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1. INTRODUCTION

GERAN, the Special Group for the Rationalization of the Northeast Sugar Agro-Industry, was created in August 1966 for the purpose of modernizing the Northeast sugar economy, diversifying the agriculture of the sugar zone, and modifying the agrarian structure through land reform. With such objectives, GERAN becomes a regional development agency second only in potential importance to SUDENE, the Superintendency for Northeast Development. The original GERAN organization and program (as outlined in the Country Assistance Program document for FY 1963, and the referenced TOAID airgram) have been modified and strengthened since their formulation. The purpose of this airgram is

- Enclosures:
1. Decree 50,023A, August 2, 1966
 2. Law 5509, October 11, 1963
 3. Decree 61,915, December 26, 1963
 4. GERAN organization chart
 5. Normas para a Elaboração dos Projetos (copy)
 6. Regulamento do FUNGRO (copy)

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APPROVED BY: NEBAD: GIUNO

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to present an up-to-date description of GERAN and its program. Only one copy of the regulatory material in Portuguese is enclosed; as soon as we prepare translations of the regulations, we will forward them.

2. BACKGROUND

Sugar is the economic mainstay of the litoral zone in the Northeast (Zona da Mata) and as such, affects the lives of some 6 million Brazilians living in the zone. The sugar economy has been in and out of crises since the 1930's, primarily due to the lack of new investment in the modernization of a traditional, inefficient, high-cost industry unable to meet the competition of the new, fast growing sugar industry of Brazil's South. In addition to retarding the economic development of the Zona da Mata and the whole Northeast region, these crises contributed to worsening the already bad social conditions in the zone. By 1961 the social and political crises of the Northeast sugar zone had achieved national and international notoriety. The Peasant Leagues, lead by Francisco Julião, were moving closer to "solution" of the sugar zone problem through violence. Following the 1964 revolution, order was reimposed but no immediate attempts were made to solve the basic problems of the area. In March and April of 1965, attention was focused again on the sugar zone as an unusually massive post-harvest unemployment crisis began to build up.

Primarily in response to the immediate unemployment crisis but also as a result of increasing concern for the underlying economic causes of the crises, the federal government created the Interministerial Sugar Working Group (GTIA). The Work Group prepared an immediate action program to alleviate the unemployment problem and formulated a series of general recommendations for the rationalization of the sugar industry. One of the work group recommendations lead to the issuance of Decree 9,033A of August 8, 1966 which established the Special Group for the Rationalization of the Northeast Sugar Agro-Industry - GERAN.

The original concept of GERAN was that it would coordinate the actions of other agencies involved in aspects of sugar zone reform. Therefore, its Deliberative Council was composed (and still is) of the Sugar and Alcohol Institute (IAA), the Brazilian Institute for Agrarian Reform (IBRA), the National Institute for Agrarian Development (INDA), the Superintendency for Northeast Development (SUDENE), and the Bank of Brazil. The President of GERAN was the President of IAA and a Secretary General was appointed to run the organization. It soon became clear that the real authority in the organization rested with the President who, as President of the IAA, was more interested in the modernization of mills and cane plantations than he was in land reform and social betterment. One year after GERAN was officially created its Secretary General resigned, alleging organizational weaknesses which would not permit GERAN to carry out its objectives. The Superintendent of SUDENE, upon whom authority rested to nominate a new Secretary General, refused to do so until such organizational deficiencies were corrected. These changes were effected in the legislation for SUDENE's Fourth Master Plan, (see enclosure 2) and on December 21, 1968, Decree 63,915 (enclosure 3) was issued reorganizing GERAN. The changes strengthened the office of the Secretary General, now to be called the Executive Secretary, and placed the Presidency of GERAN on a rotating basis; that is, the President becomes

abolished the position of Deliberative Council (CD) President. The 5 voting members of the CD rotate the job of presiding over the monthly meetings of the Deliberative Council. GERAN was also placed directly under the Ministry of Interior, whereas before it had no home within the federal government structure. The Executive Secretary is appointed by the President of Brazil, acting on the recommendation of the Ministry of Interior.

Following the issuance of the December, 1968 decree, an Executive Secretary was named, but he resigned after two weeks, along with other regional development officials, in the wake of the resignation of Interior Minister Albuquerque Lima. The present Executive Secretary was appointed in February 1969 and since he has been in office he has reorganized GERAN, established procedures and guidelines, staffed the organization and, in general, put it on a functioning basis. GERAN presently has its first project involving modernization of sugar industry and agriculture, diversification of agriculture and land reform. The indications are that it may receive as many as 53 (out of a possible 100) more such projects before the end of this year.

The revitalizing of GERAN has been accompanied by significant legislation approved by the Federal Government. Institutional Act No. 9 and Decree Law 554 (both approved in April, 1969) provide the GOB with powerful legal machinery to expropriate land for agrarian reform and indicate a high degree of priority for land reform by at least some elements within the government. Definition of land reform priority areas remains to be worked out, and the practical application of the laws has yet to be experienced (although the laws were cited in connection with expropriation of land for the Passo Real dam). Nevertheless, this legal activity must be considered encouraging to GERAN operational prospects.

3. GERAN PROGRAM OBJECTIVES

The GERAN program attempts to provide for the equitable reconciliation of private interest with social welfare, and of economic growth objectives with the aims of social and political development. The essential elements of the GERAN program are:

- a) Modernization and diversification of agricultural activities within the area occupied by the Northeast sugar-agro-industry through: reduction of production costs and increasing productivity with use of modern agricultural techniques, supplies and equipment, and introduction of crop diversification;
- b) The modernization and diversification of industrial activities which use sugar cane and by-products as prime material, through: use of improved sugar milling techniques and machinery for increased quality, productivity and reduced cost; elimination of bottlenecks in production and transportation and, development and encouragement of rural industry for use of sugar cane by-products and the products of newly diversified agriculture;
- c) Modification of the agrarian structure in order to absorb labor through: utilization of land released as a result of modernization for resettlement of sugar cane laborers and small farmers on a family size units; provision of

social and economic infra-structure; extension of technical and financial assistance; promotion of cooperative and self-help activities, and an intensive program of human resources development for rural families.

These objectives, if carried out, should put an end to the chronic, annual use of ad hoc, alleviatory measures in dealing with the problems of the sugar zone.

