de Murça, Vila Real.
- 30.\*Escola Preparatória da Ribeira Grande, Ponta Delgada.
31. Escola Preparatória de Cabreiros (Braga), Braga.
- 32.\*Escola Secundária de Ilhavo, Aveiro.

THRESHOLD DECISION BASED ON  
INITIAL ENVIRONMENTAL EXAMINATION

Project Location: PORTUGAL

Project Title: SCHOOL CONSTRUCTION

Funding (Fiscal Year and Amount): FY 1977 \$15.0 million

IEE Prepared By: J. Baird, SER/ENGR Date: 1/17/77

Environmental Action Recommended:  
(Environmental Assessment, Negative Determination, etc)

Negative Determination

Mission Decision:  
(Approval/Disapproval of Environmental Action Recommended  
in the IEE)

APPROVED: *Sean C. Fullerton*

DISAPPROVED: \_\_\_\_\_

DATE: March 3, 1977

Clearances:

Environmental Coordinator: *Ch. Brubaker* Date: *3/10*

Other Mission Offices: *AS* Date: *2. III. 77*

INITIAL ENVIRONMENT EXAMINATION  
NARRATIVE DISCUSSION

1. Project Location: PORTUGAL
2. Project Title: SCHOOL CONSTRUCTION
3. Funding (Fiscal Year and Amount): FY 1977 \$ 15.0 million
4. Life of Project: 24 months
5. IEE Prepared By: J. Baird, SER/ENGR Date: 1/17/77
6. Action Recommended: Negative Determination
7. Discussion of Major Environmental Relationship of Project Relevant to Attached Impact Identification and Evaluation Form:

The construction program to be financed under the proposed AID loan involves some 18 schools scattered over 11 districts of the country. The total land area involved is relatively small; hence, environmental effects relating to land use and the commitment of resources are negligible. In addition, disruptions due to, and air and noise pollution associated with, construction activities will be confined to extremely limited areas and are considered of little consequence.

Water requirements for individual schools are generally provided from the distribution system of the municipality in which the school is located. Likewise, sanitary sewage generated by the facilities is normally disposed of through the municipal collection/treatment system. In those instances where it proves to be more economical and soil conditions permit, septic tanks may be utilized. Provisions for the water supply and sewerage systems are made in the final design drawings.

The major impact associated with the project, a favorable effect, relates to the socioeconomic/cultural aspects of the human environment. The construction of additional preparatory and secondary schools will relieve the overcrowded conditions existing in facilities currently in use and enable these facilities to also be utilized for adult education classes and cultural events.

In addition, a much larger number of children will have access to a quality education beyond the primary school level; subsequently, more will qualify for further training in technical schools or universities. Ultimately, the new facilities will thus contribute to an improvement in the economic status of both the adult population of the communities in which the schools are located and the children directly benefitting from the program.

IMPACT IDENTIFICATION AND EVALUATION FORM

<u>Impact Areas and Sub-areas</u>	Impact Identification and Evaluation <u>1/</u>
<b>A. <u>LAND USE</u></b>	
1. Changing the character of the land through:	
a. Increasing the population	N
b. Extracting natural resources	N
c. Land clearing	L
d. Changing soil character	N
2. Altering natural defenses	L
3. Foreclosing important uses	L
4. Jeopardizing man or his works	L
5. Other factors	
_____	_____
_____	_____
<b>B. <u>WATER QUALITY</u></b>	
1. Physical state of water	N
2. Chemical and biological states	N
3. Ecological balance	N
4. Other factors	
_____	_____
_____	_____

1/ N - No environmental impact  
 L - Little environmental impact  
 M - Moderate environmental impact  
 H - High environmental impact

U - Unknown environmental impact

IMPACT IDENTIFICATION AND EVALUATION FORM

C. ATMOSPHERIC

1. Air additives
2. Air pollution
3. Noise pollution
4. Other factors

N

L

L

D. NATURAL RESOURCES

1. Diversion, altered use of water
2. Irreversible, inefficient commitments
3. Other factors

L

N

E. CULTURAL

1. Altering physical traditions
2. Dilution of cultural traditions
3. Other factors

N

N

F. SOCIOECONOMIC

1. Changes in economic/employment patterns

M

- 2. Changes in population     L
- 3. Changes in cultural patterns     N
- 4. Other factors
- \_\_\_\_\_
- \_\_\_\_\_

G. HEALTH

- 1. Changing a natural environment     L
- 2. Eliminating an ecosystem element     N
- 3. Other factors
- \_\_\_\_\_
- \_\_\_\_\_

H. GENERAL

- 1. International impact     N
- 2. Controversial impact     N
- 3. Other factors
- \_\_\_\_\_
- \_\_\_\_\_

I. OTHER POSSIBLE IMPACTS (not listed above)

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

Prepared By: James Baird Date: 1/17/77

Project Location: PORTUGAL

Project Title: SCHOOL CONSTRUCTION

AID HANDBOOK 3, App 60

TRANS. NO.

