



094077

# REPORT TO THE CONGRESS

## U. S. Foreign Aid To Education: Does Brazil Need It? B-133283

Department of State  
Agency for International Development  
Department of Treasury  
ACTION

B-133283

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

~~711016~~ 094077

FILE COPY - COMP. GEN.

JULY 30, 1973



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON D C 20548

B-133283

C To the President of the Senate and the  
Speaker of the House of Representatives

This report presents our findings, conclusions, and recommendations concerning United States foreign aid to Brazil for education development

The review was made as a part of our continuing examination of foreign assistance programs pursuant to the Budget and Accounting Act of 1921 (31 U S C 53) and the Accounting and Auditing Act of 1950 (31 U S C 67).

We are sending copies of this report to the Director, Office of Management and Budget, the Secretaries of State and the Treasury, the Administrator, Agency for International Development, and the Director,  
ACTION

*James B. Stets*

Comptroller General  
of the United States

32  
42  
92  
349

C o n t e n t s

		<u>Page</u>
DIGEST		1
CHAPTER		
1	INTRODUCTION	5
	Summary of U S education assistance	6
	Brazil's education system	13
2	IMPROVEMENTS NEEDED IN COORDINATING EXTERNAL ASSISTANCE	17
	Education assistance	18
	Common lending strategy needed	19
	Brazilian coordination	21
	U S coordination	21
	Conflict between external donors' objectives	22
	Agency comments and GAO evaluation	25
	Conclusions and recommendations	26
3	NEED FOR IMPROVEMENT IN PLANNING U S ASSISTANCE	28
	Basic long-term education objectives not established	28
	Cost-benefit studies needed	29
	Conclusions and recommendations	32
	Agency comments and GAO evaluation	33
4	U S. EDUCATION ASSISTANCE EFFORTS NOT DESIGNED TO IMPROVE INEQUITIES	34
	Urban and rural education opportunities	36
	Education expenditures	38
	Conclusions and recommendations	40
	Agency comments and GAO evaluation	41
5	U.S EFFORTS NOT DIRECTED TO SOLVING CAUSE OF SHORTAGE OF QUALIFIED PRIMARY SCHOOL TEACHERS	42
	Problems in placing qualified teachers in areas of need	43
	Agency comments and GAO evaluation	44
	Recommendation	45

CHAPTER		<u>Page</u>
6	IS IT APPROPRIATE TO PROVIDE U.S FOREIGN ASSISTANCE TO SUPPORT PRIVATE EDUCATION?	46
	Brazilian funds used for private schools	47
	U S loans may benefit private schools	48
	Conclusions and recommendations	49
	Agency comments and GAO evaluation	50
7	PROBLEMS IN IMPLEMENTING AND MONITORING U S. LOANS	51
	Noncompliance with financial commitments	51
	State loan conditions	54
	School locations	60
	Sufficient data not available to U S program managers	67
	Second loan provided prematurely	68
	Conclusions	76
	Recommendations	76
	Agency comments and GAO evaluation	77
8	DOES BRAZIL NEED CONTINUED U S CONCESSIONAL ASSISTANCE?	80
	Agency comments and GAO evaluation	81
	Matter for consideration by the Congress	82
9	SCOPE OF REVIEW	83
APPENDIX		
I	Agency comments	85
II	Number of students enrolled in 1968 by education level in public and private schools	92
III	Indicators of progress in Brazilian education 1960-71	93
IV	Total primary school teachers and status of primary school teacher graduates	95
V	Secondary education opportunities and AID school site selections Urban and rural	97

APPENDIX

-  
Page

VI	Principal officials having management responsibilities for matters discussed in this report	98
----	---	----

ABBREVIATIONS

AID	Agency for International Development
GAO	General Accounting Office
IBRD	International Bank for Reconstruction and Development
IDB	Inter-American Development Bank
OAS	Organization of American States

COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

U S FOREIGN AID TO EDUCATION  
DOES BRAZIL NEED IT?  
Departments of State  
and the Treasury,  
Agency for International  
Development, and ACTION B-133283

D I G E S T

WHY THE REVIEW WAS MADE

The United States has given education development in Latin America priority attention since the mid-1960s. Brazil, which accounted for a substantial part of this assistance, received about \$187 million in direct and indirect aid for fiscal years 1965-72.

GAO reviewed U S aid to Brazil for education development because of these facts and because of indications of serious shortcomings in management of the program.

FINDINGS AND CONCLUSIONS

Effectiveness and management  
of U S aid to  
Brazilian education

Most of the U S capital assistance for Brazilian education was committed after 1967, and a substantial portion of the commitments had not been disbursed as of May 1973.

Therefore, although results of the education development brought about by this assistance are still incomplete, planning has progressed sufficiently to provide a basis for evaluation.

U S officials showed genuine concern and interest for the U S - supported education assistance program, but GAO observed shortcomings that it believes will adversely affect the net results.

--The program was not designed to improve inequities in the Brazilian education system. (See p 34.)

--U S efforts have not been directed to solving the basic cause of the shortage in qualified primary school teachers. (See p 42.)

--Brazil has not complied with the financial commitments in the U S loans requiring increases in its Federal resources for education. (See p 51.)

--Planned increases in secondary school enrollment are being adversely affected by school site locations. (See p 60.)

U S aid to Brazil, in effect, supports an education system allocating a substantial amount of public resources to private schools which, because of tuition fees charged, discriminate against the less affluent.

This raises a basic policy question as to the support's appropriateness, but GAO was unable to identify any policy guidance concerning this matter.

External assistance to Brazil needs improved coordination. Various donors have not developed a common lending strategy to permit maximum impact of foreign resources. Activities and programs provided

Tear Sheet Upon removal the report cover date should be noted hereon.

by some donors in the education sector have overlapped, involved duplication or marginal benefit, and supported conflicting objectives (See p 17 )

A second U S education loan for \$50 million was given to Brazil prematurely because it was authorized and signed before (1) specific measurable goals were formulated, (2) Brazil's plans for using the funds were established, and (3) problems with the first loan for \$32 million were resolved (See p 68 )

Need to continue U S concessional aid to Brazil

In the overall assistance program to Brazil, the United States is providing about \$50 million in concessional aid in fiscal year 1973 and plans to provide about \$17 million in fiscal year 1974. Brazil's need for such assistance, however, is questionable

--Its gross national product has grown at an average annual rate of about 9.9 percent since 1968 and totaled about \$50 billion in 1972

--It accumulated \$3 billion in foreign exchange in 1971 and 1972. Total reserves at the start of 1973 were about \$4.2 billion

--It is able to obtain substantial economic assistance from other sources. For example, the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Export-Import Bank of the United States authorized over \$900 million in external assistance in fiscal year 1972 alone

--Brazil, in turn, pledged some of its resources in 1972 to the Special Fund of the African Development Bank. The resources of this fund, like the more concessional loan funds of the Inter-American Development Bank and the Asian Development Bank, will be used to finance high-priority development projects

--Authorized but undisbursed Agency for International Development (AID) loans amounted to over a quarter of a billion dollars as of May 1, 1973 (See p 80 )

RECOMMENDATIONS

GAO is making a series of recommendations to the Secretary of State and to the Administrator of AID to:

--Correct or alleviate identified planning, implementation, and evaluation problems (See pp 32, 41, 45, and 76 )

--Ascertain the degree to which Brazilian public resources support private education institutions

--Develop policy guidance on appropriateness of providing U S foreign aid to a country allocating a substantial share of its public education resources to private schools (See p 49 )

GAO is also recommending that the Secretaries of State and the Treasury instruct U S representatives to other major international donors to enlist the donors' support in seeking methods to improve coordination of external assistance to Brazil (See p 27 )

AGENCY ACTIONS AND UNRESOLVED  
ISSUES

State and AID agreed with most of the recommendations for improving U S foreign aid to Brazil for education development (See pp 25, 41, 44, and 77 )

AID representatives with whom GAO discussed two other recommendations in March 1973--to insure that loan objectives would be achieved and that AID would avoid authorizing and signing development and Alliance for Progress loans before establishing plans for using U S loan resources and formulating goals for objective measurement and evaluation of loan accomplishments--said the formal agency position would be expressed at a later date

State and AID said informal arrangements to foster coordination between external donors already existed and were generally satisfactory Treasury commented that existing coordination arrangements could always be improved and that it would be better to concentrate on improving existing arrangements than to introduce an entirely new mechanism (See p 25 )

AID agreed to develop policy guidance on the appropriateness of providing U S foreign aid to a country which supports private education institutions and to ascertain the degree to which Brazilian public resources support private education However, it seems

that AID will not implement these recommendations in the near future (See p 50 )

The agencies agreed with the facts presented on Brazil's remarkable economic performance since 1968 and added that the picture was one of increasing economic strength and capacity of the Brazilian Government to deal with its own problems

Nevertheless, in response to our report, the agencies said in December 1972 that current U S assistance levels to Brazil--about \$50 million in fiscal year 1973 and about \$17 million in fiscal year 1974--were consistent with U S foreign policy objectives However, in May 1973, we noted indications that serious consideration is now being given to an orderly reduction for future U S bilateral assistance to Brazil (See p 81 )

MATTERS FOR CONSIDERATION BY THE  
CONGRESS

The question of when a foreign aid recipient, like Brazil, reaches the point in its development when it no longer needs further U S concessional assistance has not been addressed by State and AID program managers

GAO believes the Congress should require the Department of State and AID to identify precisely and objectively that point at which a country, such as Brazil, no longer requires U S concessional assistance.



## CHAPTER 1

### INTRODUCTION

We examined the management of U S direct and indirect assistance to Brazil's education system after 1965 to evaluate the (1) long-term effectiveness of such assistance, (2) adequacy of existing U S management controls, and (3) coordination of such assistance with that given to Brazil by the international community. The agencies primarily responsible for the assistance programs are the Departments of State and the Treasury, the Agency for International Development (AID), and ACTION (Peace Corps), with Treasury having primary responsibility for directing and managing U S interests in international lending institutions.

A draft of this report was submitted for comment to State, Treasury, and AID. Their comments were received about December 11, 1972. Treasury's comments were classified at that time and were resubmitted in unclassified form on April 11, 1973. Peace Corps officials, in April 1973, agreed with the facts in our report concerning their education program in Brazil. Portions of the agencies' comments are included as appendix I. Their comments were evaluated and incorporated into the report as we considered appropriate.

To give this report the proper perspective, and as a broad observation, we believe that the management problems inherent in operating a foreign assistance program are among the most complex of any organized endeavor of the U S Government, especially for a social sector, such as education.

The hypothesis underlying U.S. foreign assistance policy is that only a developing country itself can create the internal conditions necessary to achieve a sustained rate of growth and development and to make that growth and development self-generating and self-sustaining. The United States can only supply missing components, principally capital and technology, in an otherwise favorable situation. U S doctrine traditionally has provided that an assistance program must serve as a catalyst, permitting a recipient country to mobilize a large and intensified development effort to attain a more ample and equitable distribution of income and level of living for its inhabitants. Thus, the effectiveness of both U S. assistance programs and recipient country performance must be judged in terms of development results.

We viewed assistance to the education sector as part of the total U S assistance program to Brazil. During fiscal years 1965-68 U S bilateral development assistance to Brazil annually averaged \$275 million and was justified primarily in terms of solving Brazil's balance-of-payments gap and high inflation rate.

Because of Brazil's rapid economic growth, AID's development program has declined while other lenders' programs have increased. AID's program since fiscal year 1969 has assumed a complementary role, concentrating on the social sectors, and has averaged \$30 million annually. AID officials state that their declining program no longer has any real political significance in Brazil and that, consequently, they have lost some of their leverage to influence Brazilian policy due primarily to the availability of funds from other sources.

Since 1969 there has been a sharp increase in lending to Brazil by the International Bank for Reconstruction and Development (IBRD), the Inter-American Development Bank (IDB) and the Export-Import Bank of the United States (Eximbank). These institutions, according to AID, have met virtually all of Brazil's external financing requirements in the major investment sectors--electric power, transportation, steel, telecommunications, and mining. Eximbank alone authorized over \$290 million in long-term loans to Brazil in fiscal year 1972.

#### SUMMARY OF U.S. EDUCATION ASSISTANCE

The United States has provided assistance to Brazil's education sector for 30 years, most of it in the last several years. Technical assistance was given to the Brazilian education sector through AID and international organizations before 1967 but most of the capital assistance to education began after 1967.

Because development is considered as a long-term endeavor and because most of the U S capital assistance to Brazilian education was committed subsequent to 1967, concrete results of education development in Brazil brought about by such U S assistance are incomplete. However, assistance planning and performance has progressed sufficiently during the 4 years prior to our review to provide a basis for evaluating the activities.

External education assistance to Brazil during fiscal years 1965-72 amounted to \$227.9 million, of which \$187.1 million, 81.5 percent, was provided by the United States-- \$151.7 million directly through bilateral programs and about \$35.5 million indirectly through international organization programs

The value of total direct U S education assistance from 1965 to 1971 was equivalent to 2.2 percent of Brazil's total education expenditures. If both direct and indirect assistance were considered, the value would be equivalent to about 2.7 percent.

#### Forms of direct U S assistance since 1965

##### AID assistance--\$148.2 million

AID has four fund categories for bilateral assistance: (1) development and Alliance for Progress loans, (2) technical cooperation and development grants, (3) supporting assistance, and (4) contingency fund. AID has used development and Alliance for Progress loans (\$82 million) and technical cooperation and development grants (\$66.2 million) to provide education assistance to Brazil. The \$82 million of loan assistance, which was only 19 percent disbursed as of May 1, 1973, was authorized in two loans, \$32 million in fiscal year 1968 and \$50 million in 1970. The \$66.2 million in grants includes \$45.5 million in U S owned and controlled local currency and \$20.7 million in technical assistance grants.

##### Peace Corps--\$3.5 million

In July 1971 the Peace Corps was transferred into a new agency called ACTION. Its objectives, as stated by the Congress, are to help the people of interested countries meet their needs for trained manpower and to promote a better understanding of Americans abroad and of other people by Americans.

The Peace Corps conducts its country activities separately from those of Embassies and other U S. agencies. It does, however, consult with AID and State representatives in the field and in Washington, D C, in formulating its programs.

Peace Corps involvement in Brazilian education began in 1965 and increased significantly until 1969, when about

21 percent of Peace Corps resources were devoted to education. From that time these allocations have declined significantly and only 4.9 percent, 18 of about 370, of the volunteers were involved in education projects in early fiscal year 1973. During fiscal years 1965-72, the Peace Corps education program cost about \$3.5 million.

This lack of involvement in Brazilian education stems from a management decision that the education sector is the wrong one for the Peace Corps to be involved in. An official explained during our in-country review that previous Peace Corps projects had experienced considerable negative reaction because Brazilians do not like direct American involvement in the classroom. Therefore, because most Peace Corps projects include direct contact with the people, its current involvement in education is limited.

#### Brief history of U S assistance

U S assistance to Brazilian education can be characterized as follows: 1942-56, industrial education, 1957-63, improvement of elementary education, 1962-67, improvement of Northeast Brazil elementary-basic education, 1967 to the present, secondary education and the improvement of educational planning and administration.

We were advised that, because foreign assistance levels to Brazil from 1942 until the Alliance for Progress was initiated in the early 1960s had been notably modest, no sweeping education reforms had been possible. When the Alliance for Progress was formed, an entirely new dimension of U S assistance became available and made comprehensive education objectives possible.

One of AID's earlier education efforts under the Alliance for Progress was a 17.2 billion cruzeiro loan in 1963--equivalent to about \$22 million in purchasing power at the time the cruzeiros were spent--to Northeast Brazil for improving and expanding primary education. Various AID audit reports show that, due in part to an unstable political situation and poor planning, few of the goals under this loan were achieved.

In 1965, after the political situation stabilized, AID began to focus on technical assistance, engaging in a planning project at the primary level and one at the secondary level to improve State and national education planning,

a teacher-training project to attack the shortage of qualified secondary teachers, and, a textbook project to distribute, among other things, 51 million free textbooks to primary and secondary students

Various AID audit reports show that the collective results of these projects were only peripherally effective. For example, the teacher-training project never got off the ground due to student agitation caused by an AID-Ministry of Education university reform project. Under the textbook project constructive efforts were made to build the organizational and planning framework necessary for a national assault on the textbook problem, however, in a quantitative sense, the project fell far short of its goals because of restricted Ministry of Education financing. The elementary planning project evolved from the critical analysis and model plans for increasing the flow of students at the primary-secondary level, but the planning was hampered by inadequate Ministry of Education counterpart personnel and then frustrated by the subsequent phaseout of the Ministry of Education entity as a planning unit. The secondary planning project established planning units at the national level in several Brazilian States, and from these planning units evolved the specific plans for the first U S education loan.