As described more fully in the section Mode of Operation, GERAN's objectives will be carried out on a project-by-project basis through the submission of projects by individual sugar millers and cane planters. Each project should, as appropriate, contain plans for the treatment of each of the foregoing objectives, except that in the case of agrarian restructuring they will have to specify the amount of and type of land to be released and the number of workers which will be considered excess as a result of the modernization; thereafter, GERAN will carry out or coordinate the parcelization of lands and infrastructure planning.

4. ORGANIZATION

Legal Structure

In October 1968, as part of the law approving SUPENS's IV Master Plan, the GERAN program was for the first time clearly stated to be: 1) the modernization and diversification of the agricultural activities in the area of the Northeast sugar industry; 2) the modernization and diversification of the industrial activities using sugar-cane as raw material, including the elimination of industrial bottlenecks; and 3) the structural alterations (presumably land reform) necessary for the absorption of the labor and land released in the modernization program. At the same time, SUPENS, IAA, IBRA, INDA and the Bank of Brazil, were directed to give priority to the tasks assigned to them within the GERAN program, thus strengthening its position relative to those agencies. The law also added to the Deliberative Council (CD), government representatives of the two major Northeast sugar producing states (Pernambuco and Alagoas), without the right of vote. The same law created the basis for the Fund for the Modernization of the NE Sugar Industry (FURAGRO) to be managed by GERAN.

FURAGRO, whose regulations (see attachments) were recently approved by the CD, is to be the pool for resources for the partial financing of: 1) sugar industry modernization projects; 2) their planning and design; 3) land reform operations; 4) living condition improvement for sugar zone labor; 5) human resource development; 6) surveys and studies; 7) land use diversification experimentation; and 8) elimination of bottlenecks in the industrial side of sugar operations. In May, 1969, the GERAN administrative budget was added to FURAGRO by decree-law, having been inadvertently omitted in previous legislation.

A final substantive article of the October law: restates GERAN's responsibility for the planning and execution of a program in the sugar zone; provides for one of the five voting CD members to preside at monthly meetings in rotating; and provides for presidential appointment of GERAN's Executive Secretary upon nomination by the Minister of Interior after consultation of the Ministers of Industry and Commerce and of Agriculture. The Executive Secretary thus is now GERAN's highest executive officer.

Still stronger powers and attributes were granted to GERAN by presidential decree in December 1968. The third objective (see above) now stated "the modification of the agrarian structure", instead of merely "structural alterations necessary" for the absorption of labor and land. GERAN was now given the power to pass on all sugar industry modernization projects to be supported by financial incentive resources prior to SUDENE approval. Federal credit institutions were prohibited to finance sugar industry investments, other than for short term, without the prior approval of GERAN. All agencies which were to contribute to FURAGRO were to deposit sums, due by law or agreement, to GERAN's account within 90 days of their receipt by such agencies. No enforcement dispositions were stated, which could be a serious deficiency.

A clearer definition is also given to the operational responsibilities of GERAN, as much in regard to human resource development as to the land reform projects. The coordinating and monitoring function of GERAN, in contrast to a direct execution responsibility, is reiterated. The five federal agencies which comprise the body of the CD continue with the right of vote, but the state representatives, the plantation owners, ~~the sugar-cane suppliers~~, the sugar-cane suppliers and the rural labor federation remain without vote.

In keeping with the increased powers of GERAN, the attributes of the CD and of the Executive Secretary and his staff are expanded and more clearly stated. The Executive Secretary may nominate an Assistant Executive Secretary for the approval of the CD. All the federal agencies forming the CD are explicitly admonished to fulfill promptly their commitments within the context of the GERAN program. GERAN is given the power to establish ~~the~~ ^{the} presentation of modernization projects by sugar plantations, after which it is to recommend to the CD measures it judges to be appropriate relative to those enterprises which did not submit projects. GERAN is to submit to the Ministry of Interior after the SUDENE IV Master Plan term comes to an end, an evaluation of its activities and recommendations for future action or termination of its program.

Finally, the December decree for the first time integrates GERAN into the Federal Government machinery placing it explicitly within the system of NE regional development agencies connected with the Ministry of Interior.

Based on the original legislation creating GERAN, the agency is authorized to make agreements for aid with foreign assistance agencies. The Executive Secretary is empowered, with the approval of the CD, to employ foreign technicians, as needed.

Financing:

Financing sources for FURAGRO, according to the law, are five, only the first of which provides any meaningful revenue, i.e., the 2% of IAA's income from the sugar marketing tax, which in 1969 should have provided GERAN with over NCr\$28,000,000. In reality only NCr\$2.5 million were contributed. Contributions from SUDENE, IBRA, INDA and the Bank of Brazil, as well as budget from the Ministry of Interior, interest on

Project Guidelines

Regulations (Normas) for the development and submission of modernization projects by sugar plantations and sugar-cane growers were issued by GERAN, as modified, in April of this year. The principal topics of the Normas are as follows:

- 1) General Instructions.
- 2) Industrial Machinery Guidelines.
- 3) Industrial Modernization.
- 4) Elimination of Industrial Bottlenecks.
- 4) Industrial Diversification.
- 6) Modernization of Sugar-cane Production.
- 7) Transportation of Sugar-cane.
- 8) Agrarian Restructuring.
- 9) Land use Diversification.
- 10) Social Assistance.

Although these guidelines appear to be all inclusive, it will not be known whether or not they will lead to the design of easily and efficiently analyzed and implemented modernization projects until several project proposals have been received and studied by GERAN. At the present time there is only one project in process of study, but it is reported that up to 50 may be submitted before the end of 1969.

The first step required of applicants is the submission of a Letter of Intent (Carta Consulta), forwarded through a qualified consultant firm, setting forth the general characteristics of the firm, the aims of the project to be submitted and approximate costs involved. After a favorable review of the letter of intent, GERAN authorizes the applicant to proceed with project planning, which at the same time commits GERAN to assist in partial financing of the cost of project preparation.

The integrated project plan consists of the main body, in which intentions and goals, depending on the enterprise, and the options chosen by the applicant, are set forth under the headings of: 1) sugar mill modernization; 2) modernization of sugar-cane production; 3) industrial diversification; 4) modernization of sugar-cane transportation; 5) land reform; 6) land use diversification; and 7) compliance with legal obligations for social welfare. Annexes include maps (soils, land use capability, current land use, and projected land use), tables, charts, and breakdowns of cost figures not included in the main portions of the project.

Not all the fields cited above need to be included. If the application is from a plantation with a sugar mill, 1), 3), 4) and 7) must be included, the remainder are optional, except that the quantity of labor and the area and ~~the~~ quality of land to be released must be cited. Land reform (relocation of released labor), 5) above, may be undertaken by the applicant or may be turned over to GERAN to implement. If applicants have land in excess of those needed for 6) and the required minimum area under 5) they have the option of a diversification project and/or additional land release to GERAN.