3:

DATE

November 10, 1970

PAGE NO.

60(1)-1

PORTUGAL

60(1) - COUNTRY CHECKLIST

Listed below are, first, statutory criteria applicable generally to FAA funds, and then criteria applicable to individual fund sources: Development Assistance and Security Supporting Assistance funds.

A. GENERAL CRITERIA FOR COUNTRY

1. FAA Sec. 116. Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in consistent pattern of gross violations of internationally recognized human rights?

Yes. Project will provide educational facilities to relatively poorer areas of Portugal where schools did not formerly exist or where there was overcrowding and will provide additional real income to the poorer element of society.

2. FAA Sec. 491. Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics 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.

3. FAA Sec. 670(a). Does recipient country furnish assistance to the United States? Give appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?

The Secretary of State waived the applicability of this Section with respect to furnishing of assistance on August 20, 1975

4. FAA Sec. 670(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the International Communist Movement?

Yes.

5. FAA Sec. 670(c). If assistance is to government, is the government liable as debtor or unconditional guarantor of any debt to a U.S. citizen for goods or services furnished or ordered under (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.

6. FAA Sec. 670(d)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise depriving ownership or control of property of U.S. citizens or entities lawfully acquired by them without taking steps to discharge its obligations toward such citizens or entities?

The present GOP has taken no such steps to our knowledge. The GOP is taking steps to compensate or return formerly U.S.-owned property to U.S. persons whose property was taken by "People's Commissions" or similar groups during the leftist period in Portugal.

44

PAGE NO. 6C(1)-2	DATE November 10, 1960	ISSUE NO. 3:11	AID HANDBOOK 3, App. 6C
---------------------	---------------------------	-------------------	----------------------------

A

7. FAA Sec. 520(b)(1). Is Portugal a Communist country? Will assistance be provided to the Democratic Republic of Vietnam (North Vietnam), South Vietnam, Cambodia or Laos?
  - No.
  - No.
8. FAA Sec. 520(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?
  - (a) No.
  - (b) No.
9. FAA Sec. 520(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.
10. FAA Sec. 520(l). If the country has failed to institute the investment currency program and specific risks of expropriation, nationalization or confiscation, has the A.I.D. Administrator within the past year considered denying assistance to such government for this reason?
 

Although Portugal has not instituted such a program, the A.I.D. Administrator does not consider it in the best interests of the U.S. Government to deny assistance for this reason. Talks are underway for establishing such a program.
11. FAA Sec. 520(e). Has the country seized, or imposed any penalty or sanction against, any U.S. vessel or aircraft 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 U.S. fishing vessel's fishermen's vessel been seized?
  - (a) N.A.
- b. Has any U.S. fishing vessel's vessel been seized by a foreign government?
  - (b) N.A.
12. FAA Sec. 520(c). Is the recipient country in default of any of the terms of any A.I.D. loan to the recipient? (It is certain that the recipient is in default on interest payments on the loan under present terms.)
  - (a) No.
  - (b) No.
13. FAA Sec. 520(d). Has the recipient country's foreign exchange resources been depleted? How much spent on the recipient's foreign exchange resources? (Consideration of these matters is to be coordinated with the Bureau for Economic Policy Coordination, Regional Coordinating and Military Assistance Staff (BEC/MAS).)
 

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.

99

AID HANDBOOK 3, pp 66	PLANS, 3:11	EFFECTIVE DATE November 10, 1976	CC(1)-3
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14. FAA Sec. 620(i). 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.

15. FAA Sec. 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 AID Administrator in determining the current AID Operational Year Budget?

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

16. FAA Sec. 620A. Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism?

No.

17. FAA Sec. 655. Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA?

No.

18. FAA Sec. 659. Has the country delivered or received nuclear reprocessing or enrichment equipment, materials or technology, without specified arrangements on safeguards, etc.?

No.

19. FAA Sec. 901. Has the country denied its citizens the right or opportunity to emigrate?

No.

B. FUNDING CRITERIA FOR COUNTRY

1. Development Assistance Country Criteria

Since project is funded with Security Supporting Assistance funds, these criteria are not applicable.

a. FAA Sec. 102(a), (d). Have criteria been established, and taken into account, to assess current and potential of country in effectively involving the poor in development, on such indexes as: (1) small-scale labor intensive agriculture, (2) reduced infant mortality, (3) population growth, (4) equality of income distribution, and (5) unemployment.