This loan was the result of 2 years of joint AID-Brazilian analysis and planning. In late 1966 the AID Mission began a comprehensive study of the Brazilian education system, as a means of establishing priorities within the sector and identifying the major problems. This study, completed in June 1967, identified a host of financial, institutional, and pedagogical problems at the primary-secondary level, which were analyzed as constraints on the efficiency and effectiveness of the Brazilian system. Briefly the study explained that in December 1961 primary-secondary education was fully decentralized and responsibility transferred to the Brazilian States. However, at the time of this decentralization, the States were ill prepared to assume the burdens, particularly at the secondary level, because their administrative capabilities were weak and their financial resources inadequate to cope with the growing operational and expansion needs. The Ministry of Education, which was to play a supervisory and supplementary role, was itself burdened with a bureaucracy, being subdivided into over 70 separate departments. Moreover, Brazilian Federal Government transfer payments, which were channeled through the Ministry of Education to the

States, were frequently delayed 2 or more years and were generally inadequate

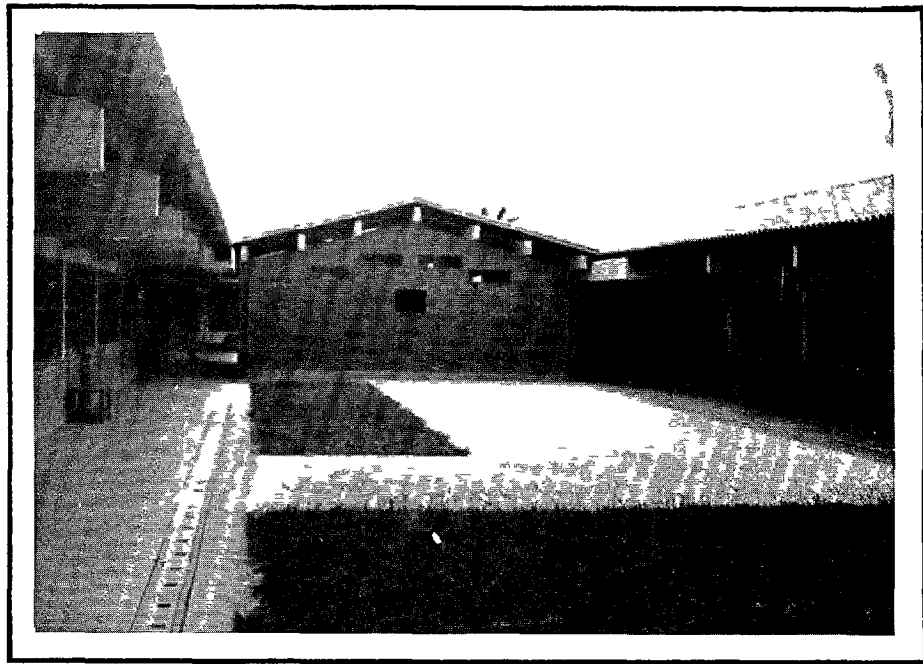
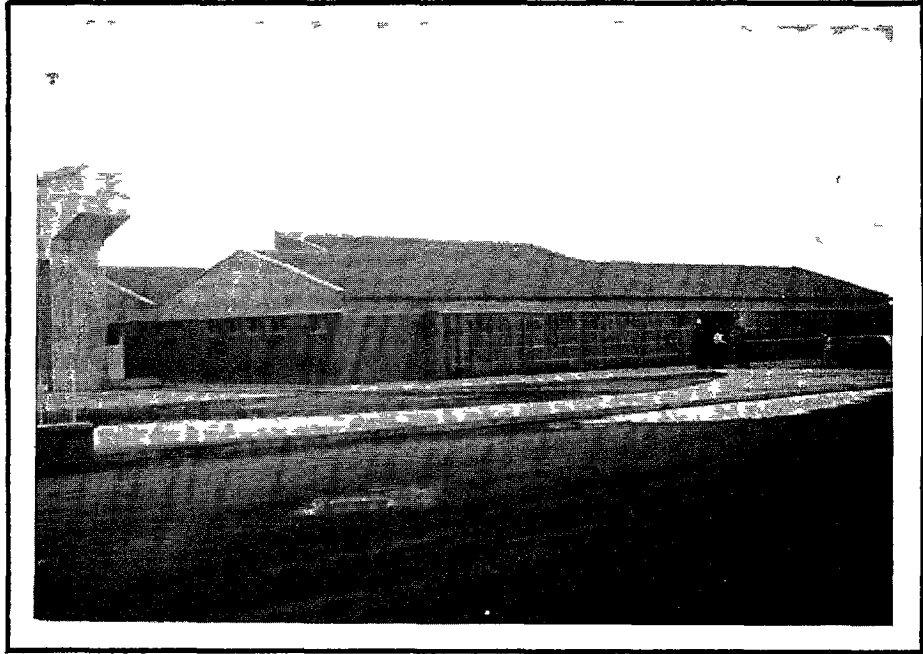
The study indicated that secondary education was the priority area for assistance since unsatisfied demand was greatest at that level and curriculum content was overly academic in relation to manpower needs. According to AID, three major conclusions became evident

- The most critical bottleneck in the education system was junior high schools. Most primary school students, except in a few of the cities, could not attend free secondary schools due to lack of facilities
- The curriculum in junior and senior high schools was directed almost entirely at college preparation and vocational skills generally were not taught.
- The small number of secondary school students was one of the main causes of social immobility and disparity in economic and employment opportunities

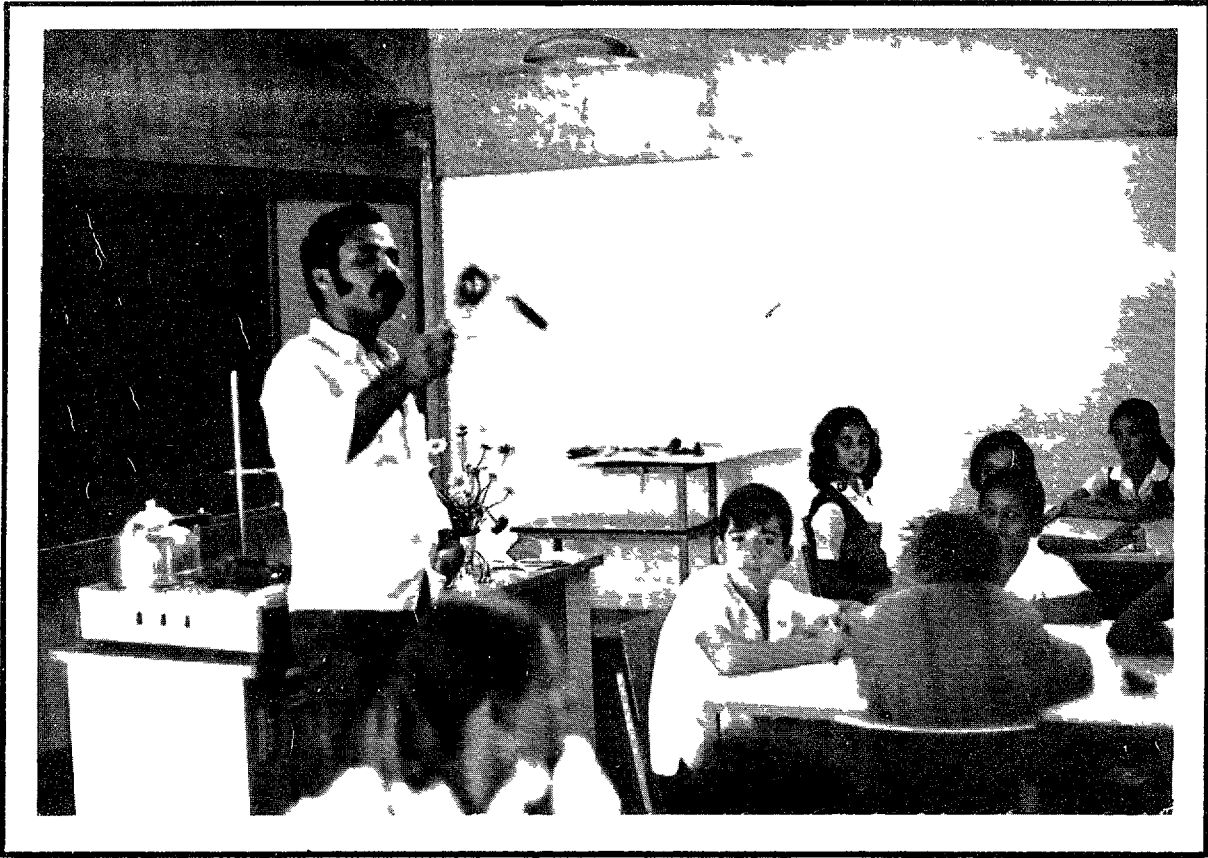
AID authorized the first U S loan for \$32 million in June 1968 to assist the Government of Brazil to carry out its program for expanding and improving secondary education, primarily in four States. U S funds were to be used for constructing new school facilities, equipping these schools to make the physical facilities fully operational, training teachers and school administrators, and developing a balanced curriculum. Photographs of these types of schools are shown below. These schools are in the first phase of the program, and it is estimated that their average costs will be \$117,000.

A second U S education loan for \$50 million was authorized by AID in June 1970, primarily to improve the use of Brazilian financial and manpower resources in the primary-secondary education system.

Our review concentrated on these two U S education sector loans because of the significant U.S. capital resources involved and because of the declining education grant program



**COURTYARD VIEW OF SCHOOL**



Courtesy of AID



## BRAZIL'S EDUCATION SYSTEM

Education in Brazil has been limited in quantity, quality, and availability. It has significantly improved in recent years but is still characterized by major deficiencies.

Brazil, except for a few small islands, comprises one land mass of about 3.3 million square miles and is the fifth largest nation in the world in terms of territory, covering almost half the South American continent. Brazil is only slightly smaller than the United States. It is divided into 22 States, 3 territories, and the Federal District.

Brazil's 1971 population was approximately 98.4 million, of which approximately 42.2 million were the prescribed primary and secondary school age. However, in 1971 only 42.9 percent of the primary-secondary school aged population was enrolled in school. Moreover, in 1970 approximately one-third of the population over 15 years of age was illiterate.

### Structure, administration, and financing

The Brazilian system of education until 1972 was organized in three levels: primary (grades 1 to 4), secondary (grades 5 to 11), and higher. These levels functioned as separate segments, with a further division within the secondary school between grades 5 to 8 and grades 9 to 11. The basic law for education, the 1961 Law of Directives and Bases, provided for decentralizing the education system by giving the States responsibility for elementary and secondary education. The Federal Government retains responsibility for higher education.

In August 1971 the Brazilian Congress approved a law which will provide a basis for attempting to solve many of the deficiencies of Brazil's education system. Essentially, the law provides for replacement of the traditional terminology and concepts of primary, first- and second-level secondary, and vocational education. In its place the law combined the first 4 years of secondary education (grades 5 to 8) with 4 years of primary education (grades 1 to 4) into a continuous, compulsory, free 8-year program of fundamental education (grades 1 to 8) and concomitantly

established a 3-year program of diversified, comprehensive secondary education for grades 9 to 11.

Financial support comes from public and private sources and flows through Federal, State, and municipal agencies. Resources are directly applied by all levels of Government, as well as by the private sector. Transfers, earmarked and unearmarked, flow between all these agencies. Therefore, according to the latest available AID education sector analysis, precise data on total funding for formal education in Brazil has not been available and analysis must be based on partial data and the best obtainable estimates. The latest data available shows that public sector expenditures come from Federal (30 percent), State (60 percent), and municipal (10 percent) sources.

A functional breakdown of the Ministry of Education's 1970 expenditures shows that 57.5 percent was devoted to higher education, 17 percent to administration and miscellaneous programs, 15.9 percent to secondary education, and 9.6 percent to primary education. Nearly all State and municipality expenditures are for the primary and secondary levels.

Both the public and private sectors operate institutions at each of these levels. Private sector control is especially prevalent at the secondary and higher level. The latest available breakdown (1968) of enrollment by education level in public and private schools is included as appendix II. Corresponding data on the actual number of existing school facilities is available only for primary education.

### Progress during the sixties

Enrollment of the school aged population rose from 8.8 million in 1960 to 18.6 million in 1971, an annual growth rate of 6.4 percent. Primary enrollments increased 81.6 percent, secondary 268.3 percent, and higher 404.2 percent. The percentage of the primary-secondary school aged population in school increased from 28.3 percent in 1960 to 42.9 percent in 1971. The table in appendix III shows a breakdown of educational progress by level.

Federal and State expenditures rose between 1961 and 1970 at an average annual increase of 11.2 percent. Total

public education expenditures were reportedly budgeted at \$1.3 billion in 1972. Financial data referred to in this report is shown in real terms and therefore is adjusted to exclude the effect of Brazil's inflation on purchasing power.

In addition to the quantitative increases in enrollment and expenditures, the Ministry of Education has experienced an administrative reform, implemented in 1969, which reportedly has greatly increased its administrative capacity.

### Current problems

Despite these improvements in enrollments and administration, the education system still has major deficiencies and much remains to be done to improve it and make it more responsive to the economic advances Brazil has made over the past 8 years. AID documents showed the following major deficiencies.

In primary education, only about 53 percent of the school aged population is enrolled and 20 percent of those who enroll complete the fourth grade within 4 years. It is estimated that 39 percent of the primary school teachers are unqualified. Inadequate distribution of physical facilities and unrealistic promotion requirements hinder the student flow through the system. High repetition rates result in a large proportion of overaged students in the first two grades.

At the secondary level, only about 27.4 percent of the school aged population is enrolled. About half of all secondary schools, accounting for about 40 percent of total secondary enrollment, are privately operated and charge tuition. The public schools, in responding to population pressures, must operate two and often three shifts daily and even so are able to accept less than half of their applicants. It is estimated that 70 percent of the secondary school teachers are unqualified.

At the university level, education is heavily subsidized by the Federal Government, yet less than 4 percent of the appropriate school aged population is enrolled in higher education. Because of the high percent of private secondary schools and the frequent necessity of high school graduates to attend private courses to prepare for the university

entrance examination, most of the university students are relatively well-to-do by Brazilian standards, even though tuition at this level is minimal. Universities have tended to be loose confederations of independent departments with much duplication and little academic coordination.

An international organization compared 42 less developed countries in educational achievement. Indicators on secondary and higher enrollments showed Brazil above the average, ranking 17th and 12th, respectively, however, in primary enrollments it fell to 27th.

In summary, Brazil has made noteworthy gains in education but is still deficient in education opportunities and does not rank any better than average for less developed countries of the world.

## CHAPTER 2

### IMPROVEMENTS NEEDED IN COORDINATING

#### EXTERNAL ASSISTANCE

Our review shows a need for improved coordination of external assistance to Brazil by international lending institutions, international organizations, and bilateral aid donors. Various donors have not developed a common lending strategy to permit maximum impact of foreign resources, and, in a few instances, activities and programs have overlapped in the education sector, involved duplication or marginal benefit, and supported conflicting objectives.

During fiscal years 1969-72 over \$2 billion in external assistance was authorized to Brazil. IBRD authorized \$877.3 million, IDB \$592 million, Eximbank \$458.4 million, the International Finance Corporation \$56.3 million, and the United Nations Development Program and other U.N. organizations \$20.1 million. AID estimates such external assistance for fiscal year 1973 to be \$590 million.

The records indicate that there has been competition for some time in Brazil between the international lending institutions and AID for relatively few project loans available for financing. The international lending institutions were not offering program loans, but they, as well as the AID Mission, were involved with loans to the education and agriculture sectors.

As a result of this convergence of interests in the same areas, the AID Mission in 1968 and 1969 recommended to AID/Washington the need for and the advantages of a formal mechanism to coordinate external assistance to Brazil.

In 1968 the AID Mission sought Washington guidance for the steps that should be taken to coordinate the increasingly similar activities of AID, IBRD, and IDB, particularly in education, agriculture, and health. AID/Washington apparently did not provide the Mission with the guidance requested because in 1969 the Mission again raised the issue of coordination. This time the Mission, because it was becoming aware of wasteful conflict and overlap of programs in at least the education sector, strongly recommended

formulating a consultative group to coordinate external assistance.

This issue was included with others to be considered at the AID/Brazil program review held in Washington in September 1969. No minutes or records were kept of any decisions reached on the issue. The records do indicate, however, that in the summer of 1969 IBRD proposed to Brazil that IBRD, in view of its role as the major external lender, organize a consultative group or similar arrangement acceptable to Brazil. Brazil declined IBRD's offer. We asked the Mission for the specific reasons behind Brazil's reluctance to agree to a formal coordinating group under IBRD leadership. The Mission assumed that Brazil wanted to avoid possible pressure on its internal policies that might be brought to bear by a formal coordinating mechanism.

Since at least 1968 an annual review has been held in Washington between representatives of AID and IDB to discuss mutual problems and plans. However, available records indicate that little time is spent at the annual reviews.

We have been informed that similar annual reviews are not held between representatives of AID and IBRD but that these officials meet informally on an ad hoc basis to discuss their respective loan proposals. U.S. officials do not keep formal minutes of these meetings so we cannot assess the degree of coordination they bring about.

#### EDUCATION ASSISTANCE

External assistance to education in Brazil takes many forms and ranges widely, from small donations of books to comprehensive projects with mutual obligations involving millions of dollars. It may be direct support for the development and improvement of the actual education system at one or more levels, or it may be indirect through the support of specific research in a particular science laboratory. It can be a small specific training element of a large economic or social development project which can be considered as part of the overall education effort. These varied and complex operations make it difficult to obtain a clear picture of total external assistance to Brazilian education.

Identified external assistance by the international institutions amounted to about \$59.6 million during 1965-72, as follows

	Total (note a)	U S Government indirect share	
		<u>Amount</u>	<u>Percent</u>
IDB (note b)	\$32,000,000	\$25,650,000	80
IBRD	8,400,000	2,351,000	28
United Nations and related agencies (note c)	<u>19,215,000</u>	<u>7,432,000</u>	39
Total	<u>\$59,615,000</u>	<u>\$35,433,000</u>	59.4

<sup>a</sup>We noted that U S private foundations' education assistance to Brazil amounted to \$16,622,000 during 1965-71. Assistance through June 30, 1972, was not readily available.

<sup>b</sup>U.S. assistance is provided to each of IDB's three funds as follows: Social Progress Trust Fund, 100 percent; Special Operations, 77.32 percent, and Ordinary Capital, 42.47 percent. IDB has authorized three education loans to Brazil, one from the Social Progress Trust Fund and two from Special Operations.

