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Shepard J. Hollander, USAID/NEAO

October 12, 1967

Grant G. Hilliker, Consul General Recife

was "headed" by an American. I assume that lessons of the past are applied in the provision for MEC (rather than USAID) Education Sector Loans, despite the criteria which, on the one hand, are elaborate and seemingly rigid (setting minimum standards for educational expenditures as percentages of total I have now studied more closely the "Educational Sector Loan Summary Status Report" dated September 15, a copy of which I requested after it was mentioned in your staff meeting of September 25. in the construction of the types of secondary facilities which will form the core of the state plan").

Aside from the "Pernambuco exclusion" which we discussed here and in Rio, this exercise illustrates the difficulty of our getting into the Rio decision-making process at the right time and in the right way. As Minister Belton is interested in the problem of making consuls more effective arms of the Embassy, I am giving him a copy of this (and the Status Report) for background.

As we both recognized, the exclusion of Pernambuco on supposed policy grounds of "hostility of the Governor for assistance from the Alliance for Progress" went beyond anything that had been decided. This was not surprising in light of the circulation since May of oral versions of the Ambassador's desires in regard to Pernambuco, most of which were exaggerated in the telling.

The greater truth revealed by the Perez report, however, is that we learned of this and other "decisions" only after agreement was reached between the Education Ministry (MEC) and USAID/Rio on the States selected and other details, after those States had already been visited by "a joint MEC/USAID Mission" and then after they had "enthusiastically accepted ... and through the medium of letters from each Governor to the Ministry of Education, confirmed their interest" The "Guidelines" paper on this loan was drafted on the same date as, and received here with, the Status Report.

In addition to the selection of States, it would seem that this process needs examination in the light of the new US posture in extending aid to Brazil. It is perhaps enough to cite the fact that the "joint MEC/USAID Mission" visiting the States

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was "headed" by an American. I assume that lessons of the past are applied in the provision for MEC (rather than USAID) disbursements to the States, despite the criteria which, on the one hand, are elaborate and seemingly rigid (setting minimum standards for educational expenditures as percentages of total state expenditures, for annual increases and for reservation to secondary education of percentages of annual increases) and, on the other hand, extremely vague ("suitable sites for construction" and "satisfactory progress in the construction of the types of secondary facilities which will form the core of the state plan").

Dear Bob:

re: Education Financing in Bahia

First, let me apologize for not having notified you of our change in plans regarding Bahia. I thought, however, that we had agreed you would not go to Bahia until we were in touch with you. I was distressed to hear that the Consul went to meet the plane on which I was scheduled to arrive. Please accept my apologies for the confusion for which I am apparently responsible.

The Education Sector Mission went to Espirito Santo intending to go on the next day to Bahia. However, we learned from Rio that the Governor of Bahia and the Secretary of Education of Bahia would be able to meet with us in Rio on Tuesday to discuss the proposed Secondary Education Sector Loan. Accordingly, we returned to Rio and met on Tuesday afternoon with the Governor and the Secretary.

As I indicated to Mr. Bird by telephone the other day, we discussed with the Governor his relative priorities as between primary and secondary education. The Governor confirmed that insofar as construction of classroom facilities is concerned, secondary education has the first priority. In the primary education area he recognizes that there is less need for new facilities but that there was a need for improving the quality of training and the flow of students through the system.

This assessment closely follows our own assessment of the relative priorities between the two areas. It was therefore understood that if Bahia wished to be included in the secondary education program it would have to observe these relative priorities in its education program.

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USAID/BRASIL

RUA MELVIN JONES Nº 5 - RIO DE JANEIRO - TEL.: 31-5820

September 15, 1967

Mr. Robert Kanchuger
USAID/Recife
Praça do Apolo 243
Recife, Pernambuco

Dear Bob:

re: Education Financing in Bahia

First, let me apologize for not having notified you of our change in plans about going to Bahia. I thought, however, that we had agreed you would not go to Bahia until we were in touch with you. I was distressed to hear that the Consul went to meet the plane on which I was scheduled to arrive. Please accept my apologies for the confusion for which I am apparently responsible.