N.A.

b. FAA Sec. 201(a)(5), (f) & (g); Sec. 208, 211(a)(5), (f). Describe extent to which country is:

(1) Making and state efforts to increase food production and programs for food storage and distribution.

N.A.

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

PROJ. NO. 6C(1)-4	EFFECTIVE DATE November 10, 1976	TRANS. MEMO. NO. 3:11	AID HALLMARK 5, App. 6C
----------------------	-------------------------------------	--------------------------	----------------------------

B1b

- (3) Increasing the public's role in the developmental process. N.A.
- (4) (a) Allocating available budgetary resources to development. N.A.
- (b) Diverting such resources for unnecessary military expenditure and intervention in affairs of other free and independent nations. N.A.
- (5) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise. N.A.
- (6) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures. N.A.
- c. FAA Sec. 201(b), 211(a). Is the country among the 20 countries in which development assistance loans may be made in this fiscal year, or among the 40 in which development assistance grants (other than for self-help projects) may be made? N.A.
- d. FAA Sec. 115. Will country be furnished, in same fiscal year, either security supporting assistance, or Middle East peace funds? If so, is assistance for population programs, humanitarian aid through international organizations, or regional programs? N.A.
- 2. Security Supporting Assistance Country Criteria
  - a. FAA Sec. 502A. Has the country engaged in a consistent pattern of gross violations of internationally recognized human rights? Is program in accordance with policy of this Section? Department of State memoranda identifying countries being reviewed for possible human rights violations do not list Portugal as a possible violator. This program is in accordance with policy of Section.
  - b. FAA Sec. 531. Is the assistance to be furnished to a friendly country, organization, or body eligible to receive assistance? Yes.
  - c. FAA Sec. 603. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? Since project is a loan, this criterion is not applicable.

97

AID HANDBOOK 3, App 6C	TRANS. MEMO NO. 3:11	EFFECTIVE DATE November 10, 1976	PAGE NO. 6C(2)-1
------------------------	-------------------------	-------------------------------------	---------------------

PORTUGAL

6C(2) - PROJECT CHECKLIST

Listed below are, first, statutory criteria applicable generally to projects with FAA funds, and then project criteria applicable to individual fund sources: Development Assistance (with a sub-category for criteria applicable only to loans); and Security Supporting Assistance funds.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

GENERAL CRITERIA FOR PROJECT.

1. App. Unnumbered; FAA Sec. 653(b)

(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project;  
(b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure plus 10%)?

(a) The Committees will be notified in accordance with normal Agency procedures.

(b) All necessary notifications will be made.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, 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 U.S. of the assistance?

(a) Yes.

(b) Yes.

3. FAA Sec. 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 purpose of the assistance?

Prior to the execution of the loan agreement, the agreement must be approved by the Assembly of the Republic to the Government of Portugal

4. FAA Sec. 611(b); App. Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per Memorandum of the President dated Sept. 5, 1973 (replaces Memorandum of May 15, 1962; see Fed. Register, Vol 38, No. 174, Part III, Sept. 10, 1973)?

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

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

Yes. See Annex G of the Project Paper.

100

PAGE NO. 6C(2)-2	EXECUTIVE DATE November 10, 1976	TRANS. MEMO NO. 3:11	AID HANDBOOK 3, App. 6C
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A.

6. FAA Sec. 209, 619. Is project susceptible of execution as part of regional or multi-lateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multi-lateral organizations or plans to the maximum extent appropriate?
7. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether project 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.
8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
9. FAA Sec. 612(b); Sec. 636(n). 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 U.S. are utilized to meet the cost of contractual and other services.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?

This project is not susceptible of execution as a regional project, and the project will not necessarily encourage regional development programs.

Portugal is not a newly independent country.

Because of the nature of the project to be financed (i.e., the construction of buildings), it is unlikely that the loan will have any of the effects indicated in (a), (c), (d) and (f). 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.

The proceeds of the loan will be used to finance local currency costs of a school construction program. Thus, the impact of the loan or U.S. private trade and investment abroad, and on private U.S. participation in foreign assistance programs will be negligible.

See the financial analysis on the Project Paper. A substantial portion of the project costs are local currency costs and will be met approximately 61% from loan proceeds and 39% from the GOP's own resources.

No.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria
  - a. FAA Sec. 102(e); Sec. 111; Sec. 201b. Extent to which activities will effectively involve the private enterprise, by extending access to credit, at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions?

Not applicable since project funded from Security Supporting Assistance funds.



B1

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: [include only applicable paragraph -- e.g., a, b, etc. -- which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.]

N.A.