<sup>c</sup>U.S. assistance is provided to the United Nations and related agencies as follows: U.N. Development Program, 38 percent, Organization of American States (OAS), 66 percent, UNICEF, 40 percent, U.N. Educational, Scientific and Cultural Organization, 30 percent, and International Labor Organization, 25 percent.

#### COMMON LENDING STRATEGY NEEDED

The various assistance donors lack an effective means to jointly discuss and agree on common long-term development aims, basic obstacles to Brazil's education development, self-help required to overcome those obstacles, necessary education assistance, and a common plan for implementing the broad reforms and self-help measures and using the external resources.

According to AID, the various assistance donors have focused on limited-scope education projects, with sizable loans consisting of discrete, limited subprojects. AID, through its sector loans, has attempted in certain instances to implement the broad education reforms and self-help measures necessary. According to AID, however, the U.S. education sector loans amounting to \$82 million did not offer the leverage to induce Brazil to attack many major education problems, such as those discussed in chapters 4 and 5, because it represented a small part of the total Brazilian budget for education.

In our opinion, arrangements to foster coordination between assistance donors should include a forum to establish a common lending policy for broad education reforms and self-help measures. The leverage accorded by the concerted effort of the external donors should be sufficient to encourage Brazil to implement the required measures



## BRAZILIAN COORDINATION

In April 1969 AID Mission and Brazilian officials met to discuss the development of a Brazilian governmental organization to coordinate external technical assistance for education. The Secretary General of the Ministry of Education said that, as international organizations increased their efforts to aid education development, the chaos and wasteful repetition of investments in "abstract projects" multiplied, making it necessary to channel those activities through the Ministry of Education's Commission of International Affairs, which was created in October 1969 and reformed in October 1970.

In December 1971 AID officials told us that the Ministry of Education never gave the Commission of International Affairs the responsibility to actually coordinate the investments of foreign assistance agencies. The Secretary General of the Ministry of Education in July 1971 created an Advisor of International Affairs within his office who negotiates all international agreements to Brazil related to education. We were informed that this office had only two technical staff members as of December 1971.

## UNITED STATES COORDINATION

The program managers administering U.S. bilateral education projects in Brazil generally do not have sufficient information to make adequate analysis of proposed and ongoing education projects undertaken by the international assistance agencies. Consequently, it is extremely difficult, if not impossible, for these U.S. officials to fully assess whether the projects, substantially supported with U.S. funds, are consistent with Brazil's education priorities and investments as well as with U.S. bilateral education programs.

In 1969 the AID Mission stated it was extremely difficult to present a complete picture of the real external education investment in Brazil because there were so many varying kinds and sources of external technical assistance and the Brazilian Government made only an incipient effort to coordinate them.

Early in 1969 the Mission education chief began a series of informal luncheon meetings with officials of the various international education assistance agencies to keep abreast of activities and, hopefully, to coordinate their programs. Three such meetings were held early in 1969. No further meetings were held between then and December 1971, principally because it was difficult to arrange a date when all the representatives could attend. Also, some of the representatives who had most actively supported these meetings had been transferred to other posts. Although AID officials discussed the idea of reactivating such meetings, in commenting on our report AID did not indicate whether this had been done.

Washington officials have periodically requested their U S Missions to comment on proposed projects of international assistance donors. The Missions are annually requested to evaluate ongoing programs and projects of the United Nations and OAS.

The Brazil Mission, when asked to evaluate OAS and U.N. assistance programs, commented that an informed response would require a greater involvement in these large and varied programs than its limited personnel would permit. However, the Mission has, in certain instances, expressed its views on some of the other external donors' programs.

#### CONFLICT BETWEEN EXTERNAL DONORS' OBJECTIVES

The AID Mission reported in 1968 that its effectiveness in Brazilian education would be reduced if other major international lenders, including IBRD, offered education assistance opposed to objectives being sought by AID. Records showed that AID officials in Washington and in the field tried unsuccessfully to dissuade IBRD from making a loan whose education objectives were inconsistent with those of Brazil and AID. Nevertheless, IBRD signed such a loan in June 1971.

In 1968 IBRD considered loaning \$20 million to Brazil as the first part of a large long-term education effort. In April 1969 the AID Mission was advised that IBRD had notified Brazil that the comprehensive first-level secondary education program originally considered would be substantially reduced. Instead IBRD was shifting emphasis to,

among other things, establishing industrial and agricultural schools at the second level of secondary education

The first U S education sector loan for \$32 million authorized in June 1968 included resources for constructing two pilot comprehensive-type, second-level secondary schools for grades 9 to 11 in each of the four participating Brazilian States to serve as models for such comprehensive schools throughout Brazil

Therefore, on different occasions in Washington and the field, AID officials expressed misgivings concerning the IBRD education program for constructing new, specialized institutions apart from the total effort to broaden education opportunity at this level within the potential of comprehensive secondary education. The records indicate that not only did AID officials have reservations, but also that the IBRD program of specialized industrial and agricultural schools conflicted with Brazil's secondary education planning agency view that second level secondary education schools should be multipurpose or comprehensive

The records show that AID officials sought to have IBRD concentrate its efforts at the secondary level (grades 9 to 11) and in so doing IBRD could take over the financing of and expand the few comprehensive schools included under the first U.S. education sector loan. An AID Mission education official stated in June 1969 that providing such facilities and programs could minimize the need for the more expensive specialized agricultural and technical secondary schools planned and also could provide for greater access to diversified education. He also stated that such actions could be consistent with Brazilian education development objectives

An IBRD official stated that IBRD was parting company with AID on the comprehensive program philosophy at the secondary education level even though IBRD and AID programs were usually consistent in other countries

The U S delegate to the IBRD loan authorization body on March 23, 1971, raised no objections to the proposed IBRD loan because the joint State-AID Latin American Bureau stated that it had no objections

Accordingly, in June 1971 IBRD signed its first education loan for Brazil in the amount of \$8 4 million to be used to construct, expand, and equip agricultural and industrial upper secondary schools and operational engineers centers and for related technical assistance

During our in-country review we brought the question of the present conflict between the ongoing education programs of AID and IBRD to the Mission's attention, but it failed to address this matter

#### AID and other donors

The Brazil Mission was concerned over the use of AID-supplied vocational equipment from January to May 1967. At about the same time, IDB approved a \$3 million loan for expanding and improving intermediate industrial technical education which included considerable funds for vocational equipment. The records showed that the availability of IDB loan money for new equipment at the time the Mission was attempting to obtain better use of AID equipment weakened the Mission's negotiating position and turned Brazilian officials' attention away from improving the use of existing AID-furnished equipment.

Late in 1968, in commenting on a proposed \$1 2 million U N Development Program project for vocational training, which included additional funds for equipment, the Mission again raised the equipment issue and questioned the need for more equipment in view of available and unused AID-financed equipment. However, the project was authorized to commence operations in April 1970.

On other proposed education projects, the Mission questioned, on the basis of AID experience in the same area, the ability to meet some of the project objectives. Mission officials stated they generally did not receive any feedback on their comments on these proposed education projects from either Washington and/or the appropriate international donor indicating whether their comments had been considered and resolved before project authorization.

The Embassy in July 1971 recommended the United States not support an OAS multinational project on engineering as then constituted but support, if possible, an expanded

program more directly oriented to development needs. We were informed that the Mission comments on the marginal OAS education project in Brazil were not specifically brought to OAS's attention. Normally, Mission comments are taken into account, but they do not necessarily represent the U.S. Government's views as advanced in the OAS forum. U.S. delegates to OAS review meetings held in 1971 did not specifically vote against continuing ongoing OAS education projects in Brazil. Therefore, we believe improvements in these specific projects are doubtful.

#### AGENCY COMMENTS AND GAO EVALUATION

State and AID agree on the merits of close donor coordination of direct and indirect assistance to Brazil but stated that arrangements to foster coordination already existed and were generally satisfactory. Treasury commented that improvements could always be made in existing coordination arrangements and, in its judgment, it would be better to concentrate on continuing the improvement of the existing procedures rather than to introduce an entirely new mechanism.

The agencies referred to the joint annual reviews held in Washington between representatives of AID and IDB, when the plans of each agency were reportedly described to minimize any potential overlap, duplication, or contradiction in purposes of assistance. The agencies stated that informal meetings were also held between representatives of AID and IBRD. The agencies also referred to the annual economic reviews conducted under the aegis of the Inter-American Committee of the Alliance for Progress, which provide a further forum for exchange of information. We were informed that the Joint State-AID Latin American Bureau recently reorganized its offices to strengthen and increase its participation in the coordinating process.

We could find no evidence that the various donors have established a common lending strategy to permit maximum impact of foreign resources or that program managers who administer U.S. bilateral education projects in Brazil have the information to fully assess whether the education projects of the various donors--being substantially supported with U.S. funds--are consistent with Brazil's education priorities and investments as well as with U.S. bilateral

education programs We noted that the methods discussed by the agencies for fostering coordination, such as informal meetings between lenders, existed in 1969, but both the AID Mission and an international lending institution had at that time recommended more formal measures for coordinating external assistance The agencies believe that our proposals would require an entirely new formal mechanism for coordinating external assistance to Brazil Our main concern in this area is that improvements are needed and methods should be sought for improving this coordination

Treasury did not agree that a conflict existed between AID and IBRD education objectives in Brazil and stated that, to its knowledge, the specialization aspect of the IBRD loan did not conflict with AID or Brazilian plans Nevertheless, the facts remain, as shown beginning on page 22, that the first AID loan for \$32 million will finance two pilot comprehensive upper secondary-level schools in each of four Brazilian States to serve as models for such comprehensive schools throughout Brazil, while the IBRD loan will be used to construct, expand, and equip specialized upper secondary-level agricultural and industrial schools It would appear that, had there been an effective means for coordinating external assistance, the implementation of two separate loans which seem to support different educational concepts at the secondary education level might have been avoided

#### CONCLUSIONS AND RECOMMENDATIONS

Formal mechanisms, sometimes referred to as consultative groups, now coordinate assistance to several developing countries A similar mechanism does not exist for Brazil, even though it receives a substantial amount of external assistance, because the Government of Brazil is opposed to it Under these circumstances it is imperative that alternative means be established for developing a common donor lending strategy and minimizing the potential for overlapping, duplicating, or conflicting programs by external assistance donors In our opinion, the existing coordinating arrangements have not been as effective as necessary in dealing with these matters

Although the United States has drastically reduced its bilateral aid program to Brazil over the last few years it still provides Brazil with large transfers of U S. resources

through Eximbank and, indirectly, through international lending institutions, such as IBRD and IDB. Therefore, it is in the U.S. interest to insure that improvements are made for coordinating external assistance.

We recommend that the Secretaries of State and the Treasury instruct U.S. representatives to other major external donors to enlist their support in seeking methods to improve coordination of external assistance to Brazil. We suggest that, as a minimum, the coordinating parties (1) establish a common donor lending strategy to permit maximum impact of foreign resources and (2) use as leverage the combined levels of their assistance for inducing Brazil to initiate the necessary but sometimes unpopular self-help measures required for accelerating development.

## CHAPTER 3

### NEED FOR IMPROVEMENT IN PLANNING U S. ASSISTANCE

Basic improvements in planning U.S. assistance for education development in Brazil are needed to insure that objectives are clearly defined and formulated in terms which can be objectively measured over a period of time.

The United States has assisted Brazil technically and financially in its education development since 1942. Over 50 percent of this assistance since fiscal year 1960 has been from two education sector loans totaling \$82 million which were authorized in June 1968 and June 1970.

Notwithstanding such assistance, we note that (1) basic long-term education development objectives in Brazil which the United States is willing to support have not been established and (2) education programs have not been predicated upon any cost-benefit studies.

### BASIC LONG-TERM EDUCATION OBJECTIVES NOT ESTABLISHED

U.S. education assistance documents for Brazil do not specifically identify or define the basic long-term education objectives which the United States is willing to support, the level and mix of resources needed to achieve such objectives, or the time frame for their accomplishment.

State and AID general policy statements show that the basic goal of U.S. development aid is to assist the recipient country to achieve development to the degree that external assistance is no longer required. However, what constitutes a Brazilian education system sufficiently developed is not addressed in basic policy and program documents for Brazil.

While U.S. assistance to Brazilian education started 30 years ago under the sponsorship of AID predecessor agencies, significant attention to such assistance began with the U.S. announcement of the Alliance for Progress and the adoption of the Charter of Punta del Este in 1961. The Charter incorporated a number of goals which were recognized as the guiding principles for U.S. assistance to all Latin American countries. Education was one of the vital social



development priorities established in the Charter, and its stated goal was

"To eliminate adult illiteracy and by 1970 to assure, as a minimum, access to 6 years of primary education for each school-age child in Latin America, to modernize and expand vocational, secondary and higher educational and training facilities, to strengthen the capacity for basic and applied research, and to provide the competent personnel required in rapidly-growing societies "

In February 1969, AID completed a study at the request of the House Foreign Operations and Government Information Subcommittee to determine whether the goals of the Alliance for Progress were attainable. AID's report concluded that the goal of universal primary education in Latin America was not attainable by 1970. AID believed, however, that universal primary education should remain a major goal for each country to reach as rapidly as feasible, consistent with effective quality and collateral needs in secondary and higher education.

We noted that U S assistance plans and programs for Brazil at that time, and subsequently, had not substantively examined the feasibility of, or development needed to achieve, these stated education goals or the resources required for their achievement.

#### COST-BENEFIT STUDIES NEEDED

The United States has financed studies analyzing the marginal efficiency of other Latin American countries' education systems. However, Brazil's education programs supported by the United States have not been based on studies of the economic and social returns on investment between and within the different levels of education because of limited data. Consequently, U S program managers cannot authoritatively assess whether the education programs they support are the most efficient means for promoting economic and social development.

The United States has been, or is now, involved in assisting all levels of the Brazilian education system and,

therefore, has a part in determining the direction and degree of attention given to a specific education level, region, or discipline. Thus, considering the relative merits of various education investments is essential in determining the effectiveness of U.S. education programs and their contribution to Brazil's education development.

Many of the problems besetting the Brazilian education system, according to AID records, are at least partly economic. How much society should invest in education, whether it is more important to expand primary schooling or higher education, and whether attention should be given to expanding rural rather than urban education opportunities, are partly problems of resource allocation. While many non-economic factors must be considered when education is being planned, the demonstrated importance of education as a source of economic growth and the complex interrelationships between the education sector and the rest of the economy have made the economic analysis of major education problems an integral part of education planning.

It is important to estimate the returns associated with various public investment activities. Resources spent on education may be viewed, in this framework, as an investment in the future productive capacity of people. Therefore, depending on the costs and benefits associated with a particular education level, region, or discipline and alternative investment opportunities, the activity supported may or may not be an attractive investment for efficiently promoting economic and social development.

Underlying much of the economic analysis of education is the belief that education should be treated as an investment on which present costs are incurred in the expectation of future returns. Such returns, in the form of increased productivity, are assumed to result from the acquisition of more education and are measured by the difference between the earnings of people having more education and those having less or no education. Such information on both the social and economic rate of return on investment is considered relevant and necessary to designing sound education policy.

Even though it was not possible to measure the returns on investment between specific education levels, regions,

and disciplines, AID authorized the \$32 million education loan in 1968, with emphasis on secondary education-- particularly grades 5 through 8--because its analysis indicated secondary education as the key bottleneck in Brazil's education system. AID reasoned (1) that secondary education offered the highest rate of return in rapidly industrializing areas because it is at this level that needed middle-grade technical and managerial skills are acquired and (2) achieving meaningful quantitative and qualitative improvements in secondary education would have substantial "linkage" effects in primary and university levels.

However, achieving these linkage improvements at the primary and higher education levels by emphasizing secondary education seemed questionable to AID/Washington education officials, who had, with the assistance of their Mission, specifically analyzed the Brazilian education system in 1967 and stated

"There is no question that Brazil is embarked on an ambitious program to produce the required manpower resources for a viable economy. What needs to be discovered, and quickly too unless critical resources are squandered away, is whether Brazil is attempting to do too much in too short a time-span. The Mission might be contributing to an unrealistic expansion of Brazil's sights beyond her capability in arguing for increased attention to secondary education.

"While it is true that the secondary cycle stands at the critical point in the flow-through of students from primary to higher education, nonetheless the secondary product will be no better than the raw material fed into it from the primary schools. Furthermore, the extremely high wastage rate at the primary cycle suggests that even an order of magnitude increase in secondary school graduates would hardly alter the situation in unproductive manpower."

Even though secondary education was and is considered the bottleneck in the Brazilian education system, AID authorized another education loan of \$50 million in 1970 for primary-secondary education which left the education level to be emphasized to Brazil.

Providing assistance to different education levels without a sound basis for determining which activities provide the most efficient means for promoting both economic and social development may result in dissipating limited education resources among too many useful but not always top-priority activities

## CONCLUSIONS AND RECOMMENDATIONS

Development is generally recognized as a long-term endeavor. Ideally, if a donor is to be a partner in the recipient's development, the two should agree explicitly on the primary dimensions of an aid program at its inception, establish long-term, objectively measurable goals, and agree on the estimated resources necessary for achieving such goals. After about 30 years of providing assistance, however, U.S. program managers have not accomplished these necessities

United States and Brazilian resources have been allocated to the education sector without studies to provide a sound basis for establishing priorities and relative needs on an economic and social basis between and within the different levels of the education system, although such U S - financed studies have been made in several other Latin American countries.