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USAID

Mr. Robert Kanchuger
USAID/Recife

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The Governor agreed and indicated his strong interest in participating in the proposed Secondary Education Sector Loan. He also confirmed his acceptance of the conditions attached to the Secondary Education Sector Loan as set forth in the attached "Guidelines."

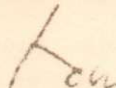
I indicated to the Governor that it did not seem possible for AID to consider a loan of nearly \$16 million to primary education in Bahia given the relative priorities on which we agreed.

While I did not rule out the possibility of some AID assistance in the primary education area, I informed the Governor that such assistance would have to be separate and distinct from the Secondary Education Sector Loan and would have to focus primarily on the areas of quality improvement and improved student flow. In accordance with our discussion here in Rio during your recent visit I understand that you are in agreement with this approach.

Consequently, I would suggest that further development of the project with Bahia in the primary education area be in terms of a smaller operation directed at teacher training, curriculum improvement, and the like.

I am sending a copy of this letter to Mr. Bird in Salvador.

Sincerely yours,



L. V. Perez
Assistant Director for Capital
Development and Industry

Attachment: a/m

cc: R. Bird, Consulate, Salvador

USAID/Rio - RCardwell, HRO
DDolio, HROE
PHornbostel, LGS
JOGilvie, ADCD

P.S. After writing this, your letter of September 11 arrived. While I'm sorry about the regrettable mix-up in Bahia, I believe we told you not to go to Bahia until we contacted you. I am also sorry that the pressure of other activities in Rio was such that

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EDUCATION SECTOR LOAN SUMMARY STATUS REPORT1. Introduction

The attached Summary Education Sector Analysis indicates that the productivity of Brazil's education system is very low compared with that of more highly developed countries. It is so low as to indicate the need for a direct attack on the factors operating to produce such results. The following statistics rapidly illustrate the problem: for every 1,000 students who entered First Grade in 1952 only 172 were still enrolled by Grade 4 (1955); 92 entered the first year of secondary education school in 1956; only 30 enrolled in the final year of secondary school in 1962; 15 began university training in 1963, and 13 were still enrolled in the third year of university training in 1965. Other data in the sector analysis confirms that the secondary system whose organization and administration resides with the State is still in the majority a private system (44% public, 56% private) and furthermore that the predominance of specialized facilities in the form of separate normal schools, agricultural schools, commercial schools, industrial schools, etc., has not been conducive to increasing the output of students with training in these various areas. In short, the highest priority for investment in education is in the secondary school area and in order to meet the problems MEC and USAID are agreed that additional public secondary school facilities are urgently required and that such facilities should be in the form of ginasios oriented to work and comprehensive high schools rather than specialized facilities heretofore constructed.

2. Selection of States

USAID/Brazil is presently providing technical assistance in the secondary education area to seven States: Rio Grande do Sul; Sao Paulo; Minas Gerais; Guanabara; Espirito Santo; Pernambuco; and Bahia. Planning teams at the secondary education level within these states are engaged in the collection of data on the existing system and on formulating long-range plans and projections for the development of the system. Assistance in this planning effort is provided by a joint MEC/USAID team stationed in Rio de Janeiro. The seven States were selected as being the most promising states in which to work in the secondary education area. From these seven States USAID/MEC selected the States of Rio Grande do Sul, Minas Gerais, Bahia and Espirito Santo as being the most favorable for inclusion in the proposed education sector loan. This determination was based on a consideration of the states' planning and administrative potential and on their relative need for assistance. The states of Guanabara and Sao Paulo were eliminated because of the slow rate of progress in the development of their

secondary education plan. Pernambuco was eliminated owing to the present hostility of the Governor for assistance from the Alliance for Progress. In any event all three States are making less than the minimum contribution to education.* The four States chosen are contributing from 15 to 21% of state resources to education. W

Finally, these four States are interested in the planned development of their secondary education system and appear to have the potential for operating efficiently and effectively in the proposed project.