- (1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers;
- (2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor;
- (3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens managerial capability of institutions enabling the poor to participate in development;
- (4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:
  - (a) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;
  - (b) to help alleviate energy problem;
  - (c) research into, and evaluation of, economic development processes and techniques;
  - (d) reconstruction after natural or manmade disaster;
  - (e) to speed development of cities, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;
  - (f) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

100

PAGE NO. 6C(2)-4	EFFECTIVE DATE November 10, 1976	TRANS. MEMO NO. 3:11	AID HANDBOOK 3, App. 6C
---------------------	-------------------------------------	-------------------------	-------------------------

01

(5) [107] by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries.

c. FAA Sec. 110(a); Sec. 208(e). Is the recipient country willing to contribute funds to the project, and in what manner has or will it provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)?

N.A.

d. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing?

M.A.

e. FAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on: (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy.

N.A.

f. FAA Sec. 201(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

N.A.

103

AID HANDBOOK 3, App 6C	TRANS. MEMO NO. 3-11	EFFECTIVE DATE November 10, 1976	PAGE NO. 6C(2)-5
------------------------	----------------------	-------------------------------------	---------------------

B1

g. FAA Sec. 201(b)(2)-(4) and -(8); Sec. 201(c); Sec. 211(a)(1)-(3) and -(6). Does the activity give reasonable promise of contributing to the development: of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives? And does project paper provide information and conclusion on an activity's economic and technical soundness?

N.A.

h. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position.

N.A.

2. Development Assistance Project Criteria (Loans only)

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within U.S.

N.A.

b. FAA Sec. 201(b)(2); 211(a). Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.

N.A.

c. FAA Sec. 201(e). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?

N.A.

d. FAA Sec. 201(f). Does project paper describe how project will promote the country's economic development taking into account the country's human and material resources requirements and relationship between ultimate objectives of the project and overall economic development?

N.A.

104

PA. E. NO. 6C(2)-6	EFFECTIVE DATE November 10, 1976	TRANS. MEMO NO. 3:11	AID HANDBOOK 3, App. 6C
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82

c. FAA Sec. 202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources?

N.A.

f. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

N.A.

3. Project Criteria Solely for Security Supporting Assistance

FAA Sec. 531. How will this assistance support, promote economic or political stability?

Project will provide employment and much needed new educational facilities in rural areas. Prior government policies and an influx of refugees have created a need for programs such as this to promote stability.

4. Additional Criteria for Alliance for Progress

[Note: Alliance for Progress projects should add the following two items to a project checklist.]

a. FAA Sec. 251(b)(1), -(5). Does assistance take into account principles of the Act of Bogota and the Charter of Punta del Este; and to what extent will the activity contribute to the economic or political integration of Latin America?

N.A.

b. FAA Sec. 251(b)(8); 251(n). For loans, has there been taken into account the effort made by recipient nation to repatriate capital invested in other countries by their own citizens? Is loan consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress (now "CEPCIFS," the Permanent Executive Committee of the OAS) in its annual review of national development activities?

N.A.

105

School Construction Loan II

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

I, Glenn O. Patterson, AID Representative, the principal officer of the Agency for International Development in Portugal, having taken into account, among other things, the maintenance and utilization of projects in Portugal previously financed or assisted by the United States, do hereby certify that in my judgment Portugal has the financial and human resources capability to maintain and utilize effectively the project to be financed by this loan.

This judgment is based upon consideration discussed in the Project Paper to which this certification is attached.