We recommend that the Secretary of State and the Administrator, AID

- Develop in the program-planning process a statement of the basic long-range education development objectives in Brazil which the United States is willing to support. These overall objectives should be formulated in objectively measurable terms with intermediate goals and targets and a planned time frame for their accomplishment. All subordinate objectives, goals, and targets should also be formulated in terms objectively measurable over a period of time. Justification for changes should be recorded in basic planning documents
- Develop in cooperation with Brazilian officials the necessary data to conduct studies of the economic and social returns of investments in Brazilian education,

similar to the studies financed by the United States in other Latin American countries

AGENCY COMMENTS AND GAO EVALUATION

State and AID did not specifically address the first recommendation, but they did review how U S assistance interacted in the past with Brazilian plans, objectives, and aspirations in the education sector. AID stated that U S assistance was provided to Brazil to help achieve specific, jointly agreed-upon goals in limited areas of the education sector. AID said it did not establish U S education goals independent of those of the Government of Brazil and considered its role to be that of a participant with Brazil in aspects of the total education sector appropriate to the U S level of assistance, legislation, policy, and strategy.

We agree that the United States should not establish education objectives independent of those of the Brazilian Government but believe that, consistent with this strategy, it is necessary for U S assistance documents for Brazil to specifically identify or define the basic long-term education objectives which the United States is willing to support, the level and mix of resources needed to achieve such objectives, and the estimated time frame for their accomplishment.

AID agreed with the sense of the second recommendation that data be developed for conducting studies of the economic and social returns of investments in Brazilian education. AID does have considerable interest in this but believes it is a Brazilian responsibility, and the Ministry of Education is devoting a great deal of attention to developing the data to make such studies possible. Therefore, this recommendation, modified by the limits of available U S technical and financial assistance, will continue to receive AID attention.

## CHAPTER 4

### U.S. EDUCATION ASSISTANCE EFFORTS

#### NOT DESIGNED TO IMPROVE INEQUITIES

Our review showed that U.S. education assistance efforts were not designed to improve the inequities in the Brazilian system including inequitable distribution of education opportunities between urban and rural areas and disparity in education spending between the affluent and poor areas.

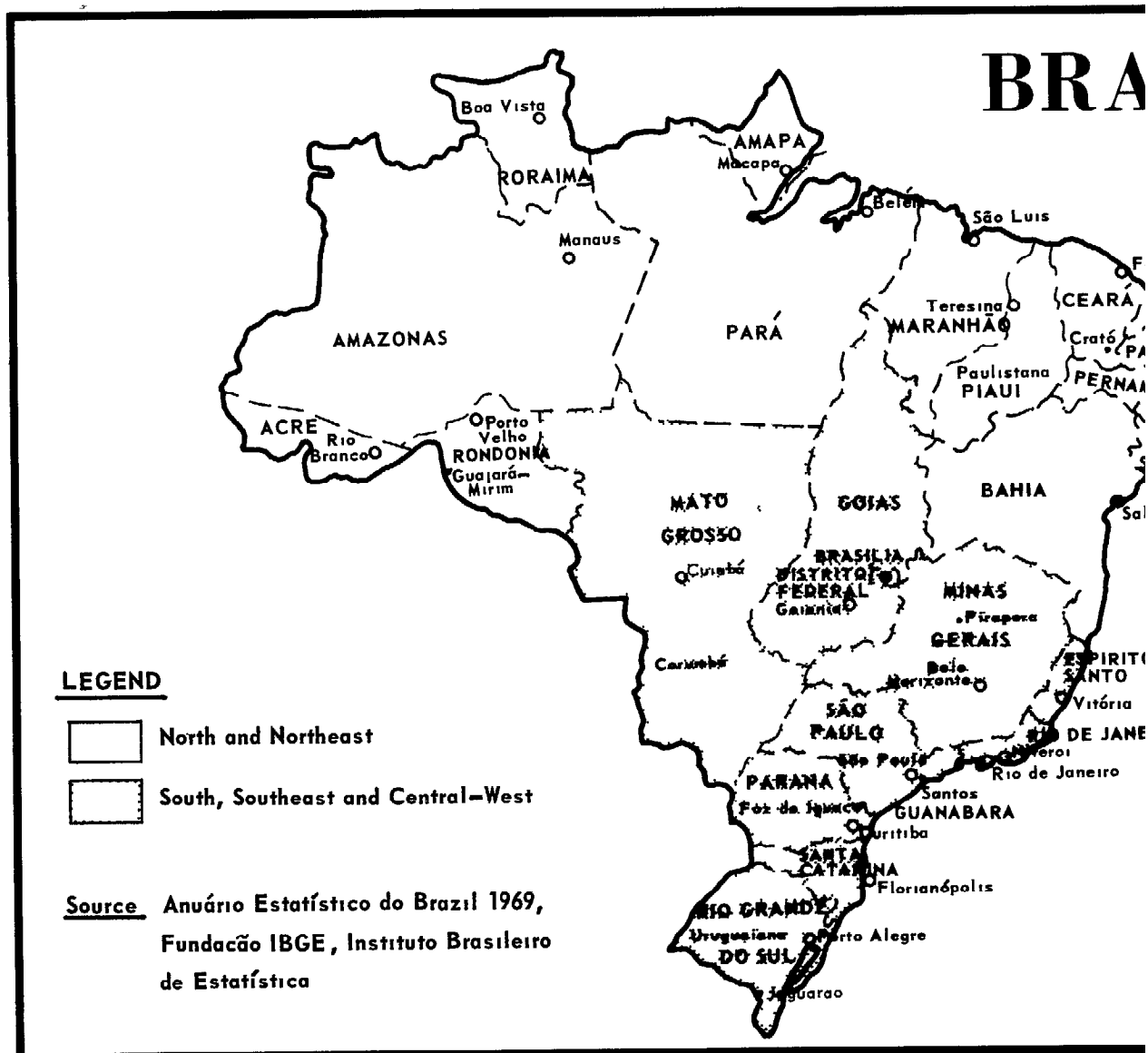
The difference between regions and areas is one of the most striking things about Brazil. Some parts of the State of Sao Paulo, for example, are among the most developed in South America, while the Northeast part of Brazil constitutes the largest aggregation of poverty in the Western Hemisphere. Per capita annual incomes vary widely, with Northeast Brazil averaging \$180 and Southern Brazil \$550.

North and Northeast Brazil's education development is considerably behind the rest of the country. AID recognized this in its education sector analysis, stating in 1968 that "schooling is least likely to be obtained in the Northeast." In the 1970 sector analysis, AID stated

"As the education level of the system rises, the provision of education in proportion to population falls in both the Northwest and the Northeast and rises sharply in the South."

Alleviating regional disparities in economic and social development is a key obstacle to attaining a more ample and equitable distribution of income. AID has identified education as the major vehicle by which disadvantaged persons can move up the economic ladder and achieve a stake in development and thereby move toward a more equitable distribution of income.

Improved income distribution is especially important for Brazil. A study prepared by the U.N. Economic Commission for Latin America in 1960 showed that Brazil had the worst distribution of income of the eight Latin American countries studied and 1970 census figures indicate that it has not yet improved. Specifically, 10 percent of the population earned 40 and 48 percent of the country's total income in 1970 and



1960, respectively Over the same period, the lowest 40 percent, or low income proportion, of the population had its share of total income decrease from 11.6 percent to 10 percent We believe the inequities existing in the Brazilian education system contributed to the lack of improvement in Brazil's income distribution during the 1960s.

#### URBAN AND RURAL EDUCATION OPPORTUNITIES

U S assistance efforts have supported Brazil's decision to concentrate education resources in urban areas and to expand development from these areas This approach will continue concentration of new school construction in the urban areas.

Statistics are not available on the difference between education opportunities in urban and rural areas However, limited education statistics available to both United States and Brazilian officials show that while there is a need for increasing education opportunities for most all the areas in Brazil rural areas have the greatest relative need, especially beyond the primary level

Urban-rural distribution of education opportunities is closely related to North-South distribution because more of the population in the North is in the rural area AID pointed out that these disparities are not strictly a North-South phenomenon because more densely populated States of the South-Central region are just as much in need of improved education opportunities and facilities

The first U S. education sector loan was authorized to provide \$32 million to assist the Government of Brazil in carrying out a program of secondary education for the large number of primary school graduates who were precluded from obtaining an education because of lack of facilities Among other things, the loan was to help finance construction of 295 new secondary schools for grades 5 through 8, 276 in urban cities of 4 States and 19 in the capital cities of the other States Urban sites were to be selected to insure the facilities would be used fully. AID records show that, because the program sought qualitative reforms in education rather than merely more school spaces and because the schools were to be demonstration centers stimulating innovation throughout the system, a fundamental criterion for site selection was visibility.



Available statistics indicate that, although population is almost equally distributed between urban and rural areas<sup>1</sup> in the four Brazilian States participating in the first U.S. education loan, 78.5 percent of the enrolled secondary students in 1970 were in the urban areas. Nevertheless, 88 percent (102 of 116) of the sites selected at the time of our review were in the urban areas. (See app VI for our analysis ) While this is not conclusive, it does indicate that, in these States, the greatest relative need for additional secondary schools is in rural areas but schools being constructed with U.S. funds are overwhelmingly being located in urban areas. AID does not agree with this but did not provide data supporting the contrary.

As shown beginning on page 60, many new secondary schools being constructed with U.S. funds in the urban areas will serve as replacements for existing secondary schools and will not achieve the basic objective of providing additional secondary school facilities for students not previously enrolled

Mission officials stated that, although the Government of Brazil continues to strive for means of educating the rural population on an economic basis, Brazil has, and wisely so in AID's opinion, decided it must first concentrate its resources and action programs for education in "pole municipalities" where education returns can be greater and to expand development from these pole municipalities. At the time of our review, Brazil had selected 457 pole municipalities accounting for 49 percent of its population. According to AID, more municipalities will eventually be selected, encompassing 75 percent of Brazil's population.

An analysis of the pole municipalities already selected shows them to be the larger urban areas, mostly in Southern Brazil. In fact, over 70 percent of the population of these municipalities is in the south.

The Mission stated that Brazil would educate a greater number of persons in the urban areas than it would in the rural areas with the same investment and therefore would permit more persons to share in increased incomes. Both Brazil's and AID's decisions to first concentrate on the urban

---

<sup>1</sup>We defined urban areas in Brazil as municipalities with populations over 10,000 and rural areas as municipalities with populations under 10,000.

areas represent an education policy based solely on economic considerations and not on a more equitable distribution of education opportunities within a developing nation--a basic objective of U.S. foreign assistance. Although the Mission contends that education returns are higher in urban areas, it should be noted, as stated on page 29, that to date no cost-benefit education studies have been made in Brazil which specifically identify the returns available from investing education resources in urban versus rural areas.

A second U.S. education loan for \$50 million was authorized on June 29, 1970, and signed on June 17, 1971, for improving primary-secondary education in Brazil. It was not designed to secure a more equitable distribution of education opportunities between urban and rural areas within Brazil. However, at the time of our review, a decision had not been reached concerning the location or size of the schools to be constructed in this loan program.

#### EDUCATION EXPENDITURES

U.S. education loans included no conditions or commitments which would cause Brazil to alleviate the disparity of education spending between its affluent and poor areas even though U.S. program managers knew of such a disparity and how to solve it. AID contends that the disparity in education spending is being solved by existing Federal resource transfer mechanisms. Our review showed, however, that the disparity will not be solved in this century.

Legally, the Brazilian Federal Government's financing responsibility is basically for higher education, and responsibility for financing primary and secondary education is delegated to the Brazilian States. However, the Federal Government tries to overcome disparities and deficiencies at these levels by transferring Federal funds to the States on the basis of relative need.

One of the U.S. education loan objectives was to increase and regularize the Federal transfer of education resources to the States, but the loans contained no conditions stipulating what percentage or amount of such transfers go to particular States or regions. Therefore, the loan did not insure accelerated Brazilian action to alleviate education spending disparities within areas.

Federal transfers to the States and municipalities for education take three basic forms (1) National Education Plan for primary and secondary education which, by law, consists of two-thirds of 12 percent of all taxes collected by the Federal Government, (2) Education Salary for primary education, derived from a tax on all payrolls of industrial, commercial, and agricultural firms having over 100 employees, and (3) Participating Fund consisting of 10 percent of the income tax and industrialized product tax collected at the Federal level but sent to the States and municipalities, 20 percent of the fund is intended to be spent on education by both the States and municipalities.

The distribution of the funds for all three of these transfers is based on measures of relative need, such as per capita income in the States. Consequently, States of the North and Northeast receive 45.2 percent of the total of the National and Salary transfers for primary education and 47.2 percent of the Participating Funds for secondary education. Of the total Participating Funds in 1968, 58.1 percent went to the North and Northeast.

AID contends that these Federal transfer mechanisms are solving the disparities in education spending. Figures on the amount of these transfers to the States and municipalities are available for most years, however, according to AID records there is no way to determine if these amounts are actually being spent in the education sector. Moreover, the amounts have declined in real terms during 1968-70.

To analyze the reasons for disparities in education opportunities between both the North and South and between the urban and rural areas, we attempted to analyze Brazil's education expenditures. Because a breakdown of expenditures for urban and rural areas was not available to U S program managers, we were limited to analyzing expenditures by region, North versus South.

Our analysis showed that in 1969<sup>1</sup> the average education expenditures per capita in the South was \$9.38, while in the North it was only \$2.39. This disparity is even more acute

---

<sup>1</sup>1969 was the latest data available showing a breakdown of actual State education expenditures, including Federal transfers.

when one compares education expenditures per capita on an individual State basis.

Regional disparities in education expenditures per capita have grown in the past 10 years. In 1960 the difference between the North and South was only \$3.61. AID pointed out that, despite the widening of disparities, the North's expenditures grew at an average annual rate of 10 to 11 percent while the South's grew from 8 to 8-1/2 percent during 1960-69. However, it should be pointed out that a small absolute increase in the North's per capita expenditures of 92 cents compared with the South's \$4.53 in 1960 resulted in a higher rate of increase because of the smaller education spending base in the North.

AID also pointed out that goods and services cost considerably more in some regions than others and that, without such consideration, citing crude per-pupil expenditures as an indication of education opportunity was not too meaningful and tended to distort measurement. Nevertheless, we believe such measurement is a valid indicator of the disparity in education expenditures between areas.

Based on the average annual rate of increase experienced during the 1960s in per capita education expenditures between the North and South, it will take until the year 2020 before these transfer mechanisms will resolve disparities in Brazil's education spending.

#### CONCLUSIONS AND RECOMMENDATIONS

U.S. education assistance has directly and indirectly supported Brazil's education development objectives, which are not designed to improve inequities in Brazil's education system. U.S. education loans contained no conditions or commitments that would cause Brazil to alleviate the disparity of education spending between its affluent and poor areas. The overwhelming majority of the secondary schools being constructed with U.S. funds at the time of our review are in the urban areas although the rural areas have the greatest relative need for such additional school facilities.

Alleviating disparities in educational opportunities is paramount to achieving a more equitable distribution of income, one of the United States' primary aid objectives. We believe

the present U S. education assistance efforts, because they are not designed to improve the inequities in the Brazilian education system, are contributing to the continued lack of progress toward equitable income distribution

We recommend that the Administrator, AID, consider encouraging Brazil to locate a significant number of new schools in the rural areas and condition future U S education assistance on specific Brazilian action designed to accelerate the alleviation of education spending disparities between affluent and poor areas.

#### AGENCY COMMENTS AND GAO EVALUATION

AID, while pointing out difficulties in complying, stated that recommendations to improve the inequities in the Brazilian education system had merit and would be implemented but did not say how.

AID and the Government of Brazil are aware of the inequities and agree something should be done to provide education opportunities for rural youths. The agencies point out that it is difficult, however, to justify construction of the kind of physical plant required to deal with these problems, primarily because of low population density in the rural areas and insufficient available resources even on a combined basis. The agencies also referred to oft-repeated programs in past years when the Brazilian Government financed school construction programs in rural regions only to have the schools under-attended or totally vacant

## CHAPTER 5

### U S. EFFORTS NOT DIRECTED TO SOLVING CAUSE

#### OF SHORTAGE OF QUALIFIED PRIMARY SCHOOL TEACHERS

Brazilian primary teacher-training institutions produce more graduates than are needed to provide for the increased teaching staff at this level. However, the overwhelming majority of these graduates do not enter teaching because of the low salary or because they never intended to teach. The Mission recognizes that the basic problem is to provide incentives to insure that a larger proportion of graduates do enter teaching, especially in the rural areas. According to Mission officials, U S influence stemming from the \$82 million in U S education assistance funds was insufficient to require the major Brazilian policy changes necessary to solve this basic problem. Rather, U S program managers have trained and intend to train more primary school teachers at a considerable cost.

Brazil's major source of primary school teachers is the colegio normal schools, many of which are tuition free. Primary school teachers are considered qualified if they graduate from these schools. Unqualified teachers are those without the pedagogical training of the normal schools. Normal schools have graduated over 114,000 annually since 1969 and averaged over 40,000 annually during 1961-67. Our analysis shows that, despite this large supply of primary school teacher graduates, less than one-third of those graduating enter teaching and that there were almost 50 percent more unqualified teachers in the primary school system in 1968, the latest data available to AID, than there were in 1960 (See app. V). U S officials estimated in December 1972 that 39 percent of the existing primary school teachers were unqualified.

Nearly every international organization providing assistance to the Brazilian education system at one time or another has financed primary teacher-training activities. AID alone has trained or upgraded almost 15,000 primary teachers since 1962 and provided resources for constructing and renovating at least 9 primary teacher-training institutions. U S program managers plan to train more primary school teachers under the second U.S. education sector loan. In addition, the only

current Peace Corps education project is for training primary teachers in one of the Brazilian States

The records show that AID has recognized since at least 1967 that low teaching salaries dissuade many graduating teachers from entering the teaching profession. For example, the negotiating instructions prepared in November 1968 for a combined AID program and education sector loan stated that inadequate pay was the most important reason for the teacher shortage.