If the applicant is a sugar-cane producer only, the industrial component does not apply, and the project would be limited to sugar-cane modernization, land reform and social welfare improvements for on-farm labor. Between the two extremes are several possible mixes of project elements which would fit under GERAN rules.

Still another project type is that concerned with the elimination of an industrial bottleneck (questo de estrangulamento), caused by an acute deficiency in the sugar manufacturing component. The proposal must show that the bottleneck is real and that its elimination will allow all other units to develop higher efficiency of operation; furthermore, any social implications of the project must be shown and solutions must be proposed.

Planning Capability

To attend to the analysis and, if necessary, modification of all conceivable types of projects under its Programa, GERAN needs experienced, highly trained planning and technical personnel; but since its program is new, and never before attempted anywhere in Brazil (or the world, so far as we know), GERAN must develop its own staff as projects are received and tackled individually. Hence, project planning in this context, and particularly at the outset, will be partly founded on technical experience and partly on creative intuition. The need for varied outside technical assistance is obviously very great in this situation.

Implementation Responsibilities

Implementation of modernization projects will be the responsibility of the applicants. Planning and implementation of infrastructure, re-settlement, training, research, experimentation and survey projects, planned and partly or wholly financed by GERAN, will be mostly through agreement or contract with appropriate public or private entities, in keeping with GERAN's nature as a coordinating agency.

However, GERAN leadership is apparently desirous of assuming the direct responsibility for land reform operations. Although under the guidelines these may be undertaken as part of the integrated modernization project by the applicant (usineiro or beneficiador) with partial financing by GERAN, it is anticipated that in actual practice most if not all land reform projects on land released by the applicants will be implemented by a government agency.

IDEMA has recently become, by Presidential decree, the sole federal agency responsible for colonization or land parcelization executed under national government auspices. Although it has launched few projects, none of them spectacularly successful, it has already acquired some experience and learned of the pitfalls inherent in public land settlements. It has the administrative machinery, the criteria, and the planning and implementing personnel needed, although it lacks adequate funding. Whether GERAN should mount a staff to implant settlement projects and manage them during an indefinite length of time is therefore an issue needing resolution. (See Issues Section).

Project Financing

As already mentioned, financing of the modernization phase of integrated projects is to be shared by the applicant, GERAN through FURAGRO, and SUDENE-administered Article 34/18 tax incentives funds. The applicant's share may be one of several forms, cash, securities or land. The proportions of each share is established for the various types of investments in the FURAGRO regulations, at no time exceeding 75% of the total investments required. Interest on FURAGRO loans will be at 6% per annum, with only 50% of the level of monetary correction. Repayment terms are up to 10 years, depending on the element financed, although the appropriate legislation must be observed in the case of credit for farm supplies, consumption and marketing.

The task of re-settlement financing will be up to GERAN through FURAGRO or other available funds.

Parcelization will involve approximately the following:

- 1) Land, including improvements, to be expropriated with compensation under recently revised legislation.
- 2) Planning, surveying and land clearing.
- 3) Minimum social infrastructure.
- 4) Building materials.
- 5) Training.
- 6) Cooperatives organization
- 7) Credit
 - a) Consumption
 - b) Medium term investment
 - c) Short term production

9. POLICY ISSUES

As had to be expected in the case of a major multi-purpose regional development program such as GERAN, a variety of policy issues has arisen, some of which have already been resolved, with others expected to answer as the program moves from the tooling-up phase to the operational phase. The following issues are currently significant:

a. What should be the role of land reform (consolidation of Sugar Cane Farms into smallholdings) within the overall rural industry liberalization program?

If, as it appears, GERAN will concern itself only with private landholdings in the Sugar Zone, how can land reform be maximized beyond the consolidation of only as much land as may be needed to settle cane workers displaced through the sugar industry modernization process? If the latter criterion is followed by GERAN, cane diversification, another major objective of the overall program, and normal urban worker turnover and attrition, may reduce worker displacement much below previous assumptions and thus minimize establishment of small family farms in such land reform. Yet at the same time large landowners could continue to hold major portions of their operations idle or underutilized, while large numbers of landless workers, many of them dismissed by the sugar industry during past years, call for a much larger land reform program in the Sugar Zone.

b. What part of land reform costs should newly settled smallholders be expected to repay and on what terms?

Contrary to most common land reform programs, the GERAN program in the Rio Sugar Zone does not involve making owners out of already established tenants or share croppers for whom a shift from rent payments to amortization of the cost of the land may actually mean a reduced burden. In the Sugar Zone, landless ex-sitio workers will receive lots, usually not yet in production and requiring major investment for housing, sanitation, fencing, etc., and probably also land clearance and preparation. In this respect, the land reform phase of the GERAN program has many characteristics of a colonization program in which the state usually absorbs most

initial costs. Certain minimum standards of housing, sanitation and other installations, as well as community facilities, will be essential to assure early improvement of ex-cane workers' living conditions, a major objective of the GERAM program. The actual design and specifications of Sugar Zone land reform projects will therefore require particular care to achieve acceptable standards at minimum costs. Appropriate division of the investment cost between that part the government will absorb and the portion the new smallholder can reasonably be expected to pay back without an oppressive burden leading to excessive rates of discouragement and failure, remains to be determined.

- c. How will the GERAM program, in its sugar cane growing modernization and social improvement phases, be implemented on lands owned or operated by the smaller cane growers (forseeedores)?

Approximately one half of the total sugar cane production in the GERAM area is grown by the so-called forseeedores, i.e. sugar planters either owning their lands or renting from other owners, including usinas. The holdings of forseeedores vary greatly in size and include many small ones. ~~As a group~~ they are a considerably more conservative element than the usina owners. The financial condition of large numbers of forseeedores is believed to be at least as precarious as that of many usinas and working and living conditions of cane workers employed by the forseeedores are generally even more unfavorable than those on the usinas. The GERAM program could not be successful if it neglected the forseeedores and their workers; while GERAM wants to encourage participation of forseeedores in modernization, more attention needs to be paid to ~~THIS IMPORTANT~~ part of the sugar industry either in the study of the Sugar Zone or the development of modernization plans.

- d. How can improvement of working and living conditions of cane and mill workers be assured?

