

PROJECT EVALUATION SUMMARY (PES) - PART I

Report Symbol U-247

1. PROJECT TITLE Low Income Housing AID Loans 150-Z-005 and 150-K-008 HIGs 150-HG-001 and 150-HG-002		2. PROJECT NUMBER 150-0003 and 150-0006	3. MISSION/AID/W OFFICE USAID/Lisbon
5. KEY PROJECT IMPLEMENTATION DATES A. First PRO-AG or Equivalent: FY 1975 B. Final Obligation Expected: FY _____ C. Final Input Delivery: FY 1980		6. ESTIMATED PROJECT FUNDING A. Total \$ 150,000,000 B. U.S. \$ 63,250,000	4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) <u>821</u> Terminal and <input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION
		7. PERIOD COVERED BY EVALUATION From (month/yr.) <u>2/75</u> To (month/yr.) <u>2/80</u> Date of Evaluation Review <u>12/10/80</u>	

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PID, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
No unresolved issues pending, regarding this evaluation. The reader may wish to refer to AAG Report which indicates other implementation and operational issues requiring USAID attention.		

<p>9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS</p> <p><input type="checkbox"/> Project Paper <input type="checkbox"/> Implementation Plan e.g., CPI Network <input type="checkbox"/> Other (Specify) _____</p> <p><input type="checkbox"/> Financial Plan <input type="checkbox"/> PIO/T _____</p> <p><input type="checkbox"/> Logical Framework <input type="checkbox"/> PIO/C _____</p> <p><input type="checkbox"/> Project Agreement <input type="checkbox"/> PIO/P _____</p>	<p>10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT</p> <p>A. <input checked="" type="checkbox"/> Continue Project Without Change</p> <p>B. <input type="checkbox"/> Change Project Design and/or <input type="checkbox"/> Change Implementation Plan</p> <p>C. <input type="checkbox"/> Discontinue Project</p>
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<p>11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)</p> <p><i>Charles A. Buchanan Jr</i> Charles A. Buchanan, Jr. General Development Officer</p>	<p>12. Mission/AID/W Office Director Approval</p> <p>Signature _____</p> <p>Typed Name Donald Finberg</p> <p>Date December 10, 1980</p>
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13. Summary - The program is largely concluded. Both HIG loans have been fully disbursed and the final AID loan disbursement will be made in December 1980. Approximately 6293 units have been constructed.

The USAID agrees with the following statement made on page 4 of the Pratt Associates evaluation of the AID housing program dated May, 1980.

"In summary, both of the AID assistance programs have contributed to the goal of providing decent housing to low income families in Portugal. As of December, 1979, 3,178 low income families had been housed in AID-assisted housing units. In all probability, these housing units would never have been completed had it not been for the AID shelter programs. Based on estimates made by the FFH, by the end of 1980 several thousand more AID assisted units will be ready for occupancy. AID assisted projects also helped to prevent a collapse of the Portuguese construction industry in 1975-76.

In addition to achieving the specific objective of supporting Portugal's efforts to house its poor and homeless, the AID program has also provided a measure of stability to the shelter sector. With the frequent changes of governments and reordering of political and economic priorities there has been a great deal of uncertainty as to the availability of funds for housing. The assurance that AID monies would be available has enabled programs to proceed even when the government has curtailed funding."

AID financing permitted the GOP to expand housing construction activity and provide jobs for thousands of workers at a time when unemployment was a volatile political and social issue. In addition the program provided badly needed foreign exchange to the G.O.P. during years 1976-1977.

Major objectives of the housing program have been met in a fashion largely consistent with the program's design. The program's purpose and goal are also satisfied. The chief problems encountered were A. delays in construction of both dwelling units and supporting infrastructure (electricity, water, sewerage) and B. inability to convince the GOP of the need for technical assistance programs in the housing sector in areas other than housing finance.

14. Evaluation Methodology - Since inception of this housing program in 1975, the USAID conducted periodic (every 5 to 6 months) project status reviews utilizing U.S. housing consultants contracted through the National Savings and Loan League. These reviews provide full details on construction projects, implementation problems and delays, financial or management problems, and

recommended corrective measures. Reports of the consultants are on file with DS/H and RHUDO/Tunis. The latest is attached.