Also, according to Mission estimates, 50 percent of enrollees in elementary teacher-training institutions never intend to enter teaching. Mission officials stated that Brazilians consider primary teacher-training institutions as finishing schools. Many students were attending these schools not to become teachers but as a next-best educational opportunity, due to the lack of school facilities, which could lead to other possibilities, e g , higher education or social status

U S. loans did not address the basic problem of providing incentives to insure that a larger proportion of those graduating did enter teaching after graduation. The loans did encourage Brazil to analyze salary levels and develop a career structure and salary incentive program for elementary and secondary teachers, but no mutual aims or time frames were identified

#### PROBLEMS IN PLACING QUALIFIED TEACHERS IN AREAS OF NEED

Although U.S. program managers agree the total supply of graduates from primary school teacher institutions exceeds the demand for the country as a whole, AID studies show that some States are overproducing such teachers while other States have deficits and that the need for qualified primary school teachers is far greater in rural than in urban areas. A 1968 study by the Mission showed that in the capital cities qualified teachers represented 90.5 percent of all persons employed in primary education and that only 29.2 percent were qualified in the rural areas as compared with 61.3 percent qualified in the country as a whole. The Mission's 1968 analysis of six Brazilian States showed that, on the basis of an assumed student-teacher ratio of 35 to 1, three States were overproducing graduates for the primary schools and

there were deficits in three other States, when compared with the increases in student enrollment

The Mission stated that AID and other international donors basically have invested in training of teachers for areas having shortages. However, in 1972 it was unable to specifically identify which areas had shortages of qualified primary teachers.

#### AGENCY COMMENTS AND GAO EVALUATION

Brazil's teacher-training institutions produce more qualified primary school teacher graduates than would be needed if all were to enter teaching. Nevertheless, resources under the second U.S. education sector loan are to be spent to upgrade existing unqualified primary school teachers. In our opinion U.S. resources would be more efficiently and economically used if, instead of upgrading existing unqualified primary school teachers, efforts were devoted to insuring that a large proportion of graduates from teacher-training institutions do enter teaching after graduation, especially in the rural areas. Therefore, we proposed that AID terminate the U.S. financing for planned primary teacher-training activities and concentrate on developing a course of action with Brazil for (1) identifying the areas having shortages of qualified primary school teachers and (2) establishing appropriate incentives to insure that enough students of primary teacher-training institutions are available after graduation for teaching in the areas of need.

AID did not agree that our proposal should be implemented, because it believed the proposal was contrary to the whole philosophy of the second U.S. education sector loan. Yet AID, in its comments, recognized that programs to produce qualified teachers would not be successful unless incentives were established to insure that enough teachers went into teaching after graduation from teacher-training institutions. Moreover, AID did not disagree with the need for identifying the specific areas within Brazil having shortages of qualified primary school teachers.

AID stated that implementing the second U.S. education loan, which includes funds for primary teacher training, is predicated on the participating States submitting detailed education plans which should provide analyses of the supply



and demand of teachers in those States and of proposed teacher incentive programs. The latter should, according to AID, describe what steps the States will take or have taken to insure not only that enough students attending primary teacher-training institutions will be available for teaching but also that these students will make teaching a lifetime profession. However, we could not specifically identify any U.S. loan conditions requiring that these commitments be fully implemented before U S loan funds were released for primary teacher-training activities.

To attract graduates into teaching

- A certain percentage of spaces in the free public normal colleges could be reserved for training teachers in needed areas on condition that the students would teach in such areas for a specified time
- Scholarships could be provided to students on condition that upon graduation they would teach in a designated area for a specified number of years
- A financial bonus could be provided to graduating teachers willing to teach in rural areas for a minimum stated number of years

#### RECOMMENDATION

We recommend that the Administrator, AID, in considering whether to release additional U S. loan funds for primary teacher-training activities, take into account the extent to which the participating Brazilian State (1) identifies areas having shortages of qualified primary school teachers and (2) develops specific incentives insuring that a larger proportion of graduates will enter teaching in the areas needed and that they will remain for a specified period of time

## CHAPTER 6

### IS IT APPROPRIATE TO PROVIDE U S FOREIGN ASSISTANCE TO SUPPORT PRIVATE EDUCATION?

Program records indicate that Brazil is using a substantial amount of its public resources for education to support private schools which, because of the tuition fees charged, discriminate against the less affluent. By providing assistance to Brazil's public education system, the United States is, in effect, supporting this practice.

A fundamental U S foreign aid program objective is to make the benefits of economic progress available to citizens of all economic and social groups through a more equitable distribution of national income and thus raise more rapidly the income and standards of living of the needier sectors of the population. In this context, AID has identified education as the major vehicle through which vast numbers of economically disadvantaged people can move up the economic ladder and achieve a stake in development and a more equitable distribution of income. Thus, the priority need is to provide access through greater educational opportunities for the less affluent.

Records of AID and other international organizations show that in 1968, the latest data available, private institutions constituted about 9 percent of the primary schools, 50 percent of the secondary schools, and 54 percent of the higher education institutions. Therefore, the principal bottleneck within the Brazilian education system in providing free public education has been and remains more at the secondary and higher education levels.

About half of all secondary schools, accommodating 40 percent of the students at this level, are privately operated and, according to AID records, charge tuition fees which severely curtail enrollment opportunities for the less affluent and hamper Brazil's capability to produce the numbers and types of skilled middle-level manpower required to meet its development needs.

AID records show that public secondary schools, in responding to population pressures, must operate two or often

three shifts daily but, even so, can accept only a small proportion of the applicants. This overcrowding in the public schools would seem to reduce the quality of education for many students.

AID pointed out that, during the past 5 years, the percentage of private secondary schools had been declining. In 1964 private secondary schools constituted 62.8 percent of all establishments and by 1969 this ratio had declined to 55.5 percent. Data reportedly shows that the percentage of secondary school enrollments in private schools is also declining.

#### BRAZILIAN FUNDS USED FOR PRIVATE SCHOOLS

State and AID records indicate that substantial Brazilian funds, both Federal and State, are supporting private education institutions. Actual dollar amounts transferred to private schools from Federal and State education budgets were not available to U.S. program managers.

An international organization's analysis of Brazilian education, prepared in 1967, showed the percentage of enrollments for public and private schools compared with the percentage of expenditures from the private and public sectors. On the basis of this data the organization believed that Brazilian Federal funds were the main source of financing private secondary and higher education institutions.

We estimate from these figures that

--1 percent of public primary expenditures support private primary schools.

--40 percent of public secondary expenditures support private secondary schools.

--39 percent of public higher level expenditures support private universities.

In drawing its conclusions, the international organization assumed that the cost per student at a given level was the same for public and private schools. This assumption appears to be reasonable because, if anything, the cost per student is higher for private schools than for public schools.

as limited data from a study in Sao Paulo shows. Thus the percentage calculated above for public support of private education would be conservative.

Although this data does not show the exact amount of public funds spent on private schools, it does show that a considerable amount of support for private education comes from the public sector. AID Mission officials tried to determine the amount of public funds supporting private education in 1967 when planning the first education loan. At the time of our in-country review, however, U S program managers had not determined the amount of this support, but they believed it to be significant.

AID Mission officials pointed out that, by Brazilian law, any private school receiving Federal funds must award scholarships in an amount equal to the funds received. The only records the Mission had on the amount of such assistance, however, was for 1971 when the Brazilian Ministry of Education reportedly provided 70,000 scholarships for tuition to students in private secondary schools. The number of scholarships provided in 1971 was less than 5 percent of the total number of students in private secondary schools in 1968.

U S program managers have recognized for several years that the Brazilian school system with its large percentage of private schools severely limits education opportunities for the less affluent, and AID Mission officials stated that this is one reason the United States has sought to expand public secondary schools in its education loans. In our opinion, however, the United States is, in effect, supporting private schools by providing funds to a public school system which supports these institutions.

#### U S LOANS MAY BENEFIT PRIVATE SCHOOLS

In addition to the indirect benefits to private schools, we noted that both U S education loans may be directly supporting private schools. Specifically, about 23,000 teachers were to be trained under the first loan program. Mission officials told us that some were teachers for private secondary schools.

An AID planning document for the second loan points out that private schools could be eligible to receive financial assistance from the education fund which will be capitalized jointly with United States and Brazilian resources. The proposed guidelines and criteria for the education fund, as contained in AID's records, state that

"Both states and municipalities \* \* \* would be eligible for assistance from the Fund. Municipalities (or private education agencies) would receive financial assistance through their respective State Secretariats of Education. In cases where financial management of a project resides with a municipal (or private) authority, an appropriate plan for the utilization and accounting of the funds, satisfactory to both the Fund and the state, would be required."

A review of the loan documents between the United States and Brazil shows that private education organizations are not specifically precluded from receiving financial assistance and participating in the second U S loan program.

#### CONCLUSIONS AND RECOMMENDATIONS

An undetermined but apparently substantial amount of Brazil's public funds are supporting private school institutions, which, because of the tuition fees charged, discriminate against the less affluent. By providing assistance to Brazil's public education system, the United States is, in effect, supporting this practice. This raises a basic policy question about the appropriateness of this support, but we were unable to identify any State or AID policy guidance regarding this matter.

We recommend that the Administrator, AID, require that (1) the degree to which Brazilian public resources support private education institutions be ascertained and (2) program policy guidance be developed concerning the appropriateness of U S. foreign aid to a country which allocates a substantial share of its public education resources to support private schools.

## AGENCY COMMENTS AND GAO EVALUATION

AID agreed with the recommendations but may not implement them in the near future. Specifically, AID stated that (1) it would be possible to carry out the recommendation to ascertain the degree to which public resources support private education institutions after data collection and use had been improved through implementing these loans and (2) program guidance would be considered on the policy question as the legislative posture in the United States was clarified on the issue.

We believe AID should consider implementing these recommendations in a timely manner since we can see little value in their being implemented after most, if not all, of the \$82 million in U.S. education sector loan funds have been released.

## CHAPTER 7

### PROBLEMS IN IMPLEMENTING AND

#### MONITORING U S LOANS

Problems associated with implementing and monitoring U S. education loans which could seriously hamper attainment of the loan objectives include

- The Brazilian Government's noncompliance with the financial commitments in the loans
- Financial loan conditions applicable to the States not drawn accurately enough to determine precisely whether the conditions had been met.
- Planned increases in secondary school capacity adversely affected by school locations
- Sufficient education data not available to U S program managers to adequately monitor progress in education development.
- The second loan for \$50 million provided prematurely

#### NONCOMPLIANCE WITH FINANCIAL COMMITMENTS

Conditions included in the \$82 million in U.S. education sector loans authorized since 1968 required Brazil to increase Federal resources to the education sector. An audit by AID's Auditor General in 1972 shows that Brazil has not complied with the loan conditions since Federal resources allocated to the education sector in 1971 were lower, in real terms, than before the U.S. loans were signed. Therefore, it appears that education has declined as a Brazilian budget priority and that U S education loans have substituted rather than supplemented Brazil's own education funding.

An analysis of the Brazilian education system completed in 1967 by U.S. program managers showed the need for increasing and regularizing the Federal Government resources allocated to the education sector. To accomplish this, conditions considered crucial by AID were included in the first U.S.

education loan to insure that after 1968 the Ministry of Education would have more Federal Government resources available to it on a regular basis. The second U S education loan authorized in 1970 included a similar condition. The Brazilian Government commitment, as defined in the first loan agreement, stated

"The Borrower shall have transferred to MEC, [Brazilian Ministry of Education and Culture] during the federal budget year 1968 the amount in cash of not less than six hundred and sixty-five million new cruzeiros \* \* \* exclusive of the matching contribution provided for the program \* \* \*.

"\* \* \* Borrower during federal budget years 1969, 1970 and 1971 shall progressively increase in real terms, using 1968 as a base year, as indicated by the General Price Index, its cash transfer to MEC."<sup>1</sup>

This commitment means that each year's transfer by the Government of Brazil to its Ministry of Education in real terms will be higher than the preceding one. However, actual data for the specified time period shows that Brazil had not complied with the U S loan conditions since Federal Government transfers to the Ministry of Education in 1971 were lower, in real terms, than in 1968.

Specifically, data obtained by AID's Auditor General shows that, while Brazilian Federal Government transfers to the Ministry of Education rose in absolute terms during the period, they declined in real terms in 1970 and 1971 as shown below

---

<sup>1</sup>Real terms means adjusted for the amount of inflation from the base year



<u>Year</u>	<u>Expenditures in absolute terms</u>	<u>Expenditures in real terms</u>
(millions in Brazilian currency)		
1968	821.8	821.8
1969	1,128.1	940.1
1970	1,337.1	935.0
1971	1,393.5	810.2
1972 (estimated)	2,098.4	

According to the Auditor General's report, no specific explanation was ascertained from the Government of Brazil for the decline in real terms. However, Government expenditures in all areas in real terms increased from 1970 and 1971. The inference in the report is that education declined in 1971 as a Federal budget priority. A recommencement of the upward trend in real terms projected for 1972 has no assurance of being realized.

The Auditor General's report also included data which clearly showed that the flow of Federal funds to the education sector had not been stabilized, although this, too, was the intent of the Federal financial commitment included in the U.S. loans.

#### Agency comments and GAO evaluation

AID believes that total Brazilian Government transfers to education is a more accurate indicator of Brazil's commitment to education than merely its transfers to the Ministry of Education. AID stated that if education expenditures originating from other sources, including national lotteries, were considered, then there would be increases in Federal resources for education.

It should be noted, however, that conditions considered crucial by AID were included in the first U.S. education loan to insure that after 1968 the Ministry of Education would have more Federal Government resources available to it on a regular basis. The formal agreement between the United States and Brazil required Brazil to increase each year in real terms its Federal cash transfer to the Ministry of Education. This, therefore, is the agreed-upon Brazilian Federal financial loan commitment, and performance should be

evaluated against it. However, as stated, the Auditor General found that the Brazilian Government had not complied with this commitment.

#### STATE LOAN CONDITIONS

Certain financial conditions that AID considered crucial were included in the first loan agreement, to provide leverage for U S. officials to encourage increasing State expenditures for education in general and secondary education in particular in the four Brazilian States in which the loan was being implemented. However, conditions were not stated accurately enough for U S. program managers to determine if they were being met.

The State financial conditions included in the loan agreement with the Government of Brazil follow

"\* \* \* to participate in the Program a state must devote a minimum of 20% of total state revenues in 1969 for education, and must annually increase annual educational expenditures (exclusive of Program funds) by a minimum of 2% of the total state expenditures until state educational expenditures reach 30% of total state expenditures. In recognition of the high priority of secondary education, the state must annually allocate at least 40% of the increase in educational funding to secondary education."

To legally bind the participating States to the agreement, the four participating States (Bahia, Espirito Santo, Minas Gerais, and Rio Grande do Sul) entered into an agreement with the Ministry of Education to implement the plans for secondary education and to meet their necessary financial and educational responsibilities. These agreements were signed in February and March 1970. The State financial conditions were

"\* \* \* by 1971 and subsequent years, the state must increase budgetary expenditures on education by 2% per annum until the state expenditures on education reach the equivalent of 30% of state budgetary expenditures \* \* \* during the period 1971-1973, or until the program is completed, the

state must annually devote at least 40% of the increase in education funding to secondary education "

Annex I to the loan agreement states that

"\* \* \* the State will devote a minimum of 20% of total State revenues for education, and must annually increase educational expenditures (exclusive of Program funds) by a minimum of 2% of the total State expenditures until State educational expenditures reach 30% of total State expenditures. The State must annually allocate at least 40% of the increase in educational funding to secondary education "

During March through May 1971, the Mission's controller office surveyed this loan to determine, among other things, whether the participating States were meeting their financial commitments. The records show that the controller's office had difficulty in interpreting or evaluating the State financial loan commitments shown above. We had the same difficulty during our review.

A crucial condition for participation established by AID in the first U S. loan as well as for the release of \$7.4 million in U S. funds was that a State must allocate 20 percent of its total expenditures in 1969 for education.

The agreement between the United States and Brazil, however, was not signed until November 1969, too late in the year for the States to comply with this provision. Also, the Ministry of Education-State agreements which bind the States to the program were not signed until February and March 1970, and make no specific mention of 1969 or any other year as the base period for meeting the 20-percent commitment.

Another crucial condition was that the participating States must subsequently increase expenditures on education by a minimum of 2 percent per annum. However, no formula was established to insure year-to-year consistency in reporting actual State education expenditures.

The final crucial condition required the participating States to allocate 40 percent of the annual increase in their education budgets to secondary education. The controller's office noted during its review that two States considered the allocation to secondary education to be limited to 40 percent of the 2-percent required minimum increase to the education budget each year, while the other two States interpreted the requirement to include 40 percent of any annual increase to the education budget. Accepting the first interpretation would result in a smaller amount of funds being allocated to secondary education, a condition which the AID controller's office did not believe to be the intent of the loan provision establishing this requirement.

The imprecise language of these commitments in the agreements led to problems in their interpretation and a subsequent determination that such conditions had been met. For example, the controller's report in pertinent part stated

"Another factor which has clouded the interpretation of the agreements has been the use of the terms 'revenues', 'expenditures', 'budgetary expenditures', 'education funding', as if the terms were synonymous. The terms are not synonymous and the failure to accurately define the source or base for adherence to budgetary commitments has led to varied interpretations of monies to be allocated to education. For example, the use of State budgeted revenues and budgeted expenditures as a measure of the adherence to commitment requirements may, and in some cases does, differ significantly from actual revenues received and actual cash expenditures during the budget year."