Glenn O. Patterson  
Glenn O. Patterson  
AID Representative

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"> <li>1. Increased economic opportunities accruing from higher educational levels.</li> <li>2. Redistributed national wealth so as to minimize investment gaps between regions and income gaps within society.</li> <li>3. Assist GOP in economic stabilization measures.</li> </ol>	<p>Measures of Goal Achievement:</p> <ol style="list-style-type: none"> <li>1. a. More secondary school graduates going on to universities/higher education.</li> <li>   b. Better jobs provided to prep/secondary school graduates.</li> <li>2. a. Increased employment.</li> <li>   b. Increased investment in-flows to less-developed regions.</li> <li>   c. Increased per capita income.</li> <li>3. a. Increased real growth rate.</li> <li>   b. Decreased inflation.</li> </ol>	<ul style="list-style-type: none"> <li>- School records.</li> <li>- Random sample.</li> <li>- Increased demand for more schools.</li> <li>- Increased attendance at school levels above compulsory education.</li> <li>- GOP budget, employment records.</li> <li>- National Income Accounts.</li> </ul>	<p>Assumptions for achieving goal targets:</p> <ul style="list-style-type: none"> <li>- Education is a productivity increasing, social equalizing force.</li> <li>- Stabilizing of Portugal within context of Western parliamentary democracy.</li> </ul>
<p>Project Purpose:</p> <ol style="list-style-type: none"> <li>1. To provide improved educational facilities to relatively poorer areas of Portugal.</li> <li>2. To provide additional real income to underdeveloped areas and poorer segments of society.</li> <li>3. To provide balance of payments/budget support to GOP.</li> </ol>	<p>Conditions that will indicate purpose has been achieved: End of project status.</p> <ol style="list-style-type: none"> <li>1. a. Student population of 12,000 being taught by 600 teachers.</li> <li>   b. Classes being taught in all foreseen subjects.</li> <li>   c. 13 schools operational and adequately maintained.</li> <li>2. Decreased student-classroom ratio.</li> </ol>	<ul style="list-style-type: none"> <li>- School records/reports.</li> <li>- Site inspectors.</li> <li>- Contractor records/payroll sheets.</li> <li>- GOP Budget.</li> <li>- Random samples.</li> </ul>	<p>Assumptions for achieving purpose:</p> <ul style="list-style-type: none"> <li>- Maintenance workers and teachers have been hired to take on respective responsibilities.</li> <li>- Teaching/kitchen equipment and supplies are ready for installation as school nears construction.</li> <li>- Poorer people from less developed areas have sufficient skills to work in construction.</li> </ul>
<p>Outputs:</p> <ol style="list-style-type: none"> <li>1. Preparatory, secondary and combined preparatory/secondary school buildings completed in rural, lesser developed areas of Portugal.</li> <li>2. Worker-months of employment created.</li> <li>3. School construction budget and Portuguese economy supported.</li> </ol>	<p>Magnitude of Outputs:</p> <ol style="list-style-type: none"> <li>1. 11 preparatory and 7 secondary schools constructed.</li> <li>2. 35,000 workers-months of labor created.</li> <li>3. \$15 million infusion into economy and budget of GOP.</li> </ol>	<ul style="list-style-type: none"> <li>- Site inspectors.</li> <li>- Contractor records/vouchers.</li> <li>- Random samples.</li> <li>- MEIC records.</li> <li>- GOP Budget/Accounting records.</li> <li>- GOP statistics on employment by district/concelho.</li> </ul>	<p>Assumptions for achieving outputs:</p> <ul style="list-style-type: none"> <li>- Credit facilities, other work does not delay contractors undertaking.</li> <li>- Supervisory engineering by MEIC ensures quality construction.</li> <li>- Labor unrest will not retard progress.</li> <li>- GOP Bureaucracy (MEIC and Min. of Finance) act in timely fashion.</li> <li>- MEIC coordinates various work elements to ensure proper execution.</li> </ul>
<p>Inputs:</p> <p>AID - up to 75% of local construction costs.</p> <p>GOP - no less than 25% of construction costs.</p>	<p>Implementation Target (Type and Quality):</p> <p>AID - \$15 million in reimbursement to GOP for payments made to contractors for secondary/preparatory school construction.</p> <p>GOP - Original payment to contractor for all project costs of which up to 75% will be reimbursed by AID. Full payment for movable equipment and teaching supplies. See Financial Analysis and Detailed Description for further information.</p>	<ul style="list-style-type: none"> <li>- AID records.</li> <li>- GOP records.</li> <li>- Contractor vouchers.</li> </ul>	<p>Assumptions for providing inputs:</p> <ul style="list-style-type: none"> <li>- Timely approval (signature of loan by AID and GOP, Assembleia da Republica).</li> <li>- Budgeted funds provided on timely basis.</li> <li>- Locality or MEIC provides needed services.</li> </ul>



COUNTRY	PROJECT NO.	PROJECT TITLE	DATE	<input checked="" type="checkbox"/> ORIGINAL	APPROVED
PORTUGAL	150-0018	SCHOOL CONSTRUCTION II	Mar. 1, 1977	<input type="checkbox"/> REVISION #	<i>[Signature]</i>

PROJECT PURPOSE (FROM PRP FACESHEET)

To provide educational facilities to relatively poorer areas, where schools did not formerly exist or where overcrowding predominated.  
 To provide additional real income to underdeveloped areas and poorer elements of society.  
 To provide balance of payments, budget, and general economic support to the Government of Portugal.