This evaluation, carried out under a DS/H contract with Pratt Associates, looked at other aspects of the housing program such as social benefits being achieved, tenancy selection criteria, tenant income levels, etc. The evaluation was well done, compiled useful data, and made valuable observations which were reviewed with the Portuguese Government housing authorities. Copies of the evaluation were transmitted to G.O.P. officials and its findings discussed at length. It also served as an important information source for the audit of the Portugal housing program done recently (Sept. 1980) by the AAG/EAFR. Also attached.

The evaluation was made by Ms. Elaine Weiss and Mr. John Howley during a three week visit to Portugal. Their work involved a review of USAID files, talks with GOP housing officials, review of GOP records and statistics and field visits to many of the project sites. The principal contacts were the Fundo de Fomento da Habitação (FFH), Ministry of Housing, Municipal authorities and private citizens living in the units already completed.

15. External Factors

- A. Unforeseen difficulties arose during program implementation in having utilities installed at the construction sites by the time the apartments were ready for occupancy. In most instances municipalities were responsible for electricity, water and sewerage hook ups, but due to budget shortages, or poor management at the local level, work on these usually began late. This problem is now largely resolved.
- B. G.O.P. interest in drawing on the housing technical assistance offered by USAID declined during program implementation. Since initiation of the housing program five governments came to power in Portugal, some for very short terms; housing policies and decision making remained in flux, making the development of the technical assistance program difficult. In addition, the sector was extremely politicized, which greatly complicated involvement by the U.S.

16. Inputs

As mentioned above, AID technical assistance programs to the sector did not materialize as expected.

17. Outputs

- A. For housing project I (HIG 001 and AID Loan 005) the objectives stated in the Project Paper are:

"Specific Objectives of the Program:

The specific objectives of the program are:

- a) to provide financial support for a new GOP housing program which directly benefits low income groups

(i.e. the poorer half of the urban population).
(Approximately 2600 units projected).

- b) to support the newly developed GOP housing policy which emphasizes low income housing.
- c) to provide technical assistance which will help strengthen local housing institutions which support low income housing.

An additional objective of the program will be to stimulate the construction industry and provide jobs for unemployed workers, which will produce important social and political benefits."

With the exception of item c) above the objectives have been met with the completion of 3014 housing units, which exceeds the original projection of 2600 units. Under technical assistance the housing finance portion was carried out successfully with the participation in the U.S. of 18 top GOP housing finance officials at a two week seminar to analyse GOP sector financial policies.

- B. For housing project II (HIG 002 and AID Loan 008) the outputs set forth in the Project Paper are:

"Outputs:

FFH has implemented those sections of the program lines attributable to this financing. (Approx. 3,500 SAAL and rental units).

Viable community housing groups capable of ongoing role.

Implementation housing policy is changed to serve greater number of low income families in the lowest income strata."

The above outputs were achieved with the completion of 3279 units (with related utility infrastructures). This represents a shortfall of only 6%. Major reforms in housing policies were not achieved through the technical assistance program for reasons mentioned below.

With regard to both of the above programs a major managerial effort by USAID during implementation of the program partly led to the GOP dramatically accelerating the completion of utility infrastructures for completed apartment units. This influenced the rate at which completed units could be occupied.

18. Purpose

- A. For housing project I the purpose set forth in the project paper is:

"To assist the GOP in initiating and effectively implementing its newly adopted shelter sector policy of providing maximum support for low income housing".

No EOPS conditions were given in the project paper; however, in USAID's judgement and as documented in the Pratt Association evaluation report, the project purpose has been met. Both HIG and AID loans are fully disbursed.

- B. Regarding housing project II the purpose stated on page 1 of the Project Paper is:

"The purpose of this proposed follow-on program is to help the Government of Portugal (GOP) continue the major initiatives to mount a housing construction program for low income families which were instituted following the revolution of April, 1974."

The EOPS conditions stated in the project paper are:

"FFH has achieved project objectives of building approximately 3500 units for low income families.

Viable community groups have contributed to the solution of their housing problem and are capable of ongoing role.

Lower-cost housing units produced for low-income groups."

In terms of satisfying the EOPS and drawing from the conclusions of the Pratt Associates evaluation report USAID considers the project purposes to have been achieved. A total of 3279 units have been constructed (with utility infrastructures) and the final AID loan disbursement will be made in December 1980. The HIG loan is fully disbursed.