Several Mission loan committee meetings were held between April and September 1971 to discuss these implementation problems. The records show the Mission (1) agreed that 1970 should be considered as the base year and that actual State expenditures be used as the measurement of meeting financial commitments, (2) requested that the Government of Brazil establish a formula to insure year-to-year consistency in reporting actual State education expenditures, and (3) postponed interpreting the 40-percent allocation of education increases to secondary education (originally covering grades 5-8) pending interpretation of recent Brazilian legislation eliminating secondary education as a separate

education sector. The legislation includes secondary education in a broader sector entitled "fundamental education" which encompasses all education activities in grades 1 through 8.

In September 1971 the Mission approved the release of \$7.4 million of U.S. funds for school construction. In our opinion the Mission released these funds without determining if the conditions governing their release had been met because they had not independently verified that the four States were actually meeting the 1970 financial commitments. Further, the impact of the new Brazilian education law on the Mission's ability to independently measure further State education increases for secondary education had not been determined.

Mission officials recognized many of these problems before the loan negotiations, but their resolution was deferred so as not to disrupt the long-overdue planned signing.

#### Agency comments and GAO evaluation

AID did not agree with our conclusion that \$7.4 million in U.S. funds had been released in September 1971 without an independent precise determination by its Mission that the conditions governing their release had been met.

AID stated that late in June 1971, an AID Mission official had analyzed actual 1970 expenditure data by the four participating Brazilian States and concluded that they had fulfilled their commitments under the loan agreement. AID further stated that early in September 1971, before release of the \$7.4 million in U.S. funds, the Brazilian implementing agency had submitted to the Mission its analysis of the financial performance of the four States, which substantially conformed to those of the Mission. It should be noted that the AID Auditor General during his review of the loan in 1972 also attempted to ascertain if the participating States were meeting their financial commitments. However, he found that neither the AID Mission nor the offices of the Brazilian implementing agency had obtained actual education expenditure information from any of the four States.

AID advised us that in April 1972 the AID Mission and the Brazilian implementing agency had agreed to establish a

formula to insure year-to-year consistency in reporting actual State expenditures. Establishing such a formula would provide a basis for U S. program managers to fully evaluate whether the participating States were complying with their financial commitments. The implementing agency, according to AID, had the responsibility to

- Provide a more precise definition of the terms "State revenue and expenditures" and "expenditures for education "
- Design a standardized formula to be applied to the participating States every year for measuring such yearly expenditures
- Appraise the States' performance to date in relation to their financial commitments, using the new formula

AID stated the Brazilian implementing agency would soon submit the official final report to the AID Mission

AID advised us that the enacted Brazilian fundamental education law of August 1971, which combined secondary education grades 5 through 8 with primary education grades 1 through 4, had rendered it impossible to independently verify compliance with the crucial condition included in the first U S education loan that 40 percent of the annual increase in education expenditures be devoted to secondary education in each of the four participating States

AID stated that since the restructuring made it impossible to separate and document State education expenditures for secondary education grades 5 through 8--which is the focus of the first U S loan--it was going to propose an amendment deleting this requirement from the loan agreement while at the same time retaining the loan's original purpose. Because a major purpose of the U S loan was to specifically increase State expenditures devoted to secondary education and AID intends to retain the original purpose of the loan, we believe the U S program managers should have some method for independently assuring themselves that this very important U S. loan objective will be achieved. AID, however, did not address this matter

The aforementioned State financial loan conditions, considered as crucial by AID, were incorporated into the U S. education loan to provide some leverage for increasing State expenditures, particularly in secondary education. In our opinion, the disparities and ambiguities in the language of the loan agreement and the implementing State agreements, together with the enactment of the Brazilian fundamental education law, has made it difficult for U.S. program managers to precisely determine whether the loan conditions are being met and whether its purposes are being accomplished.

The AID Auditor General, in his report in September 1972, made several proposals to the AID Mission which, in effect, recommended suspending further U S. commitments under the first education sector loan until the borrower assured a satisfactory level of performance. The Mission accepted the Auditor General's recommendations and reported that before it released funds for the third phase of construction, the Government of Brazil and the participating States must furnish data to prove, and the Mission must ascertain, satisfactory performance of agreed-upon commitments.

We concur in the thrust of the Auditor General's recommendations, and Mission compliance with them should, after more than 2 years of implementing this loan, establish whether the Brazilian Federal and participating State Governments are increasing their resource transfers to education each year. We, therefore, are making no recommendations on this issue. However, since a major purpose of the first U.S. education loan was to specifically increase State expenditures for secondary education and since AID intends to retain the original purpose of the loan, we are recommending that U.S. program managers develop some method for independently assuring themselves that this U S. loan objective will be achieved. (See p. 76.)

## SCHOOL LOCATIONS

A major goal of the first U.S. education sector loan was to provide additional secondary school facilities for students not previously enrolled. However, we noted that many of the school facilities financed with U.S. funds were being built in areas having insufficient nonenrolled school aged youth to fill the facilities to capacity or where the new facilities would overlap and replace existing public and private schools.

We attribute this to the fact that the minimum number of nonenrolled school aged youths required to fully use and, therefore, justify the location of an 800-student capacity school was never mutually agreed upon or specifically defined and that the AID Mission released approximately \$12 million in U.S. funds for school construction without having independent information that the locations selected would provide additional school facilities for youths not previously enrolled in existing public and private secondary schools.

The records show that a basic premise in authorizing the first U.S. loan was the existence--in the four Brazilian States selected to participate in the school construction program--of a large number of primary school graduates seeking a secondary education but precluded from continuing their education due simply to the shortage of secondary school facilities in their vicinity. The loan paper stated that providing school facilities for these students would be a primary criterion of school site selection.

Accordingly, the U.S. loan, among other things, helped finance the construction of 295 new secondary schools for grades 5 through 8. Urban rather than rural sites were to be chosen to insure that facilities would be used fully. The modular unit constructed was designed to accommodate 400 students in each of two shifts. An expressed major goal of the U.S. loan was to increase total secondary school capacity by approximately 240,000 students.

The agreements with the participating States require them to provide adequate sites for the construction of new schools in accordance with standards established by the agreement. The education criteria established for insuring



that schools were located in areas of need required only that the site offer "sufficient numbers of school age youth" and "enrollment prospects which justify construction of the school " However, we found no evidence that officials mutually agreed upon, or specifically defined, the minimum number of nonenrolled school aged youths in an area that would be required to fully use and, therefore, justify the location of an 800-student capacity school

The new schools were to be constructed in separate phases By the time of our in-country review, 49 sites had been selected for construction under phase I and 66 under phase II of the program Construction costs for these 115 schools are estimated at \$18 million, which includes about \$12 million in U S funds It has been estimated that the average cost of the schools constructed under phase I is \$117,000 and under phase II, \$135,000

The location of the schools, according to AID, is determined by selecting municipalities and then selecting sites within the municipalities Selecting the municipalities is a Government of Brazil policy decision, and selecting the sites is the responsibility of the Brazilian implementing agency which must be approved by AID before U S construction funds are disbursed

In December 1970 the Mission released \$4.3 million to construct 49 phase I schools, thereby approving the school sites selected The Mission controller's office reviewed the first U S education sector loan from March through May 1971, including the basis for the school sites selected in phase I

Its report, dated July 7, 1971, pointed out that, during discussions at the four State implementing offices, it asked for a brief explanation and some statistical information to support selection of phase I school sites This information was not available at the State level or at the Federal offices responsible for implementing the U.S loan and the controller's office was unable to determine whether any factual evidence was generated as a basis for selecting school sites to meet the educational requirements

In December 1970, the Mission requested information from Brazilian officials to satisfy the loan conditions before it could release an additional \$7.4 million for phase II schools. This information included a description of the

school system and a justification of the need for the school in the proposed community and evidence that an adequate site had been selected to meet the criteria in the loan documents

After analyzing the information provided, the Mission notified appropriate Brazilian officials on May 12, 1971, that it was deficient in many respects

"The information \* \* \* needs to be supplemented as it is incomplete and does not include an educational analysis justifying the need for the schools in the proposed communities. An Educational Analysis of all proposed schools still should be furnished to provide a basis for USAID approval of the schools in the respective communities. Apparently, the proposed locations of several schools in Minas Gerais and Bahia overlap with existing secondary schools. Therefore, it will be necessary to reexamine carefully the advisability of situating these schools in the chosen communities."

\* \* \* \* \*

"In the documentation presented many data regarding the selected sites are incomplete or lacking entirely. On the basis of what information was furnished, however, questions arise whether several of the selected sites satisfy the community needs and/or site selection criteria."

On September 10, 1971, the Mission released the \$7.4 million to construct 66 phase II schools, thereby approving the sites selected.

The only Mission records available on whether the sites selected had a sufficient number of nonenrolled school aged youths to justify their selection at the time of our in-country review in December 1971 were undated Mission site evaluation reports, which it had prepared for its own use to verify the internal consistency of the material provided by Brazil. In reviewing these forms we noted statements by Mission education officials which raised questions on the need for 800-student capacity schools for 28 of the sites.

selected, which apparently included the same sites previously questioned by the Mission in May 1971. A schedule, by State, of such schools follows.

Analysis of AID Mission School  
Site Evaluation Reports  
for Phase II

State	Number of schools	Insufficient data to show need	Number of sites questioned by AID due to		Total
			Not enough nonenrolled school aged youths to justify need	School site near existing secondary school	
Bahia	14	3	9	-	12
Minas Gerais	24	-	4	4	8
Espirito Santo	11	-	-	3	3
Rio Grande do Sul	<u>17</u>	<u>1</u>	<u>4</u>	<u>-</u>	<u>5</u>
Total	<u>66</u>	<u>4</u>	<u>17</u>	<u>7</u>	<u>28</u>

AID stated that the site evaluation reports merely recorded the Mission's uncertainties about many sites after it reviewed the initial site-selection documents in April and May 1971. It subsequently resolved these problems by talking with the Brazilian agencies responsible for implementing the loan, visiting selected sites, and further refining data originally presented. Problems noted on the reports were not always cleared on them as additional positive information was received from the Brazilian implementing agency.

However, we noted that the AID Auditor General in his review in 1972 also addressed the selection of school construction sites.

"During our examination of the individual files relating to the sites, and the construction thereon, we found that, although the Mission's formal concurrence to the sites had been given \* \* \* we were unable to determine the bases for the concurrences since the files were, generally, incomplete and the evaluation reports were, frequently, not completed or did not refer to a source document for the information recorded on the reports."

Mission officials said that informal oral agreements had been reached with Brazilian officials insuring maximum use of the schools identified as having an inadequate supply of students and that the Brazilian implementing agency had received agreements from the State mayors that the schools would be adequately used by bussing students. However, documents were not available at the time of our review nor could Mission officials tell us the specific plans for each site.

AID records indicated and we observed that some schools in both phases I and II were being constructed near existing private and public secondary schools. Records and discussions with Mission officials indicate that locating AID-financed secondary schools near existing secondary schools has caused and may continue to cause some of the existing private and public secondary schools to (1) be closed, (2) used for other than secondary education (grades 5 through 8), or (3) lose part of their student bodies to the new high quality tuition-free schools supported with U S funds. Therefore, the new facilities possibly could replace existing facilities rather than provide additional school spaces for school aged youths not previously enrolled.

When the loan was authorized, AID recognized that the major beneficiaries might be students already enrolled in private schools who would be induced to transfer to high quality tuition-free public schools. Nevertheless, AID considered it neither feasible nor desirable to limit these transfers because it contradicted the concept of public education and the Brazilian constitution.

We visited one of the schools and were informed by the school officials that, based on their studies, 80 percent of the students enrolled above the beginning level had transferred from private schools. Therefore, the overwhelming majority of students benefiting from this new school were those transferring from private schools. This does not appear to be an isolated example. Records indicate that at a conference private school and some public school officials expressed concern that the new U S -supported schools would draw off their student bodies, which in the case of the private schools would cause them to go out of business.

This was brought to the attention of Mission officials during our in-country review. In January 1972, Mission

officials stated that when schools were to be built close to existing schools, the municipal authorities must demonstrate plans for using educational facilities fully and if conversions were to take place, the timing and justification for such conversions must be given. The Mission stated that any vacated places in private schools could be filled through Government scholarships. We saw no evidence that United States and Brazilian officials had planned as part of the U.S. education loan program to provide such Government scholarships to economically less affluent nonenrolled school aged youths previously unable to attend private schools.

In our opinion, AID should not have released approximately \$12 million in U.S. funds for school construction without having independent information that the school sites selected would provide additional school facilities for potential students not previously enrolled in existing public and private secondary schools.

#### Agency comments and GAO evaluation

AID pointed out that construction of the schools was predicated not only on the numbers of enrollable students but also on projected growth in enrollments. It provided enrollment data prepared by Brazil on 65 of the 115 phase I and II schools, showing that first-year enrollments in grades 5 through 8 were 54 percent of capacity. Thus, AID stated that in view of the great demand for education, as indicated by first-year enrollments, the newly constructed and existing schools would be used to capacity in the next few years, even if they were in relative physical proximity to each other in a few limited instances.

We are not concerned about the new schools being fully used, but some areas have insufficient nonenrolled school aged youths to fill the 800-student schools to capacity and newly constructed schools will serve as replacements because of their physical proximity to existing public and private schools. The enrollment data provided by AID did not specifically show whether the students now enrolled were transferees from existing public and private schools or previously nonenrolled school aged youths.

There are more than a few limited instances where secondary schools being constructed with U.S. funds will serve

as replacements for existing secondary schools. Specifically, information available to us shows that all 14 phase II schools approved for construction with U S funds in Bahia will serve as replacements, since 14 existing secondary schools will be closed or used for education levels other than secondary education grades 5 through 8.

Therefore, the first U S. loan goal of increasing total secondary school capacity for grades 5 through 8 by approximately 240,000 students is being adversely affected by new school site locations.

SUFFICIENT DATA NOT AVAILABLE  
TO U S PROGRAM MANAGERS

The Mission has not developed a system with the Brazilian Government whereby Brazil provides basic information necessary to permit U S program managers to monitor and periodically determine (1) the current achievement of long- and short-term goals, (2) that Brazilian resources for educational development, including those furnished by the United States, promote the equitable development of education, and (3) that U S education loan objectives, conditions, and targets are met

Precise data on total financing for formal education has not been available to AID. Its analysis, therefore, has been based on partial data and the best available estimates. Data on existing enrollments, teachers, and school facilities on an individual State and municipal basis, including a breakdown between urban and rural locations within such areas, was generally not available to U S program managers at the time of our review. Such a breakdown of data is extremely important because of the various stages of educational development between areas within Brazil, as discussed in chapter 4.

The Ministry of Education's 1972-74 education plan includes a priority project to develop a management information system. In justifying this project, the plan stated that Brazil was a country unknown to itself, needing a basis to formulate a sound education policy and up-to-date information to prepare plans and projects adequate to meet national requirements.

Mission officials agreed they need better and more detailed data and stated they have supported, in the second U.S. education loan, the Ministry of Education's priority education project to develop a management information system. AID's general objective is to provide financing for training and technical assistance to develop, at the Brazilian national and State level, a management information system which identifies and provides the necessary data for management and investment decisions that must be made at all levels of the education system.

We believe U S. program managers, in cooperation with Brazilian officials, should identify the type of education information needed but not currently available and establish a procedure whereby they systematically receive such information as it becomes available.

## Agency comments and GAO evaluation

AID pointed out that the Mission already employs systematic procedures for collecting, analyzing, and using education information and referred to the Mission's education sector analysis. This contains numerous statistical tables based on ever-increasing quantities of data, is completely revised every 2 years, and is updated more frequently. The latest Mission education sector analysis available to us during our review was prepared in 1970. Although this analysis does contain education information on Brazil, it stated that precise data on total financing for formal education in Brazil had not been available and analysis had therefore been based on partial data and the best available estimates. It generally did not have precise and current education data for enrollments, teachers, and school facilities on an individual State and municipal basis, including a breakdown between urban and rural locations within such areas.

AID said that, although developing education information and retrieval systems would be necessary to adequately monitor and assess loan progress, the benefits such information would provide to the various levels of the Brazilian Government in planning the uses of its resources were equally important. The Mission is presently assisting the Ministry of Education to reorganize, systematize, and computerize its information system.

## SECOND LOAN PROVIDED PREMATURELY

We believe the second U S education loan for \$50 million was provided to Brazil prematurely. It was authorized and signed (1) without specific education goals to permit objective measurement and evaluation of program results, (2) without the establishment of Brazilian education plans for using the funds, and (3) before many of the implementation problems in the first loan were resolved. The U S loan resources, together with an equal Brazilian contribution, are to be used to capitalize a \$100 million education fund within the Ministry of Education which will finance part of approved State plans. Over 2-1/2 years have elapsed since AID authorized this loan and over 1-1/2 years since it was signed, however, no funds had been disbursed as of March 1, 1973.