CPI DESCRIPTION

No.	Date	Action	Responsibility
1	Apr. 15, 1977	Loan Authorized	AID
2	May 31, 1977	Loan Signed	AID/GOP
3	Sep. 1, 1977	First Reimbursement Requested	DGEE/MinFin
4	Oct. 1, 1977	First Disbursement Made	AID
5	Nov. 30, 1977	All Contracts Signed	DGEE
6	Dec. 1, 1977	Second Reimbursement Requested	DGEE/MinFin
7	Dec. 5, 1977	Inspection	AID Reg. Eng.
8	Jan. 1, 1978	Second Disbursement Made	AID
9	Jan. 1, 1978	All Construction Started	Contractors
10	Feb. 1, 1978	Aggregate Construction Level at 50% Complete	Contractors
11	Mar. 1, 1978	Third Reimbursement Requested	DGEE/MinFin
12	Mar. 5, 1978	Inspection	SER/ENGR
13	Apr. 1, 1978	Third Disbursement Made	AID
14	Apr. 1, 1978	First Sub-Project Completed	Contractors
15	May 1, 1978	Aggregate Construction Level at 75% Complete	Contractors
16	Jun. 1, 1978	Fourth Reimbursement Requested	DGEE/MinFin
17	Jun. 5, 1978	Inspection	AID Reg. Eng.

18	July 1, 1978	Fourth Disbursement Made	AID
19	Sep. 1, 1978	Fifth Reimbursement Request	DGEE/MinFin
20	Sep. 5, 1978	Inspection/First Evaluation	AID Reg. Eng./ USAID/DGEE
21	Oct. 1, 1978	Fifth Disbursement Made	AID
22	Dec. 1, 1978	Sixth Reimbursement Requested	DGEE/MinFin
23	Dec. 5, 1978	Inspection	SER/ENGR
24	Jan. 5, 1979	Sixth Disbursement Made	AID
25	Mar. 1, 1979	Seventh Reimbursement Requested	DGEE/MinFin
26	Mar. 5, 1979	Inspection/Second Evaluation	AID Reg. Eng./ USAID/DGEE
27	Apr. 1, 1979	Seventh Disbursement Made	AID
28	Jun. 1, 1979	Eighth Reimbursement Requested	DGEE/MinFin
29	Jun. 5, 1979	Inspection	SER/ENGR
30	Jun. 30, 1979	Eighth Disbursement Made	AID
31	Aug. 30, 1979	All Sub-Projects Completed	Contractors
32	Sep. 1, 1979	Final Reimbursement Requested	DGEE/MinFin
33	Nov. 1, 1979	Final Inspection/ Final Evaluation	AID Reg. Eng./ USAID/DGEE/MinFin
34	Dec. 5, 1979	Final Disbursement Made	AID

MINISTÉRIO DA EDUCAÇÃO E INVESTIGAÇÃO CIENTÍFICA  
SECRETARIA-GERAL

Exmo. Sr.

Glenn O. Patterson

Director de Cooperação Económica e  
técnica

Embaixada dos E. U. América

Av. Duque de Loulé, 39 LISBOA

SUA REFERÊNCIA

SUA COMUNICAÇÃO DE

NOSSA REFERÊNCIA  
DRE / 2.42DATA  
16.12.76

ASSUNTO:

Acordo de 2º. empréstimo pela AID

TEXTO:

Na sequência de contactos estabelecidos com essa Embaixada, venho comunicar a V. Exa. que, por despacho de S. Exa. o Secretário de Estado da Investigação Científica foi confirmado o interesse em proceder imediatamente às negociações tendentes à concretização de um 2º. empréstimo a conceder pela AID no domínio das construções e instalações escolares.

Fica, pois, a aguardar-se que essa Embaixada comunique a esta Secretaria-Geral quais os técnicos que a AID pensa fazer deslocar a Portugal, a fim de serem marcadas as reuniões julgadas convenientes, com vista à concretização do objectivo referido.

Com os meus melhores cumprimentos.

Lisboa, 16 de Dezembro de 1976

O SECRETARIO-GERAL

EP/RD

MEIC - Mod. 4/1.1 - A4-43 gr

RECEBIDO 20 DEZ. 1976

MINISTRY OF EDUCATION AND SCIENTIFIC INVESTIGATION  
SECRETARIAT GENERAL

Mr. Glenn O. Patterson  
Director of Economic and  
Technical Cooperation  
Embassy of the United States  
Av. Duque de Loulé 39  
LISBOA

Our Reference  
DRE/2.42

Date  
16.12.76

Subject: Second Loan Agreement to be financed by AID

Text: As a result of contacts with your Embassy, I wish to inform you, that His Excellency the Secretary of State for Scientific Investigation has issued an official communication confirming the interest of the Portuguese Government in proceeding immediately with the negotiations for the Second School Construction Loan to be financed by AID.

Therefore, the Secretariat General of this Ministry awaits a communication from your Embassy regarding the technicians who will be coming to Portugal, so that meetings can be scheduled, in order to finalize the loan.

Sincerely,

Lisbon, December 16, 1976  
Secretary General

/s/ A. Pires

MINISTÉRIO DA EDUCAÇÃO E INVESTIGAÇÃO CIENTÍFICA  
SECRETARIA-GERAL

Exmo. Sr.