GERAM has given much thought to the improvement of housing, sanitation, education and community facilities of the workers that will continue in the employ of the sugar industry (probably the majority of the workers now employed). However, the most serious aspect of Sugar Zone poverty has been identified as lack, or non-enforcement, of adequate labor standards, including wages and hours, fringe benefits, daily work target rules, in reference with legitimate union activities, etc., especially for the workers employed by forseeedores. This situation has in part been ascribed to the precarious financial position of much of the industry, improvement of which is a main target of the GERAM program. Ways and means of assuring establishment of adequate labor standards and their enforcement will have to be found by GERAM in conjunction with the Ministry of Labor and labor leadership.

- . How can sugar cane and mill workers and their organizations actively participate in the planning and execution of the GERAN program?

Both cane workers' and usina workers' unions and cooperatives as well as smallholders' cooperatives should assume important responsibilities for their own improved welfare. Those now existing are weak and their strengthening is a principal purpose of US-Brazilian labor and cooperative development programs. All GERAN programs and particularly those dealing with human resource development, need early and active participation of Sugar Zone labor and the new farmers in order not simply to replace landowner's paternalism with that of the state. GERAN management appears basically favorably inclined towards such participation. Practical ways and means of such assuring it, despite present weakness of labor union and cooperatives, need to be developed.

- f. How can Sugar Industry workers be integrated into the normal community and political life of the region?

Because of their isolation, the company towns that serve the convenience of the large plantations and to some extent that of the workers, greatly increase the economic, social and psychological dependence of families and individuals on the company, its management and its paternalistic largesse, or lack of it. For the same reason, the town or towns of the municipality in which the usina lands are located (frequently more than one municipio) are limited in their ability to carry out many of their normal functions. This archaic situation is contrary to important objectives of national, regional, and local integration and participation. It depresses the level of development of sugar workers and town dwellers alike, and adversely affects municipal government development and its services, as well as the business, social, cultural and political life of these municipalities. However, the rural municipalities involved would not be able to assume their normal responsibilities for the population of the company towns without substantial efforts at organization and financing for which they would need help from higher levels of government.

- g. Should GERAN build up a major land reform project management capacity, in possible duplication of capacity gradually being developed in IBRA, the nationwide land reform agency?

Land reform project detail planning and management will require very substantial headquarters and field organization and will involve numerous operational problems which could seriously detract

from GERAN's main functions of multiple purpose program planning, evaluation of project proposals, administration of incentives, coordination of the various program components, negotiating with and guiding the related activities of other agencies, securing financing, and establishing and enforcing standards and criteria. IBRA is beginning to acquire experience in land reform project administration, including also in the Sugar Zone, and any technical assistance provided it would benefit its nationwide land reform activities. Duplication of land reform organization is not desirable especially if working side by side in the same area. On the other hand, IBRA may not be willing or able to give GERAN land reform projects the top priority and concentration of executive and administrative resources that are indispensable for the success of the Sugar Zone program. Moreover, the necessary close coordination with GERAN's other activities in the Sugar Zone can probably only be assured through full operational control and responsibility by GERAN.

- h. What safeguards and enforcement procedures can GERAN establish to assure that projects will be carried out by the usinas as approved by GERAN?

GERAN approval of incentives will be based on approval of projects stipulating acreages for specific land use, cane production and yield targets, cane milling and yield targets, social improvement activities, and various other factors. While subsequent performance can follow most of these covenants only approximately, GERAN needs to devise control and enforcement rules, procedures and penalties (e.g. accelerated loan repayment, forfeiture of market quotas, denial of access to public credit, as well as lesser penalties) in case of willful or drastic deviation from agreed conditions. To cite just two examples: to the extent possible, return to extensive cane growing practices and unfair employment practices need to be prevented. It is not clear that GERAN has adequately focused on this enforcement responsibility.

- i. How can GERAN integrate the individual usina projects, to which its operations are geared, into broader sub-regional planning for the Sugar Zone?

The project-by-project approach, an unavoidable operating procedure in the administration of the GERAN incentives for modernization, does not assure well planned and coordinated development of the Sugar Zone as a whole or even of neighboring sugar plantations. Overall planning should probably result in some consolidation of usinas and closing of some marginal ones. Broader planning may also be needed for soil conservation and reforestation considerations.

There are other economic and social aspects, priorities, and requirements for coordination with state, regional and national programs, all of which call for a meshing of GERAN enterprise-focused operations with broader area planning and policies.

7. FOREIGN COOPERATION

GERAN's authority to deal with foreign development agencies is established in Article 6, Clause III of Decree 59,033A, August 8, 1966. Nothing in subsequent decrees modifies or changes that authority. SUDENE, however, is charged by other legislation with coordinating all foreign government assistance in the Northeast and therefore must be a party to any agreement involving technical or financial assistance to GERAN.

USAID/NE has been interested in the GERAN program since even before its creation. A summary of project data was submitted as part of the Country Assistance document for FY 1966. Because of the organizational difficulties mentioned in the Background section, it is only since February of this year that there has been an opportunity to discuss the details of such assistance with GERAN. To date, USAID has signed two agreements for technical assistance with GERAN: one involving a three man development team and the other a vocational agricultural training advisor. In addition, USAID has loaned some office equipment to GERAN when GERAN moved to its present headquarters; one PAMA technician on TDY to GERAN; and a USAID Working Group, composed of technicians from various divisions, is attempting to work out with their counterparts in GERAN ways and means by which USAID may be of assistance.

A World Bank/FAO team talked to GERAN officials several months ago. We were informed that the team thought it would be difficult for them to assist the GERAN program because they assist projects rather than programs, and while GERAN is also project-oriented, each of its projects would be too small for the World Bank to consider. British development officials, with experience in colonization, have also spoken to GERAN with apparent interest on both sides. GERAN itself has expressed keen interest in USAID assistance of any kind and would undoubtedly be interested in British, French, Israeli or German assistance on land reform colonization projects. We do not know however, whether GERAN has made any initiatives toward other foreign development organizations.

B. PROGRESS AND PROSPECTS

GERAN recently passed its third anniversary. To all intents and purposes, however, GERAN was in fact created as a viable operation in December 1968 and its progress should be perhaps marked from that date. In addition to the organizational progress noted in other parts of this airgram, some operational progress has also been made. The fifth largest sugar producing mill in the State of Pernambuco has submitted a project to GERAN which involves, in addition to the financing offered by GERAN for modernization, the release of sufficient land to resettle workers who are to be dismissed. GERAN informs us that of 193 usinas in the Northeast sugar zone, 53, including all the mills of the State of Alagoas, have indicated that they will submit projects to GERAN before the end of this year.