3. "Guidelines for Secondary Education Sector Loan Program"

The attached Guidelines were prepared by USAID/Brazil jointly with the Directorate of Secondary Education of the Ministry and reflect a common position. These Guidelines were prepared for orientation purposes of the participating States. As indicated in the Guidelines the Sector Loan Program will focus on three critical problems: (1) increasing public secondary facilities; (2) developing the work-oriented ginasios and comprehensive colegios; (3) improving and expanding channels responsible for the production and upgrading of secondary education professional staff. To be eligible for inclusion in the program, participating states must support the concept of work-oriented ginasios and comprehensive colegios, prepare a satisfactory three-year plan for the maintenance and development of their secondary education system and must be prepared to increase their own expenditures for education as a whole and for secondary education in particular.

The Secondary Education Program will be financed as follows: the USAID loan will be \$25 - 30 million, the GOB will match this amount from federal funds. The contribution of the States will be based on the following criteria: (1) a minimum of 20% of total state expenditures for education; (2) a program to increase annual education expenditures by a minimum of 2% of the total state expenditures each year until state educational expenditures reach 30% of total of state expenditures; (3) the allocation of at least 40% of any increase in any educational funding to secondary education; (4) the provision of suitable sites for construction of secondary school facilities.

The USAID/MEC contributions for the States Secondary Education Programs will be in the form of budgetary support as a percentage of expenditures made by the state under its three-year secondary education plan. The USAID loan will be made to the GOB acting through the Ministry of Education on minimum terms. MEC will repossess these funds to the selected states and not as a loan. Disbursements of funds to the states will be conditioned on adherence to their financial commitments and on satisfactory progress in the construction of the types of secondary facilities which will form the core of the state plan. Other conditions such as curriculum improvement and improvement of teacher salary levels may also be introduced.

* These contributions are as follows: Sao Paulo 14.7%; Guanabara 13.6%; Pernambuco 9.7%.

4. State Visits

A joint MEC/USAID Mission headed by L.V. Perez met with the Governors and Secretaries of Education and Planning teams in the States of Minas Gerais, Rio Grande do Sul, Espirito Santo and Bahia in late August and early September, 1967. Each four states enthusiastically accepted participation in the program and through the medium of letters from each Governor to the Minister of Education, confirmed their interest in participating, their capability to prepare the plans required by the end of November 1967 and confirmed their adherence to the principals and conditions laid out in the Guidelines Paper.

5. Preparation of State Plans; Timing of Sector Loan

An Annex to the Guidelines Paper sets forth the principal elements to be included in the state plans. The secondary education planning teams have agreed to give priority to assisting the four States in the preparation of a comprehensive three-year plan for improvement and maintenance of the secondary education system in these States. In addition to the secondary education plan, the States will provide sufficient information about the entire education system in their state to permit an appreciation of the effectiveness of that system and the interrelationship of secondary education to the other parts of the system.

The first step in the preparation of the State plans was taken during meetings held September 14th and 15th, 1967 in Rio de Janeiro of representatives from the four States planning teams. During this time details on what information would be required and how it would be used and obtained were worked out. In the coming weeks state teams will work on the development of these plans assisted by periodic visits to MEC/USAID representatives and consultations in Rio de Janeiro.

USAID/Brazil recognizes that a great deal of effort will be need to prepare these state plans by the end of November, 1967 and a slippage of 1 to 2 months is to be expected. However, the plans should be completed in sufficient time to enable the preparation of the Sector Loan Paper and the authorization of the loan by April, 1968.

- Attachments: 1. Education Sector Analysis
2. Guidelines for Secondary Education Sector Loan Program

ADCD: LVPerez/kf
9/15/67
USAID/Brazil

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