Glenn O. Patterson

Director de Cooperação Económica e  
técnica

Embaixada dos E. U. América

Av. Duque de Loulé, 39 LISBOA

SUA REFERÊNCIA

SUA COMUNICAÇÃO DE

NOSSA REFERÊNCIA  
DRE / 2.42DATA  
16.12.76

ASSUNTO:

Acordo de 2º. empréstimo pela AID

TEXTO:

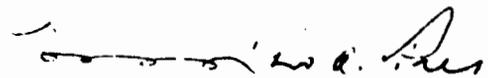
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Com os meus melhores cumprimentos.

Lisboa, 16 de Dezembro de 1976

O SECRETARIO-GERAL



EP/RD

MEIC - Mod 4/1.1 - A4-63 gr

RECEBIDO 20 DEZ. 1976

MINISTRY OF EDUCATION AND SCIENTIFIC INVESTIGATION  
SECRETARIAT GENERAL

Mr. Glenn O. Patterson  
Director of Economic and  
Technical Cooperation  
Embassy of the United States  
Av. Duque de Loulé 39  
LISBOA

Our Reference  
DRE/2.42

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Sincerely,

Lisbon, December 16, 1976  
Secretary General

/s/ A. Pires

PROJECT DESCRIPTION

The Project consists of constructing, equipping, and placing in operation of approximately eighteen schools of preparatory and secondary education at various locations throughout Portugal.

The schools which comprise the Project are included in the overall construction program of the Ministry of Education, which program calls for approximately 215 new preparatory and secondary schools (5190 classrooms) to be built over the five-year period 1976-1980.

A list of the schools ("eligible sub-projects") which A.I.D. intends to help finance is given below. Upon satisfaction of conditions precedent, this list shall be finalized (with eligible sub-projects and fixed amount reimbursements established) by implementation letter.

TENTATIVE LISTING OF PREPARATORY/SECONDARY  
SCHOOLS TO BE FINANCED

1. In the District of Aveiro, the preparatory school at Ilhavo (Gafanha).
2. In the District of Coimbra, the preparatory school at Coimbra.
3. In the District of Faro, the preparatory/secondary school at Silves (Messines).
4. In the District of Guarda, the preparatory school at Pinhel.

5. In the District of Leiria, the preparatory school at Alcobaça.
6. In the District of Lisboa, the secondary schools in Azambuja, Sintra and Oeiras.
7. In the District of Porto, the preparatory school at Vila Nova de Gaia (Gervide) and the preparatory/secondary school at Matosinhos (Senhora da Hora).
8. In the District of Santarém, the secondary school at Cartaxo and the preparatory schools at Feirreira and Santarem.
9. In the District of Setubal, the secondary school at Moita and the preparatory school at Palmela.
10. In the District of Viseu, the preparatory school at Moimenta da Beira.
11. In the Autonomous Region of the Azores, a preparatory school at Nordeste, Sao Miguel, and secondary school at Rigeira Grande, Sao Miguel.

AGENCY FOR INTERNATIONAL DEVELOPMENT <b>PROJECT AUTHORIZATION AND REQUEST                  FOR ALLOTMENT OF FUNDS PART I</b>	1. TRANSACTION CODE <input type="checkbox"/> A ADD <input type="checkbox"/> C CHANGE <input type="checkbox"/> D DELETE	<b>PAF</b> 2. DOCUMENT CODE 5
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3. COUNTRY/ENTITY PORTUGAL	4. DOCUMENT REVISION NUMBER 0
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5. PROJECT NUMBER (7 digits) [ 150-0018 ]	6. BUREAU/OFFICE A. SYMBOL: NE B. CODE: [ 03 ]	7. PROJECT TITLE (Maximum 40 characters) [ School Construction II ]
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8. PROJECT APPROVAL DECISION ACTION TAKEN: <input type="checkbox"/> A APPROVED <input type="checkbox"/> D DISAPPROVED <input type="checkbox"/> DE DEAUTHORIZED	9. EST. PERIOD OF IMPLEMENTATION YRS. [ 0 ] [ 2 ] QTRS. [ 3 ]
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10. APPROVED BUDGET AID APPROPRIATED FUNDS (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY		H. 2ND FY		K. 3RD FY	
		C GRANT	D LOAN	F GRANT	G LOAN	I GRANT	J LOAN	L GRANT	M LOAN
(1) SA	623		632		15,000				
(2)									
(3)									
(4)									
TOTALS					15,000				