The foregoing indicates that, in most respects, the prospect of GERAN achieving its objectives should be considered good. Factors involving modernization and diversification are not simple but they do involve mostly known or knowable quantities; if proper financing is available, these two objectives can probably be readily accomplished. On the aspect of land reform, GERAN has overcome perhaps its greatest difficulty, that is, the acceptance by the political and sugar interests of the need to give up land to a social reform program in order to accomplish the necessary modernization.

GERAN can still fail if it does not receive adequate financial support, if it does not acquire and retain adequate technical competence or properly use the technical competence of other Brazilian agencies, or if it takes on too many executive and operating responsibilities which could weaken its planning and coordinating performance and represent an excessive management burden. GERAN, like SUDENE, is likely to be a major factor in regional development for some time to come and it may pass through several stages of development philosophy or tactics. Nevertheless, its early stages will have an important effect on subsequent planning and it is in this early stage that USAID can be of greatest value in assisting GERAN accomplish its task.

In sum, the chances of success are good. Given the importance of the program, its consistency with the priorities of the Charter of Ponta del Este and with the development plans of Brazil as well as those pursued by the U.S., USAID/Brazil remains alert to the opportunities for assisting this agency wherever feasible, as well as to encourage Brazilian and international sources to help wherever possible.

LION

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Recife

TOAID/A 122
RIO USAID A 120

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Inclusão 1
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UNOFFICIAL TRANSLATION

DECRETO Nº 50039-A, August 8, 1966.

Creates GERAN - Special Group for the Nationalization of the Northeast Sugar Agro-Industry.

The President of the Republic, using the attributes conferred on him by Article 87, Item 1, of the Federal Constitution decrees:

Article 1 - There is created the Special Group for the Nationalization of the Northeast Sugar Agro-Industry (GERAN) with seat in the city of Recife, State of Pernambuco.

Article 2 - GERAN's purpose is to coordinate available resources and activities which have for their purpose the reformation and rationalization of the Northeast sugar agro-industry, observing, in the meanwhile, the terms of Article 11 of this Decree.

sole Para. - GERAN's jurisdiction is the cane sector of the Northeast, included in the area of priority, but in relation to the plans, programs and projects of IBRA in the northeastern agrarian reform priority area, the provisions of paragraphs 1 and 2 of Article 34, Law 4504, November 20, 1964 will be observed.

Article 3 - GERAN will be constituted by a Deliberative Council and a Secretary General.

Article 4 - The Deliberative Council will be composed of the President of the Sugar and Alcohol Institute (IAS), who will preside, the Superintendent of SUDENE, the President of the Brazilian Agrarian Reform Institute (IBRA), the National Agrarian Development Institute (INDA) and the Bank of Brazil, and by a representative, respectively, of the Northeast Sugar Foundation, Cane Suppliers, and rural workers.

§ 1 - The selection process for representatives of cane suppliers and rural workers will be determined by the Deliberative Council.

§ 2 - The representatives of the Northeast Sugar Foundation and other class organs referred to in the final part of this article shall participate in debates of the Council with the right of vote. (*)

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§ 3 - The principal members of the Council will designate their representatives within 10 days of the date of the publication of this Decree in the Official Gazette of the Union.

§ 4 - The Deliberative Council will meet ordinarily once a month and extraordinarily whenever convened.

Article 5 - The General Secretariat will be headed by a Secretary General of recognized competence and spotless reputation, whose name will be submitted to the Deliberative Council by the Superintendent of SUDENE in a list of three, and who shall be elected by majority of the first ballot or by $\frac{2}{3}$ of the votes of the principal representatives of the organs which make up the Council.

§ 1 - The General Secretariat will be constituted of technicians of recognized competence, indicated by the principle organs of the Deliberative Council or requested by other public administration entities, as well as by personnel necessary to carry out its purpose.

§ 2 - Where necessary, the General Secretariat, as authorized by the Deliberative Council, may contract specialized Brazilian or foreign technicians and administrative personnel in accordance with the Consolidated Labor Laws.

Article 6 - Keeping in mind Article 11 of this Decree, GERAN has authority to:

I - Promote the elaboration of the basic agreement, referred to in Article 10 of this Decree, the purpose of which is to fix the rules for the rationalization of the problem of the Northeast cane agro-industry.

II - Elaborate state by state plans, programs and projects of restructuring, rationalization of the sugar agro-industry on the basis of the global rules in the basic agreement.

III - Promote the elaboration of agreements and contracts between the organs referred to in Article 4 and with other entities, government, public or private, national or foreign, in order to carry out surveys, studies and projects the purpose of which is the rationalization of the cane agro-industry.

IV - Give its opinion about plans, programs or projects of public or private entities which are inserted into the programs or projects of organs comprising GERAN, and which are submitted to it or which refer to the cane agro-industry.

V - Coordinate the activities of other entities, public, private, national or foreign, which directly or indirectly, influence the rationalization of the Northeast cane agro-industry.

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VI - Elaborate regional or sectoral plans, programs or projects through the promotion of agreements between competent organizations for their execution, keeping in mind programs already in existence and the objectives of entities referred to in Article 4 and the intent of Article 2 and its sole paragraph;

VII - Be sure that the plans, programs and projects of either national or foreign organizations obtain the necessary financing;

VIII - Give opinions on the concession of incentives by public organs to private undertakings in the Northeast cane agro-industry, in order to verify their compatibility with the guidelines of GERAN;

IX - Elicit information as to the activities of businesses, companies and any other organs which may be created by the Federal Government which interest themselves in the Northeast cane agro-industry;

X - Promote studies, cooperate in basic surveys and in harvest and market indicators and plan its action primarily on the development and diversification of agriculture and agro-industry, especially rural industry;

XI - Inform each organ referred to in Article 4 of the studies undertaken by GERAN and of approved projects executed, integrating them with programs under the responsibility of the referred organs;

XII - Elaborate, with interested organs, appraisals of regional and sectoral programs.

Article 7 - The attributes of the Deliberative Council are:

I - To fix the policy and the plan of action of GERAN within the objectives established by this Decree.

II - After having heard the Secretary General, to decide on the plans, projects and programs submitted for its consideration under the purposes of agreements.

III - To approve the administrative structure of the Secretariat General;

IV - To consider and approve the budget proposal presented by Secretary General;

V - To authorize the Secretary General; to contract specialized technical and bureaucratic personnel indispensable to executing the services of GERAN;

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VI - To decide agreements, contracts and conventions with public or private national or foreign entities and authorize the President of the Council to sign them;

VII - To approve GERAN's regulations.