The fact that the AID technical assistance program originally envisioned for the housing sector did not develop fully did not affect the successful outcome of the construction program. However, USAID will hold talks in early 1981 with representatives of a newly elected GOP about renewed technical assistance. These talks may lead to activities aimed at modifying GOP policies in the sector, or strengthening institutional capabilities.

19. Goal/Sub-Goal

A. For housing project I there is no goal stated in the project paper.

B. For housing project II the stated goal is:

"Assist GOP improve shelter delivery system for lower income families."

Measures of goal achievement stated are:

"Operation of a comprehensive policy where GOP actions result in proportional and absolute increase in numbers of units being built for low income families"

In terms of the above criteria the data given on pages 13-15 of the Pratt Associates evaluation report shows a dramatic increase in the start and completion of housing units in the public sector between 1970 and 1978 (latest data available). During the period 1976-1978 there occurred almost a doubling of the number of units started compared to the chaotic period 1974-1976 just following the revolution in 1974. However, this public program was plagued by difficulties which greatly protracted the construction period and caused construction completions (on an annual basis) to lag substantially behind the number of starts. This was largely corrected by 1978, however.

Reasons for delays in construction were 1) labor unrest, strikes and low worker productivity; 2) contractor bankruptcies, abandonment of projects necessitating recontracting of the work; 3) low technical and managerial capacity at municipal levels where responsibility for the construction of project utility infrastructures frequently resided; 4) inefficient and burocratic problem-solving machinery resulting in late payments to contractors; 5) occasional shortage of building supplies, such as cement, bricks and roof tiles.

It was not the intent or within the capacity of the program as designed to actively engage in solving these problems. By their nature, and in the political context of the times, these problems were addressed by GOP authorities alone.

The situation noted in the evaluation, that funds were not available during 1979 to complete projects, resulted from severe budget cuts made by the GOP as part of its economic stabilization program with the IMF. This situation was reversed in 1980 and projects have been concluded and new projects started.

On the other hand, we cannot say the stated goal of improving the "system" was achieved. The major features of the system such as design, budgeting, contracting and execution remain essentially the same.

The FFH continues to follow European standards in designing its projects which results in units more spacious and more costly than we believe Portugal can presently afford. Cost saving design modifications could be introduced.

Cost is of particular significance because the public housing program depends on budget resources to meet investment costs and recuperates relatively little due to heavy subsidies involved in setting rental payments.

Again despite some USAID technical assistance carried out in the area of housing finance, other than GOP budget resources, no mobilization of private savings takes place.

Lastly, contract supervision is cumbersome resulting in significant delays in awarding contracts, issuing change orders and making progress payments.

It is possible that technical assistance applied (and accepted by FFH) in some of these areas as originally intended might have led to changes.

20. Beneficiaries - The intended beneficiaries for both projects I and II were low income families; the Pratt Associates report amply examines the beneficiary question and concludes (page 7):

"All of the data available indicate that the recipients of AID-assisted housing units are low income families. There is no evidence that the allocation system is being abused by the various agencies within the Portuguese government responsible for the distribution process."

21. Unplanned Effects - No unplanned effects as a result of these projects have been identified.
22. Lessons Learned - In practical terms, project preparation should ensure the construction of utility infrastructures and landscaping will be as well planned as the construction of the dwelling units themselves, and that their financing and execution mechanisms will be functional and workable.

In the area of technical assistance, it is difficult to pinpoint why more interest was not shown by GOP housing authorities. The various contributing reasons include:

- A. A strong preference for working with European countries prevailed (Sweden, France, Bulgaria) due partly to their success in certain areas (Sweden-cooperatives, Bulgaria-housing component standardization) and partly to their "neutral" political acceptance within the FFH. Technical assistance was provided by these countries (not always successfully).
- B. Politics aside, more experienced housing officials questioned applicability of U.S. experience for Portugal since 1) it was known that the U.S. public housing record was very spotty-2)-the-dimension-of-our home building programs were thought to be too large for Portuguese needs and 3) the traditional materials used in U.S. are very different from Portuguese construction materials.

C. The urgency of 1975-1978 was in building apartments, not reforming bureaucracies; authorities were not able to slow down to look at problems needing study through technical assistance.

23. Special Comments or Remarks - None. The Pratt Associates evaluation report is thorough and comprehensive; the USAID agrees with its findings and has discussed many of its recommendations with GOP housing officials. About 30 copies of the report were delivered to AID/W by Pratt Associates.