A. APPROPRIATION	N. 4TH FY		Q. 5TH FY		LIFE OF PROJECT		11. PROJECT FUNDING AUTHORIZED (ENTER APPROPRIATE CODE(S)) 1 - LIFE OF PROJECT 2 - INCREMENTAL LIFE OF PROJECT	A. GRANT	B. LOAN
	O. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN			
(1)						15,000			
(2)									
(3)									
(4)									
TOTALS						15,000	C. PROJECT FUNDING AUTHORIZED THRU FY [ 7 ] [ 7 ]		

12. INITIAL PROJECT FUNDING ALLOTMENT REQUESTED (\$000)	13. FUNDS RESERVED FOR ALLOTMENT																				
<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th rowspan="2">A. APPROPRIATION</th> <th colspan="2">B. ALLOTMENT REQUEST NO.</th> </tr> <tr> <th>C. GRANT</th> <th>D. LOAN</th> </tr> <tr> <td>(1)</td> <td></td> <td></td> </tr> <tr> <td>(2)</td> <td></td> <td></td> </tr> <tr> <td>(3)</td> <td></td> <td></td> </tr> <tr> <td>(4)</td> <td></td> <td></td> </tr> <tr> <td colspan="3" style="text-align: center;">TOTALS</td> </tr> </table>	A. APPROPRIATION	B. ALLOTMENT REQUEST NO.		C. GRANT	D. LOAN	(1)			(2)			(3)			(4)			TOTALS			TYPED NAME (Chief, SER/FM/FSD) SIGNATURE DATE
A. APPROPRIATION		B. ALLOTMENT REQUEST NO.																			
	C. GRANT	D. LOAN																			
(1)																					
(2)																					
(3)																					
(4)																					
TOTALS																					

14. SOURCE/ORIGIN OF GOODS AND SERVICES  
 000     941     LOCAL     OTHER \_\_\_\_\_

15. FOR AMENDMENTS, NATURE OF CHANGE PROPOSED

FOR PPC/PIAS USE ONLY	18. AUTHORIZING OFFICE SYMBOL	17. ACTION DATE MM DD YY	18. ACTION REFERENCE (Optional)	ACTION REFERENCE DATE MM DD YY
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DRAFT  
GC/NE:GDavidson:ew  
6/27/77

PROJECT AUTHORIZATION AND REQUEST FOR  
ALLOTMENT OF FUNDS

PART II

Name of Country: Portugal                      Name of Project: School Construction II  
Number of Project: 150-0018

Pursuant to Part II, Chapter 4 (Security Supporting Assistance) Section 532 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a loan (the "Loan") to Portugal (the "Cooperating Country") of not to exceed Fifteen Million United States Dollars (\$15,000,000) (the "Authorized Amount") to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph.

The Loan is to be used to assist the construction, equipping and placing into operation of approximately **eighteen schools of preparatory and secondary education** at various locations throughout Portugal. The schools comprising the Project are included in the overall construction program of the Ministry of Education, which program calls for approximately 215 new preparatory and secondary schools (5190 classrooms) to be built over the five-year period 1976-1980.

I hereby authorize the initiation and execution of the Project Agreement by the officer to whom such authority has been delegated in

- 2 -

accordance with A.I.D. regulations and Delegations of Authority subject to the following essential terms and covenants and major conditions; together with such other terms and conditions as A.I.D. may deem appropriate:

1. Interest Rate and Terms of Repayment

The Cooperating Country 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 not to exceed five (5) years. The Cooperating Country shall pay to A.I.D., in United States Dollars, interest from the date of the first disbursement of the Loan at the rate of five percent (5%) on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

2. Source and Origin of Goods and Services

Goods and services financed by A.I.D. under the Project shall have their source and origin in the United States and Portugal except as A.I.D. may otherwise agree in writing.

3. Conditions Precedent to Disbursement.

Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, unless A.I.D. shall otherwise agree in writing, the Cooperating Country shall furnish, in form and substance satisfactory to A.I.D.:

(1) An opinion of counsel satisfactory to A.I.D. that the Loan Agreement has been duly authorized or ratified by and executed on behalf of the Cooperating Country and that it constitutes a valid and legally binding obligation thereof in accordance with its terms;

-3-

(2) The names of the persons who will act as the representatives of the Cooperating Country, together with evidence of their authority and the specimen signature of each;

(3) Evidence that the General Directorate of School Facilities (DGEE) project coordinating staff is adequate to manage and supervise the Project.

(4) A description of the arrangements under which disbursements under the Loan will be made available by the Borrower to the Ministry of Education, to any other institution, for implementation of the project.

(5) A time-phased implementation plan for carrying out the Project.

(6) A description of standards, criteria, and procedures for selection, and approval of (i) projects and (ii) construction and engineering services contracts.

(7) Evidence that the Borrower has established a segregated fund for financing the schools identified in the Project.

Date:

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Robert H. Nooter  
Deputy Administrator