Article 8 - The attributes of the General Secretariat are:

I - To promote the execution of the Plan of Action to be established by the Deliberative Council.

II - To present to the Deliberative Council by March 31 each year, the proposed budget of GERAN, as well as the report of its activities in the past year.

III - To submit to the Deliberative Council the quantitative list of personnel and respective tables of remuneration and the one of personnel admitted under the regime of Consolidations of Working Laws in order to execute the services under its responsibility.

IV - To present within 30 days from publication of present Decree, the project of Internal Regulation of GERAN.

V - To promote the necessary means to acquire employees to perform the technical and administrative tasks of GERAN proposing the forms of remuneration.

Solo Para. - Employees referred in the previous insert will be requested by the President of Deliberative Council.

Article 9 - The General Secretariat will direct the technical and administrative services of GERAN.

Article 10 - The contributions and technical, financial and administrative participation of each component organ of GERAN as well as the execution of the intent of Article 5 and its inserts, will be defined through a basic agreement to be celebrated between those organs within 30 days from publication of this Decree.

Solo Para. - The organs of GERAN, participants in the execution of plans, programs and projects will sign indispensable conventions observing the regulations of the basic covenant.

Article 11 - The competences given to GERAN by this Decree, does not signify, in any case, restriction of the activities of a legal or regulatory character, whether from the programmatic or the executive point of view, of any of the component organs.

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Article 12 - The present Decree will enter in force on the date of its publication, revogating dispositions to the contrary.

Brasilia, August 8, 1966; 145th year of the Independance and 78th year of the Republic.

H. CASTELLO BRANCO

Paulo Egydio Martins

João Gonçalves de Souza

(Published in the Official Gazette of the Union of September 29, 1966, pgs. no. 11285 and 11286)

(*) - Article 4 - Para. 2 of this Decree was changed by Decree 59020, December 1, 1966, to read as follows:

"The representatives of the Northeast Sugar Foundation, and other class organs referred to in the final part of this article, shall participate in the debates of the Council without the right to vote."

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LAW 5500, OCTOBER 11, 1968

This law approved the Fourth Master Plan of **SUDENE**. The unofficial translation which follows covers only those articles applying to **GERAN**.

Article 29

The rationalization of the sugar industry of the Northeast will be promoted through the execution of programs which envisage the improvement of its productivity, the solution of related social problems and the modification of the respective structure of production.

The modification of the structure of production which is treated in this article, will be accomplished through:

I - Federalization and diversification of developed agricultural activities in the area occupied by the sugar agro-industry of the Northeast.

II - The federalization and diversification of industrial activities which use sugar cane and its derivatives as prime-material, seeking particularly to increase the efficiency of industrial work through the elimination of bottleneck points in the factory complex.

III - The restructuring necessary for the use of labor and of land liberated through the process of rationalization.

Article 30

SUDENE, the Sugar and Alcohol Institute (IAA), the Brazilian Institute of Agrarian Reform (IBRA), the National Institute of Agrarian Development (INDA), and the Bank of Brazil, members of the Deliberative Council of the Special Group for the Rationalization of the Sugar Agro-Industry of the Northeast (GERAN), created by Decree 56824, August 8, 1965, will give priority treatment to the tasks within their competence which relate to the programs referred to in Article 29 of this law.

Section I - The two major sugar producing states of the Northeast will participate in the Deliberative Council of **GERAN** as members by means of representatives designated by the respective governors.

Section II - The Commission for Financing of Production will also concede priority treatment to the programs which relate to the intent of the previous article for other agricultural or cattle raising projects approved by **SUDENE**.

Article 31

The Fund for the Rationalization of the Sugar Agro-Industry of the Northeast (FUNDAGRO) is hereby created and will be operated by **GERAN** for the purpose of contributing to the elaboration and execution of programs treated in article 29 of this law.

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Article 32

The resources of FURACRO are:

a) Income foreseen in item II of Article 5 of Decree Law No. 303, February 28, 1957;

b) Contributions of SUDCANA, of the Brazilian Institute for Agrarian Reform (IBRA) and of the National Institute of Agrarian Development (INRA);

c) Budgetary contributions and additional credits which may be attributed to it."

d) Repayments, interest, dividends, and any other income derived from the application of its resources.

Section I - The resources referred to in this Article will be deposited in a special account to the order of the manager of FURACRO in the Bank of Brazil by the end of each month following their receipt, respectively, by the Sugar and Alcohol Institute, SUDCANA, the Brazilian Institute of Agrarian Reform, and the National Institute of Agrarian Development.

Section II - CENAF will use official federal credit establishments for the concession of financing with resources from FURACRO.

Section III - The applied budget of FURACRO will be submitted to CENAF's Deliberative Council for approval.

Article 33

The resources of FURACRO will be applied particularly to the following purposes:

a) Complementary financing for integrated projects for modernization of productive units;

b) Partial financing of expenses for drawing up integrated projects;

c) Elaboration of projects of agrarian restructuring for the use of land and labor released with the process of rationalization;

d) Projects directly destined to the improvement of living conditions of workers in the sugar-agro-industry;

e) Elevating the quality of human resources;

f) Basic surveys, including aerial-photography, of the resources and natural conditions of the cane areas;

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k) Research and experimentation for the identification of possibilities of diversification of the use of land in the different sub-regional units of each group;

l) Financing of projects looking to the elimination of bottleneck points in industrial units thereby permitting the efficient utilization of equipment already installed.

Article 52

SEBRAE and other organizations or entities connected with the Ministry of the Interior which are active in the Northeast may in anticipation of being reimbursed, apply to 5% of their resources, whatever their nature of purpose, in assistance to victims of current public calamities of drought or flood as recognized in Law.

Article 73

To carry out the intent of article 20, the Special Group for the Rationalization of the Northeast Sugar, Agro-industry, created by Decree 50032A, August 9, 1966, will elaborate and execute a specific program using, preferentially, the technical organs of the Sugar and Alcohol Institute and SEBRAE.

Section I - The Deliberative Council of GERN will meet at least once month in the city of Recife, Capital of the State of Pernambuco and will be presided over at each meeting under the rotation system by one of the members with the right to vote.

Section II - The Executive Secretary of GERN will be designated by the President of the Republic on nomination by the Minister of the Interior after consultation with the Ministers of Industry and Commerce ~~and~~ and Agriculture.

