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CONSULATE GENERAL OF THE UNITED STATES OF AMERICA
AND
UNITED STATES A.I.D. MISSION TO BRAZIL
Northeast Area Office

June 12, 1970

Recife, Pernambuco, Brazil

May 25, 1970

Mr. Donor M. Lion
Consul General and *William A. Ellis*
Associate Director of USAID
Northeast Area Office
c/o U.S. Consulate General
Recife Pe., Brazil

Action
TO Mr. Gabel
ADPR
USID

Dear Bill:
Dear Donor:

We have been reviewing your letter of May 25 to Bill Ellis about the possibility of employing, under contract, personnel for the SUDENE staff of his key professional and technical staff to the expanding private industrial sector.

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precedent
contracting
S&B machine*

Frankly, we do not quite know what to do with this. We can appreciate the problem although we are not sure just how this would fit the definition of "project." The immediate situation, however, is that I do not see any possible source of funds to do this. On the basis of present estimates, we are going to have a shortfall of almost \$2 million in the TC/DG funds needed for ongoing projects, even in the event that DG funds would be approved for the purpose you suggest. The Trust Fund is no better solution, since this use is completely outside the limits of the Trust Fund agreement and, in addition, we are anticipating a shortfall of close to Cr\$ 10 million in the amount needed for Trust Fund support of ongoing activities.

The only possible source of funding would be a budget support agreement with program loan counterpart (practically all gone) or PL-480 generated cruzeiros. However, the budget support route would not likely remove the present limitation on SUDENE's employment and so would not be a solution to the problem.

Sorry we cannot be more encouraging but I do not think there is much chance. We will keep this in mind, however.

Sincerely yours,
Robert J. Ballantyne

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CONSULATE GENERAL OF THE UNITED STATES OF AMERICA
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Northeast Area Office

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Recife, Pernambuco, Brazil

May 25, 1970

Honorable William A. Ellis
Chargé d'Affaires ad interim
American Embassy
Rio de Janeiro, Brazil

*Action
TO Mr. Coakley
ADPR
USI/O*

Dear Bill:

During a discussion with SUDENE Superintendent General Tácio last week, he described with some concern the continuing serious loss of his key professional and technical staff to the expanding private industrial sector.

*wfg -
institution bldg?
precedent
availabilities of \$
SOB reaction?*

Under what he refers to as the "Open Door" policy, SUDENE personnel are free to leave to accept higher paying jobs on the economy. However, the "Open Door" policy applies only to those leaving. The door of entry to SUDENE rolls is closed by a freeze on hiring in any form whether it be permanent, temporary, contract or whatever. According to Tácio, SUDENE has lost more than 100 of its most highly qualified professionals in the last twelve months without the possibility of replacement. This creates serious bottlenecks in the project preparation, approval and implementation as well as lowering the professional capacity and morale of the organization.

One of the most effective ways to help SUDENE at this time would be for us to hire from a private contractor a portion of the professional skills SUDENE needs to carry out its mission. These key personnel, who would be hired to fill only the most critical vacancies, would be interviewed and selected by SUDENE, hired by a contractor paid by the USAID and put full time at the disposition of SUDENE under the direct supervision of SUDENE department heads. The people selected should have skills in those sectors in which we have priority interest and/or investment.

The length of individual contracts would depend upon the type of work involved. Each contract could carry a thirty day notice of termination clause. All contracts could be terminated within ninety days of such time as the freeze is lifted. No contract would cover more than a two year period.

The source of funds to support such an assistance program for SUDENE is, of course, a major problem. Presumably, such funds would come from dollar grant resources. If we were to agree to staff up to 25 of SUDENE's key vacancies, the cost for a two year period would run in the neighborhood of \$300,000.00.

I hope you think this notion has merit. Perhaps we can discuss it during my upcoming trip to Rio.

Abraços,

Sincerely,

Donor M. Lion
Consul General and
Associate Director of USAID