At about the same time Mission officials were signing the first U S. education loan for \$32 million in November 1969, they submitted to AID/Washington a request for a second education loan for \$50 million

AID/Washington on June 29, 1970, authorized the second loan for \$50 million to provide financial assistance to an estimated six unspecified Brazilian States at the primary-secondary education levels. However, no disbursements had been made against the first loan when AID authorized the second loan

The second loan was provided for strengthening and improving the capacities of the Ministry of Education and the State Secretaries of Education to plan and administer programs essential to the qualitative, quantitative, and productive improvement of primary and secondary education. The U S loan seeks to

- improve the management and increase the efficiency of the primary-secondary education system and support programs at the Brazilian State and municipal level,
- provide education services to a larger portion of the primary-secondary school aged population than would otherwise receive these services,
- make primary-secondary education more relevant in terms of employment opportunities and Brazilian manpower requirements for social and economic development

#### Lack of specific goals

Unlike the first U.S. education loan, the second loan signed on June 17, 1971, did not indicate the specific number of schools to be constructed or teachers to be trained, the increased enrollment goals sought, or other objectively measureable goals although most of the funds from the loan were to be used for such education activities. This failure is inconsistent with AID-State guidelines which require a sector loan to include a statement of specific loan objectives to be achieved within a specific time frame

Mission officials stated that the second loan represented an evolution from the more specifically programmed first U S

education loan, being designed to improve systems--planning, budgeting, curriculum administration, etc --and not to meet specific quantitative targets of more students, teachers, schools, etc. Nevertheless, on the basis of the AID authorization loan paper, about \$68 million of the \$100 million total program may be used for school construction, equipment, teacher training, and related education activities which are the same as the activities under the first loan.

We do not believe that a loan of this magnitude--the largest education loan to date provided by AID--should have been authorized and signed with practically no specific goals, particularly when sufficient information was not available to U S program managers that such assistance would serve to supplement rather than to substitute for Brazil's own education program efforts.

#### Lack of plans

Implementation of this loan, according to AID, is predicated upon submission and approval of Brazilian State education plans which are to identify the (1) education levels to be addressed, (2) number, size, and/or location of the schools to be constructed in the program, and (3) type of activities to be financed at each education level and U S share of such activities.

Over 2-1/2 years after its authorization, however, AID does not know specifically how the entire \$50 million U S. education loan program will be implemented because only two Brazilian State education plans have been approved as of February 1973. This situation exists because the loan was provided without established Brazilian education plans for using the U S funds.

The second U S loan paper stated that Brazil proposed the education fund concept and made funds available in advance of Brazilian State plans to stimulate the States to promptly develop plans and to enable the Ministry of Education to respond quickly and flexibly to State requests. The records show the AID Mission supported this approach because (1) the Mission realized that it was not staffed to respond directly to State requests for financial assistance, (2) the Mission did not wish to become a competitor of the Ministry of Education in providing education assistance to the States,

and (3) the sensitive nature of the education sector argued against the high profile that would result if the Mission were directly involved with a number of States

AID therefore concluded that, by supporting an intermediate credit-like mechanism within the Ministry of Education which would provide assistance to States presenting plans responsive to the program's criteria, the dual objectives of building the planning and managerial capacities of the Ministry of Education and the States could be best served

At about the same time an international lending organization substantially reduced its proposed education program for Brazil because, among other things, of Brazil's insufficient progress in formulating State and Federal education plans. This organization had been considering a \$20 million loan for secondary education in Brazil since 1968. The loan, as entered into in June 1971, however, eliminated much of the education program and reduced the amount of the loan to \$8.4 million. The organization stated that, even though the educational development needs of Brazil were immense, preparing and implementing a program commensurate with these needs was not possible at that time for these reasons:

- The absence of reliable education statistics
- Responsibility for financing and administering primary and secondary education is vested in the States, and many are unable to finance the needed expansion
- Insufficient progress in formulation of State and Federal education plans

AID officials stated that many of these problems are specific areas which will be addressed under the second U S education loan

#### Unsolved problems of first loan

U S. program managers knew of a number of problems in the first U S education loan at the time the second loan was being considered for signature in June 1971

### Lagging construction progress

As of May 31, 1971, according to a Mission progress report, the phase I schools being constructed were less than 30-percent completed when they should have been more than 80-percent completed. Part of the cause of this slow progress was the delay in obtaining sites and the failure to have water and power at the construction sites. In commenting on our report, AID agreed that construction of phase I schools was lagging but stated that improvements had been made in meeting phase II projected construction schedules in the four participating States.

### Shortage of textbooks

During an April 1971 visit to teacher-training sites, AID officials found that the training institutions did not have enough textbooks, reference books, and equipment to provide proper training. They noted that in some classes mathematics textbooks were in the French language and few of the students and instructors understood French. Our visits to teacher-training institutions in November 1971 showed that, although there appeared to be enough textbooks available, the math textbooks in at least two of the four States were still in the French language.

Some of the new secondary schools constructed with U S funds lacked library books. Specifically, the only school in operation that we visited had practically no library books. Two other schools that had just completed registering students at the time of our review also had practically no library books.

AID stated the necessity of providing sufficient instructional materials, including textbooks, would undoubtedly remain a major task throughout the entire period of both U S education sector loans. Therefore, considerable attention was being given to providing materials for teacher-training institutions and for student libraries in the new secondary schools.

AID informed us that the Mission and the Brazilian implementing agency had made special provisions for instructional materials for teacher-training institutions and the situation had improved considerably during phase II, with further improvement foreseen for phase III of the program.

AID said that, as of October 1972, the libraries of all new secondary schools in operation had received an initial collection of books, consisting of 600 volumes, donated by the Brazilian National Book Institute. A supplemental collection of 900 volumes was to be distributed to all schools during October and November 1972.

#### Extension of loan implementation period

The original plans called for the first U S education loan program to be fully implemented over a 4-year period. We were informed during our fieldwork that the start of phase III of the construction program would be delayed and that extending the life of the first loan program an additional 2 years was being considered.

AID told us subsequently there were no plans for a 2-year extension but Brazil might seek a 6-month extension to carry out the activities contemplated for phase IV of the program. The extension may be necessary because of the delay in phase III construction from April 1972 until January 1973. AID pointed out that the postponement of phase III arose out of a management concern for continual improvement of the program. The fact that 9 months were spent to effect improvements in the program would indicate that some implementation occurred in phase I and II of the construction program.

In January 1971 the AID Auditor General issued a draft report on AID assistance to Brazil, including the education sector. The second education loan had not been signed at that time. The Auditor General believed that the second loan should not be signed until adequate implementation experience had been gained under the first loan, commenting that

"The second education loan was authorized without the GOB [Government of Brazil] or the USAID demonstrating that either was capable of managing the first loan. Both entities were also without experience under the first loan whose implementation would demonstrate any needed policy, institutional, or financial changes that might be needed under the second loan.

"We believe that the second education sector loan was authorized prematurely and that some implementing experience under the first loan should be required.

before the second loan is signed Experience with the first loan should demonstrate any weaknesses in planning which could be corrected before serious mistakes are made AID cannot afford another experience like that of several years ago with school construction in the Northeast "

The Auditor General recommended that AID/Washington delay signing the second education loan until Brazil demonstrated its ability to achieve project goals set forth under the first loan Before replying to the Auditor General's recommendation, however, the Mission signed the second U S. education loan with Brazil

The Mission stated that this second loan was essentially separate from the first U S. loan and, therefore, could be implemented without it We agree that the stated purpose and some of the objectives and activities to be financed under the second loan are different from the first loan The fact remains, however, that the AID authorization loan paper anticipated that the major portion of the loan program resources would be used for school construction, equipment, teacher training, and related activities In this respect the two loans are related and we believe the implementation problems experienced in the first loan should be resolved so that they do not recur in the second loan

AID, in commenting on their reasons for signing the second education loan, gave the following background information. Negotiations on the loan had lasted more than a year, during which high-level personnel within the Ministry of Education had changed. The new Ministry officials were anxious to proceed with planning the second loan, and Mission officials believed that a retreat by AID from signing it would have been misunderstood, particularly since the new Ministry leadership had been personally involved in planning and implementing the first education sector loan. They would have resented any implication or statement that the second loan not be signed because of poor performance under the first loan AID believed the problems encountered with the first loan were not serious enough to justify not signing the second loan.

## Agency comments and GAO evaluation

AID agreed the second U S education loan for \$50 million was authorized and signed without specific education goals and Brazilian plans for using the funds. However, AID pointed out that this loan requires the participating Brazilian States to develop an education plan acceptable to AID before funds will be provided. Therefore, AID argued that the development of education plans of necessity followed the loan.

Over 2-1/2 years have elapsed since AID authorized this loan, and over 1-1/2 years since it was signed, however, no funds had been disbursed as of March 1, 1973. By providing this loan in advance of formulated Brazilian education plans, AID committed and then obligated \$50 million in limited development loan resources significantly in advance of need and has been precluded since June 1968 from using these resources for other priority developmental purposes. In our opinion, this is not sound management practice.

AID stated that implementation problems under the first U.S. education loan did not mean that it could not successfully proceed with the second U.S. education loan. It should be pointed out, however, that, when AID authorized the second loan for \$50 million in June 1970, no disbursements had been made under the first \$32 million education loan. However, subsequent implementation problems did arise under the first loan, but, before resolving many of them and despite the Auditor General's recommendation to the contrary, AID signed the second loan.

In summary, we believe the second U S education loan for \$50 million--the largest education loan to date made by AID--was premature because it (1) was not warranted by Brazil's performance under the first U S education loan, (2) contained practically no specific education goals to permit objective measurement and evaluation of program results, and (3) was not based on formulated Brazilian education plans for using the funds.

## CONCLUSIONS

We observed a number of commendable management practices and well-intentioned efforts of many U.S. officials. Nevertheless, we concluded that the management of U.S. education loan programs in Brazil was inadequate in many respects.

- The Brazilian Government was not complying with the financial commitments required in the U.S. loans.
- State financial loan conditions were not precise.
- Planned increases in secondary school enrollment were being adversely affected by school site locations.
- Sufficient education data was not available to U.S. program managers to adequately monitor progress in education development.
- The second U.S. loan for \$50 million was provided prematurely.

We believe that U.S. program managers should take immediate steps to resolve the problems occurring under the first loan and the necessary corrective action to preclude recurrence under the second U.S. education loan.

## RECOMMENDATIONS

We recommend that the Administrator, AID

1. Develop specific school site selection criteria to insure that new schools are placed only in locations having sufficient numbers of nonenrolled school aged youths to fully use them.
2. Develop, in cooperation with Brazilian officials, the type of education information needed but not currently available to adequately monitor the progress of education development and establish a procedure whereby U.S. program managers systematically receive such information as it becomes available.
3. Develop for the second U.S. education sector loan specific, mutually agreed-upon (a) education plans to insure



effective use of loan resources, (b) education objectives to permit independent evaluation of program results, (c) loan conditions and commitments to permit a precise determination that they have been met, and (d) obligations for education expenditures of the participating Brazilian States to increase at a faster rate than that experienced before U S loan resources were provided

4 Develop, in conjunction with Brazilian officials, some method for independently insuring that the objective in the first U S loan, which sought increased State expenditures for secondary education, will be achieved

5 Avoid authorizing and signing development and Alliance for Progress loans before plans for using the U S loan resources and goals to permit objective measurement and evaluation of loan accomplishments are established

#### AGENCY COMMENTS AND GAO EVALUATION

AID agreed with recommendation 1 for developing specific school site selection criteria but stated such criteria had been established and was in use under the first U.S. loan. The pertinent criteria established for insuring that schools are located in areas of need requires only that the proposed site offer "sufficient numbers of school age youth" and "enrollment prospects which justify construction of the school." We found no evidence that U S and Brazilian officials mutually agreed on or specifically defined the exact or minimum number of nonenrolled school aged youths that would be required in an area to justify the selection of a site for a new school. Therefore, we believe AID should reconsider its position in this regard and specifically define the exact or minimum number of such youths.

AID agreed with recommendation 2 for developing the type of education information needed but not currently available and stated it has been giving attention to this matter for some time and would continue to do so, where necessary. Although AID did not specifically comment on establishing a procedure whereby U.S. program managers systematically receive such information from Brazil as it becomes available, they did point out that in March 1972 the education office in the Mission initiated an education fact sheet to insure that staff members were kept abreast of the

developments in Brazilian education through statistical and narrative reports. This education fact sheet, which was initiated subsequent to our in-country review, appears to be a step in the right direction for providing U S program managers with sufficient data to adequately monitor progress in education development.

AID agreed with part a of recommendation 3 for developing mutually agreed-upon education plans to insure effective use of U S loan resources. AID stated, however, that the Government of Brazil seeks to develop a demonstrable capacity to plan, finance, and implement education programs and AID's role is and should be limited to offering assistance when required and approving use of U S loan resources in implementing approved plans. AID also accepted parts b and c and stated they would be encompassed in the normal implementation of the second loan.

AID did not agree with part d for developing U S loan obligations which cause education expenditures of the participating Brazilian States to increase at a faster rate than that experienced before U S loan resources were provided. AID believes this recommendation puts more emphasis on expenditures than it does on quality or depth of planning and reform, which are the core of its assistance efforts. AID views a rapid rate of increased financial support to the education sector by the Brazilians favorably but believes the success of U S education loans cannot be judged primarily by this measure alone.

We agree that the success of U S education loans cannot be judged primarily by the rate of increased financial support to the education sector by the Brazilians. Nonetheless, this recommendation is consistent with the basic U S developmental assistance doctrine, which seeks to have such assistance serve as a catalyst to mobilize a large and accelerated development effort by the recipient country. Therefore, we believe AID should reconsider its position in this regard.

AID representatives with whom we discussed recommendations 4 and 5 in March 1973, for developing some method for insuring that the objective in the first U.S. loan which sought increased State expenditures for secondary education will be achieved and authorizing and signing loans in advance

of plans and goals will be avoided, preferred not to offer any views as to whether they agreed or disagreed with the recommendations. They said the formal agency position on these recommendations would be expressed later.

## CHAPTER 8

### DOES BRAZIL NEED CONTINUED

### U S CONCESSIONAL ASSISTANCE?

Records indicate that Brazil may have reached or is near the point in its development when it no longer needs concessional U S assistance. In our opinion, U S. program managers should reevaluate Brazil's need for continued U S concessional assistance in view of its sustained economic performance since 1968 and its ability to obtain substantial foreign assistance from other sources.

Our review of U S assistance for educational development necessarily required that we examine it in the context of Brazil's overall development. We observed several factors which, in our opinion, make Brazil's need for continued U S concessional assistance questionable.

- Brazil's remarkable economic growth since 1968. Its gross national product has grown at an average annual rate of about 9.9 percent and totaled about \$50 billion in 1972.
- In 1971 and 1972 Brazil accumulated \$3 billion in foreign exchange. Total reserves at the beginning of 1973 were about \$4.2 billion.
- Brazil's ability to attract and obtain substantial economic assistance from other sources. For example, IBRD, IDB, and Eximbank authorized over \$900 million in external assistance in fiscal year 1972 alone.
- U S officials since at least July 1971 recognized that the declining AID development program has had no political significance in Brazil, consequently U S officials have lost some of their leverage for influencing Brazilian policy, due primarily to the availability of external assistance from other sources.
- Authorized but undisbursed AID loans amounted to over a quarter of a billion dollars as of May 1, 1973.

Media reports point out that Brazil has established its own foreign aid program, including millions of dollars in commitments to neighboring countries

State and AID general policy statements show that the basic goal of U.S. development assistance is to assist recipient countries to develop to a degree that external assistance is no longer required. However, what constitutes a Brazilian education system sufficiently developed to no longer require or justify external U S. assistance has not been addressed by U.S. program managers in basic policy and program documents for Brazil. U S. program managers have not defined the point at which Brazil's overall development will be sufficient to no longer require or justify continued concessional U.S. assistance.

The United States will provide about \$50 million in aid to Brazil in fiscal year 1973 and plans to provide about \$17 million in fiscal year 1974. Data on planned levels of aid beyond fiscal year 1974 were not available

#### AGENCY COMMENTS AND GAO EVALUATION

State and AID, in their joint response, stated that the reported foreign aid program of the Brazilian Government was essentially the extension of supplier credits. The major exception was assistance offered to Bolivia for highway construction, mainly for Brazil's self-interest since the credits and assistance were restricted to buying heavy equipment for constructing a highway linking Bolivia's eastern border with Brazil's highways. We noted, however, that in 1972 Brazil pledged \$2 million to the Special Fund of the African Development Bank. The resources of this fund, like the more concessional loan funds of IDB and the Asian Development Bank, will be used to finance high-priority development projects

The agencies agreed with the facts presented showing Brazil's remarkable economic performance since 1968 and added that the picture is one of increasing economic strength and capacity of the Brazilian Government to deal with Brazil's own problems. Nevertheless, the agencies state that the current and planned assistance levels to Brazil, as stated above, are consistent with U S. foreign policy objectives.

In May 1973, however, we noted indications that serious consideration is now being given to an orderly reduction for future U S. bilateral assistance to Brazil.

Brazil still faces development problems but whether additional U.S. concessional assistance is necessary to assist its Government in attacking these problems is questionable in view of

- Brazil's remarkable economic performance since 1968,
- its ability to obtain substantial economic assistance from other sources, and
- the \$284 million in pipeline AID assistance programed for Brazil as of May 1, 1973.

MATTER FOR CONSIDERATION BY THE CONGRESS

The question of when a foreign assistance recipient, like Brazil, reaches the point in its development when it no longer needs further U.S. concessional assistance has not been addressed by U.S. program managers. For this reason we believe it is a matter which warrants legislative emphasis.

The Congress may want to consider requiring the Department of State and AID to precisely identify, in objectively measurable terms, the point at which an assistance recipient no longer requires concessional U.S. assistance.

## CHAPTER 9

### SCOPE OF REVIEW

We reviewed the administration of United States assistance to the Brazilian education system since 1965 to evaluate the (1) long-term effectiveness of U S. assistance in promoting Brazil's education development, (2) adequacy of existing U S. management controls, and (3) coordination of U.S. education assistance with that provided to Brazil by the international community.