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UNOFFICIAL TRANSLATION
 OF
 DECREE Nº 63/915 OF DEC. 26, 1968

Regulates Articles 29, 30, 31, 32, 33 and 73 of Law Nº 5506 of October 11, 1968 and makes other provisions.

The President of the Republic, using the powers vested in him by Article 83, Item II of the Constitution and in consideration of the provisions of Articles 29, 30, 31, 32, 33 and 73 of Public Law Nº 5.503 of October 11, 1968, decrees:

Art. 1 - The Special Group for the Nationalization of the Northeast Sugar Cane Agro-Industry - GERAN, created by Decree n.59,932A. of Aug. 8, 1966, will promote the rationalization of the sugarcane agro-industry in the Northeast, through the implementation of programs or measures which aim at the improvement of its productivity, solution of the related social problems and modification of the corresponding structure of production.

§ 1 - The programs or measures referred to in this article have as their objective:

I - The modernization and diversification of the agricultural activities developed in the area occupied by the sugarcane agro-industry of the Northeast;

II - The modernization and diversification of industrial activities which utilize sugar cane and its by-products as raw material;

III - The modification of the agrarian structure in order to absorb labor through the utilization of surplus lands.

§ 2 - The Commission for Financing of Production will give priority to programs related to the provisions of this Article.

Art. 2 - GERAN's activities will include:

I - Administration of incentives designed to modify the structure of the production units;

II - Preparation and implementation of programs designed to create the preconditions necessary for the structural modifications mentioned in the preceding item;

III - Promotion of specific undertakings of agrarian restructuring arising from the structural changes mentioned in item I, jointly with other agencies concerned;

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IV - Preparation and implementation of programs and projects aimed at improving the living conditions of the sugarcane industry workers.

Art. 3 - The granting of financial incentives intended to benefit undertakings designed to rationalize the sugarcane agro-industry in the Northeast, will depend on the approval of a project demonstrating the technical, economic and financial feasibility of the respective undertaking and offering conditions for the solution of the social problems in the activity area of the enterprise concerned, in accord with the objectives established in items, I, II and III of paragraph 1, Art. 1.

Art. 4 - SUDENE's approval of projects for the rationalization of production units in the sugarcane agro-industry sector, which provide for the application of funds originating from Article 18 of Law Nº 4.239, of June 27, 1963, as amended by Laws Nº 4069 of December 1, 1965 and Nº 5508 of October 11, 1968, will require the prior concurrence of GERAN.

Sole Paragraph - SUDENE and GERAN will establish by agreement the norms for analysis evaluation and control of the projects referred to in this article.

Art. 5 - With the exception of the financing of the harvest season, the offseason and marketing of production, as well as for purchase of fertilizer, soil conditioners and insecticides, etc., financial assistance will be only granted by official federal credit institutions to the sugar cane agro-industry in the Northeast, when GERAN deems such assistance compatible with the objectives mentioned in Article 1, paragraph 19.

Sole Paragraph - GERAN will have a 40 (forty) day period to express its opinion about the request, lack of such expression being considered approval, counting from the date on which the request was registered in the Executive Secretariat.

Art. 6 - O Fundo de Racionalização da Agro-Indústria Canavieira no Nordeste (FURAGRO) - The Northeast Sugar Cane Agro-Industry Rationalization Fund - created by Law 5508 of October 11, 1968, will be operated by GERAN in accordance with the norms established in this Decree.

Art. 7 - FURAGRO's resources are:

a) the revenue mentioned in Item II, Article 5 of Decree Law Nº 308, of February 28, 1967;

b) the contributions of SUDENE, Brazilian Institute for Agrarian Reform (IBRA) and the National Institute for Agrarian Development (INDA).

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c) the budgetary allocations and additional credits that may be assigned to it;

d) the amortizations, interest, dividends and other returns derived from the application of its resources.

Art. 8 - FURAGRO's resources will be deposited in a special account, to the order of GERAN, in the Bank of Brazil S.A.

§ 1 - The Alcohol and Sugar Institute (IAA) will deposit in the account mentioned at the beginning of this article, the resources referred to in subhead "a" of the preceding article, by the end of each month following to that of the collection.

§ 2 - SUPENE, IDCA and INDA will deposit in the account mentioned at the beginning of this article, the resources referred subhead to in "b" of the preceding article, under agreements to be signed with GERAN, or in case of allocations specifically intended for the above mentioned Special Group, by the end of the month following that of their receipt.

Art. 9 - FURAGRO's resources will be used for financial assistance to private undertakings or governmental investments aiming at achieving the objectives contemplated in Article 1, paragraph 1 of this Decree.

§ 1 - The financial assistance referred to in this article will include:

a) additional financing of integrated rationalization projects of production units;

b) partial financing of costs incurred in the preparation of integrated projects;

c) financing of projects designed directly to improve the living conditions of the workers of the sugarcane agro-industry;

d) financing of projects intended to eliminate bottlenecks at the industrial units, thereby permitting an efficient use of the equipment already installed, provided the objectives mentioned in paragraph 1 of Article 1 having been complied with. (5)

§ 2 - The governmental investments mentioned in this article will relate to the activities provided for in items II, III and IV of Article 2 of this Decree.

(5) Decree-Law 589, May 16, 1969 adds: "Operating costs for maintenance of GERAN's technical-administrative structure, within limits to be fixed by its Deliberative Council."

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Art. 10 - GERAN, having in view the objectives of this Decree, will enter agreements with official federal credit institutions for the granting of financing with FURAGRO's resources.

Art. 11 - The conditions for granting financing with FURAGRO's resources will be established by GERAN, in accordance with applicable legal provisions and regulations.

Art. 12 - The financial assistance deriving from the application of the provisions of Art. 4 and sub-head "a" of paragraph 1 of Article 9 cannot exceed, in their total, the maximum limit permitted by the norms governing the granting of the financial incentives administered by SUDENE;

Art. 13 - Programming designed to create the preconditions necessary for the structural modification of the agro-industry's production will include:

- a) development of human resources;**
- b) basic surveys, including air-photogrammetric, of the natural resources and conditions of the sugar cane areas;**
- c) research and experimentation to identify the possibilities of diversification of land use in the different regional sub-units of the sugar cane areas;**
- d) other initiatives, at the discretion of the Deliberative Council.**

Art. 14 - The projects for implementation of agrarian restructuring must be based on the natural and socio-economic conditions of the Northeast sugar cane areas, and on GERAN's and IDRA's objectives, it being agreed:

- a) that these projects be established in separate nuclei as land is transferred to the Government for absorption of excess labor;**
- b) that the subdivision of lands be made through expedition surveys in order to permit the settlement of colonists, simultaneously with the release of labor resulting from the implementation of rationalization projects;**
- c) that the construction of improvements of community interest will be carried out during the period of settlement.**
- d) that plots of different sizes be planned according to the pattern of exploitation considered to be most suitable, reconciling the economic viability with the social objective in each case;**

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e) that the delivery of plots be made prior to the construction of respective improvements and that credit and technical assistance essential for the exploitation of the land and the construction of improvements be assured to the beneficiary.

f) that other necessary requirements to meet the conditions referred to in this article be adopted, in accordance with criteria of GERAN's Deliberative Council.