We examined U.S. policy papers, strategy statements, program documents, reports, correspondence, and other pertinent data available at the Washington and Brazil offices of AID and the Peace Corps. Statistics and other data were secured from the United Nations and other international agencies. We discussed relevant matters with officials of AID and the Peace Corps and with the Brazilians. Late in 1971 we visited selected locations where education assistance activities, such as schools, teacher training, and administration of the projects, were occurring, including the States of Bahia, Espirito Santo, Minas Gerais.

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON D C 20523

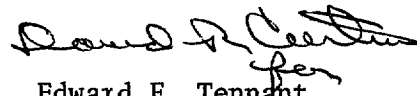
DEC 8 1972

Mr Oye V Stovall  
Director  
International Division  
U S General Accounting Office  
Washington, D C 20548

Dear Mr Stovall

I am forwarding herewith a memorandum dated December 7, 1972 from Herman Kleine, Assistant Administrator of the Bureau for Latin America, which presents the joint comments of the Department of State and AID on the U S General Accounting Office's draft report titled, "Improvements Needed in U S Foreign Aid to Brazil for Education Development "

Sincerely yours,



Edward F Tennant  
Auditor General

Enclosure As stated




APPENDIX I

DEC 7 1972

MEMORANDUM

TO• AG, Mr. Edward F. Tennant

FROM• AA/LA, Herman Kleine 

SUBJECT• GAO Draft Report, "Improvements Needed in U. S. Foreign Aid to Brazil for Education Development"

We have reviewed with interest the draft of the GAO's report on our assistance to the education sector in Brazil and have obtained comments from the Department of State, the Mission and all interested AID/W offices. Comments are consolidated in this response.

The introduction of the report portrays fairly accurately, although briefly, the progress made by Brazil in its efforts to modernize its educational system with technical assistance provided by AID. The report also acknowledges that much remains to be done to improve the system so as to make it responsive to the economic advances Brazil has made over the past eight years. However, the report does not, in our opinion, sufficiently take into account the contribution made by AID grant assistance during the period 1965-1969 to the very significant improvements made by Brazil in its planning and analysis capacity which led to the identification of the three major areas in the education system requiring attention if modernization was to succeed. These areas were, the critical bottleneck at the junior high school level, the need for curriculum modification, and the small number of secondary school students entering the system. The attack on these fundamental problems is at the core of the two education sector loans provided by AID. The draft report is essentially a review of these two loans. In our discussions with the GAO staff, they have agreed to include in the final report some treatment of the foregoing so as to place in better perspective our reasons for moving ahead with our two sector loans.

A number of the observations and conclusions in the draft report are predicated on the notion that the provision of assistance to Brazil by AID automatically carries with it a considerable degree of U.S. control or leverage which should enable us to influence the Brazilians in the directions that we would like to see them take. This notion,

perhaps, stems in part from a lack of understanding of the U.S. policy of mature partnership toward our Latin American neighbors, and of the realities of the Brazilian situation.

[See GAO note p. 91.]

We believe that a clearer understanding of these concepts would have given the report better perspective and balance.

Many of the GAO criticisms are directed towards the conceptualization, design and implementation of the two sector loans. The report indicates that AID did not address some of the broad social questions associated with the goals of the loans, such as more equitable educational opportunities, inequities in the system, shortage of qualified primary school teachers, and points up a number of implementation problems which led the auditors to conclude that the second sector loan was made prematurely. It is our belief that many of these criticisms are based on an inadequate understanding of what the loans were designed to do. The first loan was directed specifically at the problems of the secondary school system, involving construction of new facilities, development of a balanced curriculum and teacher training. On the other hand, the second loan addresses a much broader range of problems, with the primary objective of achieving improved utilization of Brazilian financial and manpower resources. It is our judgment that the design and implementation of the two loans are in fact addressing the very problems in the Brazilian educational system which the GAO criticizes, and the loans have caused the Brazilians to focus more than ever before on strengthening the administrative mechanisms which will permit them to mobilize and distribute their own resources more prudently and in ways which will continue the momentum for development they have already generated.

The attachment to this memorandum contains our detailed comments on the observations, conclusions and recommendations

## APPENDIX I

in Chapters II through VIII in the draft report. If there is any additional information we can provide, please let us know.

Attachment  
Comments on GAO draft report



ASSISTANT SECRETARY

## TREASURY DEPARTMENT

WASHINGTON D C 20220

APR 11 1973

Dear Mr Stovall

This letter is in reply to your request for Treasury Department comments on the proposed GAO Report to the Congress, entitled "Improvements Needed in U S Foreign Aid to Brazil for Education Development " In line with your request, I have limited my comments to those portions of the Report which relate to coordination between the international lending institutions and the Agency for International Development.

After having preliminary comments of AID officials on your Report, and in view of the arrangements which presently exist to provide coordination among lenders, I am not convinced of the need to establish another mechanism for this purpose In taking this position, I note that your recommendation is for a comprehensive mechanism, while the report itself is limited to a discussion of lending in the education sector.

My first reaction is that no concrete examples are provided to support the general contention that a problem really exists of the magnitude suggested by the language in the Report. For example, it is stated on page 23 that an IDB loan of \$3.0 million for intermediate industrial technical education made funds available for vocational equipment at a time when AID was trying to obtain better utilization of equipment it had financed. AID officials have indicated specifically, however, that they did not regard this loan as competitive or duplicative, given the conditions which existed in Brazil at the time the loan was made.

Although your Report barely mentions them at all, well-established procedures do exist, both within the U S Government and within the international lending institutions, to achieve the necessary degree of coordination in external aid flows to recipient countries. Although improvements can always be made in these procedures, I very strongly disagree with your characterization of them as informal and periodic

## APPENDIX I

and your implication that they are completely inadequate. In my judgment, we would do better to concentrate on continuing the improvement of these procedures rather than on considering the introduction of an entirely new mechanism. Examples of these procedures have been made available to your staff.

You have also raised the question of conflicting or contrary objectives between AID and IBRD. Both lenders agree in their general assessment of the current educational situation in Brazil.

The first AID loan for \$32 million was directed at comprehensive lower secondary level programs in four selected states. This loan was consistent with the Brazilian commitment to the comprehensive approach at that level and designed to have an impact by working around major problem areas. The second AID loan for \$50 million, which has not yet been disbursed, will be channeled to those states which submit viable education plans. It is meant to encourage individual states in their overall planning efforts.

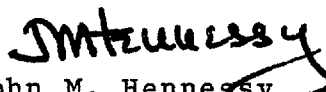
The IBRD loan for \$80 million focuses on 16 selected institutions in several states. It is aimed at the upper secondary level and designed to improve agricultural and industrial technical education, two important economic areas with skilled manpower shortages. To my knowledge, the specialization aspect of this loan does not conflict with AID or GOB plans.

IBRD fully recognizes both the problems which confront Brazil in its education sector and the efforts which are under way to alleviate them. The Bank believes that it can provide effective assistance at particular levels of education which are administered by the federal government as well as in the educational systems of some of the states. This approach is entirely consistent with what AID, itself, has done and, in fact, complements efforts now under way to address and solve fundamental problems in the educational system. There does not appear to be any real basis, therefore, for regarding the IBRD and AID efforts in education in Brazil as conflicting or contrary. In my judgment, the opposite con-

clusion can be drawn that both lenders are working effectively to assist Brazil in taking the actions necessary to improve its entire educational system

I hope these comments are useful to you in completing the Report

Very truly yours,

  
John M. Hennessy

The Honorable  
Oye V Stovall  
Director, International Division  
United States General Accounting Office  
Washington, D. C

GAO note Deleted comments relate to matters in the draft report which are omitted from the final report.

APPENDIX II

NUMBER OF STUDENTS ENROLLED IN 1968 BY  
EDUCATION LEVEL IN PUBLIC AND PRIVATE SCHOOLS

	<u>Primary</u>	<u>Secondary</u>	<u>Under-graduate</u>	<u>Graduate</u>
	—————(000 omitted)—————			
Number of students enrolled in				
Public schools	10,779	1,745	142	3
(percentage of total)	(90 2)	(54 4)	(50 9)	(73 8)
Private schools	1,165	1,461	137	1
(percentage of total)	(9 8)	(45 6)	(49 1)	(26 2)
Total	11,944	3,206	278	4

Note Figures and percentages may not agree due to rounding

## APPENDIX III

## INDICATORS OF PROGRESS IN BRAZILIAN EDUCATION

1960-71

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971 (note a)
(000 omitted)												
Number of students enrolled in												
Primary schools	7 477	7 835	8 524	8 854	9 352	9 923	10 695	11,202	11 944	12 294	13,580	13 580
Secondary schools	1 238	1 355	1 516	1 720	1 893	2 154	2 483	2 809	3 206	3 629	4,084	4,560
Higher schools	96	102	111	126	144	156	180	215	283	347	430	484
Percentage of population aged 5 to 14 enrolled in primary schools	38.3	39.2	41.6	42.1	43.4	44.9	47.2	48.3	50.2	50.4	54.3	53.0
Percentage of prescribed secondary school aged population enrolled in secondary schools (note b)	10.9	11.6	12.5	13.7	14.5	16.0	17.8	19.4	21.4	23.4	25.4	27.4

<sup>a</sup>Preliminary data<sup>b</sup>The prescribed secondary school aged population has been defined as the range beginning with the legal starting age for secondary school and extending the number of years needed to graduate from secondary school

Source Summary Economic and Social Indicators dated June 1972 (AID)

BEST DOCUMENT AVAILABLE

BEST DOCUMENT AVAILABLE



## TOTAL PRIMARY SCHOOL TEACHERS

AND

## STATUS OF PRIMARY SCHOOL TEACHER GRADUATES

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	
	(000 omitted)											
Primary school teachers												
Qualified	<sup>a</sup> 123	<sup>a</sup> 138	<sup>a</sup> 155	<sup>a</sup> 172	<sup>b</sup> 163	<sup>b</sup> 182	<sup>b</sup> 201	<sup>b</sup> 213	<sup>b</sup> 234	-	-	
Unqualified	<sup>a</sup> 103	<sup>a</sup> 107	<sup>a</sup> 118	<sup>a</sup> 130	<sup>b</sup> 137	<sup>b</sup> 131	<sup>b</sup> 146	<sup>b</sup> 141	<sup>b</sup> 148	-	-	
Total	<u>266</u>	<u>245</u>	<u>273</u>	<u>302</u>	<u>300</u>	<u>313</u>	<u>347</u>	<u>354</u>	<u>382</u>	-	-	
Percent qualified	54.4	56.3	57.0	56.8	54.3	58.1	57.9	60.2	61.3	-	-	
Primary school teacher graduates												<u>Total</u>
Total graduates (note c)	<sup>a</sup> 23	<sup>a</sup> 24	<sup>a</sup> 28	<sup>a</sup> 32	<sup>a</sup> 37	<sup>a</sup> 48	<sup>a</sup> 61	<sup>a</sup> 73	-	<sup>d</sup> <sup>e</sup> 101	<sup>d</sup> <sup>e</sup> 116	303
Number of graduates entering teaching (note f)	-	15	17	17	9	19	19	12	-	-	-	90
Percent of graduates entering teaching	-	62.5	60.7	53.1	-	39.6	31.1	16.4	-	-	-	29.7

<sup>a</sup>Source Anuario Estatístico do Brasil<sup>b</sup>Statistics provided by AID Mission<sup>c</sup>Graduates of primary teacher-training institutions<sup>d</sup>Preliminary figures<sup>e</sup>AID's Summary Economic and Social Indicators 18 Latin American countries 1960-70 dated Apr 1971<sup>f</sup>Calculated as the number of new qualified teachers from the previous year

BEST DOCUMENT AVAILABLE

SECONDARY EDUCATION OPPORTUNITIES AND AID  
SCHOOL SITE SELECTIONS URBAN AND RURAL (note a)

	<u>Population over 10,000</u>				<u>Total</u>	<u>Percent of total</u>
	<u>Bahia</u>	<u>Minas Gerais</u>	<u>Espirito Santo</u>	<u>Rio Grande do Sul</u>		
Number of municipalities	46	104	14	60	224	16 7
Population (note b)	3,179,992	5,733,824	947,165	4,206,375	14 067,356	51 7
Number of secondary students enrolled (note c)	117,933	308,734	45,197	222,222	694,086	78 5
Education sector loan I school sites						
Phase I	10	8	8	20	46	95 8
Phase II	<u>3</u>	<u>24</u>	<u>9</u>	<u>20</u>	<u>56</u>	82 5
Total	13	32	17	40	102	87 9

<sup>a</sup>Municipalities considered urban were those with populations greater than 10,000  
Municipalities considered rural were those with populations less than 10,000

<sup>b</sup>Population data is for 1970

<sup>c</sup>Enrollment data is for 1968 and includes both first- and second-level students

<sup>d</sup>Could not identify where two school sites were located, one in phase I and one in phase II

BEST DOCUMENT AVAILABLE

## APPENDIX V

<u>Population under 10,000</u>						
<u>Bahia</u>	<u>Minas Gerais</u>	<u>Espirito Santo</u>	<u>Rio Grande do Sul</u>	<u>Total</u>	<u>Percent of total</u>	<u>Total urban and rural</u>
287	618	39	172	1,116	83 3	1,340
4,238,787	5,763,750	653,140	2,464,007	13,119,684	48 3	27,187,040
27,264	95,564	16,938	49,792	189,558	21 5	883,644
2	-	-	-	2	4 2	48
<u>10</u>	-	<u>2</u>	-	<u>12</u>	17 6	<u>68</u>
12		2		14	12 1	<sup>d</sup> 116

APPENDIX VI

PRINCIPAL OFFICIALS HAVING  
 MANAGEMENT RESPONSIBILITIES FOR  
 MATTERS DISCUSSED IN THIS REPORT

Appointed or  
 commissioned

DEPARTMENT OF STATE

SECRETARY OF STATE

William P Rogers	Jan.	1969
Dean Rusk	Jan	1961

DEPUTY SECRETARY OF STATE (note a)

Kenneth Rush	Feb	1973
John N Irwin, II	Sept	1970
U Alexis Johnson	July	1970
Elliot L Richardson	Jan.	1969
Nicholas deB Katzenbach	Oct	1966
George W Ball	Nov.	1961

ASSISTANT SECRETARY FOR INTER-AMERICAN  
 AFFAIRS AND U S COORDINATOR,  
 ALLIANCE FOR PROGRESS (note b)

Jack B Kubisch	May	1973
John Hugh Crimmins (acting)	Mar	1973
Charles A. Meyer	Apr	1969
Viron P Vaky (acting)	Jan	1969
Covey T Oliver	July	1967
Robert M Sayre (acting)	June	1967
Lincoln Gordon	Mar	1966
Jack H Vaughn	Mar	1965
Thomas C Mann	Jan.	1964
Edwin M Martin	Mar	1962
Robert F Woodward	July	1961

UNITED STATES AMBASSADOR TO BRAZIL

William M Rountree	Oct	1970
C Burke Elbrick	May	1969
John W Tuthill	June	1966
Lincoln Gordon	Sept	1961

Appointed or  
commissionedDEPARTMENT OF THE TREASURY

## SECRETARY OF THE TREASURY

George P. Shultz	June	1972
John B. Connally	Feb	1971
David M Kennedy	Jan	1969
Joseph W Barr	Dec	1968
Henry H Fowler	Apr	1965

## ASSISTANT SECRETARY

## (INTERNATIONAL AFFAIRS)

John M Hennessy	Feb	1972
John R Petty	May	1968
Winthrop Knowlton	Aug	1966

AGENCY FOR INTERNATIONAL DEVELOPMENT

## ADMINISTRATOR

John A. Hannah	Mar	1969
William S Gaud	Aug	1966
David E Bell	Dec	1962
Fowler Hamilton	Sept	1961
Henry R. Labouisse (note c)	Feb.	1961

## DIRECTOR, AID MISSION TO BRAZIL

William A Ellis	July	1968
Stuart H. VanDyke	Sept	1964
Jack B Kubisch	Aug.	1962
Leonard J Saccio	Sept	1960

ACTION (note d)

## DIRECTOR

Michael P Balzano	Mar	1973
Joseph H. Blatchford	May	1969
Jack H Vaughn	Mar	1966
R. Sargent Shriver	Mar.	1961

APPENDIX VI

<sup>a</sup>Until July 1972 this position was designated as Under Secretary of State

<sup>b</sup>The positions of Assistant Secretary of State for Inter-American Affairs and U S Coordinator, Alliance for Progress, were combined in February 1964. Mr Theodore Moscoso was appointed to the post of Coordinator, Alliance for Progress, in February 1962

<sup>c</sup>Mr. Henry R Labouisse remained Director of the International Cooperation Administration until it was terminated on November 3, 1961. Mr Fowler Hamilton was named Administrator of the successor agency--the Agency for International Development--effective September 30, 1961

<sup>d</sup>Executive Order 11603 dated June 30, 1971, effective July 1, 1971, provided for the transfer of the Peace Corps from the Department of State to the agency known as ACTION

Copies of this report are available at a cost of \$1 from the U S General Accounting Office, Room 6417, 441 G Street, N W , Washington, D C 20548 Orders should be accompanied by a check or money order Please do not send cash

When ordering a GAO report please use the B-Number, Date and Title, if available, to expedite filling your order

Copies of GAO reports are provided without charge to Members of Congress, congressional committee staff members, Government officials, news media, college libraries, faculty members and students

**AN EQUAL OPPORTUNITY EMPLOYER**

**UNITED STATES  
GENERAL ACCOUNTING OFFICE  
WASHINGTON, D C 20548**

**OFFICIAL BUSINESS  
PENALTY FOR PRIVATE USE \$300**

**POSTAGE AND FEES PAID  
U S GENERAL ACCOUNTING OFFICE**



**SPECIAL FOURTH-CLASS RATE  
BOOK**