Art. 15 - The financial assistance to be rendered with FURACRO's funds to agrarian restructuring projects will include the costs of preparation or implementation of the respective projects.

Art. 16 - The programs and projects designed directly to improve the living conditions of the workers in the sugar cane agro-industry will specifically include community and associative education, as well as problems related to the provisioning of the worker.

Art. 17 - The works and services, including those of administrative nature, relating to the programs contemplated in this Decree, will be executed by GERAN, preferably through contracts with individuals or entities, as well as through agreements with public entities, mixed economy companies or, provided they have no profit purpose, with foundations, civil societies or associations.

Solo Paragraph - For programs for which the component agencies of GERAN's Deliberative Council are responsible, they will be given preference.

Art. 18 - The Deliberative Council of the Special Group for Nationalization of the Northeast Sugar Cane Agro-Industry will be formed by the President of the Sugar and Alcohol Institute (IAA), the Brazilian Institute for Agrarian Reform (IBRA), the National Institute for Agrarian Development (INRA) and the Bank of Brazil and by the Superintendent of the Superintendency for the Development of Northeast (SUDENE) with the right to vote, and a representative, respectively, of the governments of the States of Pernambuco and Alagoas, the Sugar Foundation of the Northeast, sugar cane suppliers, and the rural sugar cane workers of the Northeast, without right of vote.

§ 1 - Within 10 (ten) days following the publication of this Decree each Council member shall designate his respective alternate.

§ 2 - The State Governors mentioned in the beginning of this article will designate their representatives and respective alternates.

§ 3 - The Deliberative Council will meet at least once a month, in Recife, seat of the entity, and will be presided over, in each meeting, by one of the Council members, with the right to vote, under the rotation system.

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§ 4 - The decisions of the Deliberative Council will be taken by simple majority of votes, and the minimum quorum for its meetings will be 3 (three) voting members.

Art. 19 - The representatives of the entities which compose GERAN's Deliberative Council will notify the respective agencies of the decisions of the Council so that, after their ratification, these decisions will be incorporated into the programming of the appropriate entity.

Sole Paragraph - 60 (sixty) days after the date of communication by the Executive Secretariat, if there is no contrary pronouncement on the part of the entity concerned, the decision of GERAN's Deliberative Council will be automatically considered as ratified.

Art. 20 - It will be responsibility of GERAN's Deliberative Council to:

I - Approve budgets and work programs of the entity;

II - Consider the accounts rendered by the Executive Secretariat;

III - Ratify agreements and contracts made by GERAN;

IV - Approve rationalization projects for production units of the sugar agro-industry sector, as well as guidelines for their content and analysis, in accordance with the provisions contained in the sole paragraph of Article 4 of this Decree;

V - Approve, and review its own internal regulations and those of the Executive Secretariat;

VI - Rule on credit operations;

VII - Designate the Deputy Executive Secretary, to be proposed by the Executive Secretary;

VIII - Rule on the status of personnel working for the agency;

IX - Approve the annual report of the Executive Secretariat;

X - Establish criteria and general provisions for the operation of FURAGRO;

XI - Establish general and special conditions for financing with FURAGRO funds;

XII - Approve the annual budget for FURAGRO;

XIII - Rule on other matters of interest to GERAN.

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Sole Paragraph - All matters involving technical aspects, as determined by the Deliberative Council, will be submitted to GERAN's Executive Secretariat, prior to the Council's decision.

Art. 21 - It is the responsibility of GERAN's Executive Secretariat to:

I - Conduct studies and research necessary to the attainment of GERAN's objectives;

II - Issue opinions on matters to be submitted to the Deliberative Council;

III - Develop programs and projects of interest to the attainment of GERAN's objectives;

IV - Monitor and control the execution of contracts and agreements entered into for the execution of programs with which it is charged, as well as projects of the private sector approved by the Deliberative Council, in accordance with the provisions of the sole paragraph of Article 4;

V - Analyze the rationalization projects of production units and submit its opinion to the Deliberative Council;

VI - Submit to the Deliberative Council, by April 30 of each year, the budgetary proposal for the subsequent fiscal year;

VII - Provide the necessary administrative, technical and financial requirements for the operation of the Deliberative Council;

VIII - Organize the agenda and appropriate submissions on matters to be submitted to the Deliberative Council;

IX - Carry out other tasks necessary for the attainment of GERAN's objectives.

Art. 22 - The Executive Secretariat of GERAN will be directed by an Executive Secretary designated by the President of the Republic upon nomination by the Minister of the Interior after consultation with the Ministers of Industry and Commerce and of Agriculture.

Art. 23 - It is responsibility of GERAN's Executive Secretary to:

I - Call special meetings of the Deliberative Council;

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- II - Participate in the meetings of the Deliberative Council;
- III - Sign contracts and agreements;
- IV - Sign the resolutions of the Deliberative Council;
- V - Request from other public administrative agencies the technical and clerical personnel needed for GERAN's services;
- VI - Hire technical and administrative personnel needed for GERAN's services;
- VII - Represent GERAN;
- VIII - Direct the technical and administrative services of the Executive Secretariat;
- IX - Propose to the Deliberative Council the name of the candidate to be designated for the function of Deputy Executive Secretary;
- X - Handle, in accordance with the regulations in force and the decisions of the Deliberative Council, GERAN's financial resources;
- XI - Submit to the Deliberative Council:
 - a) during each ordinary meeting a brief statement on the activities of the Executive Secretariat;
 - b) up to March 31 of each year, an overall report on GERAN's activities, as well as an accounting for the preceding year;
- XII - Appoint officials for supervisory and commissioned assignments;
- XIII - Discharge other duties related to his functions and to GERAN's objectives.

Sole Paragraph - The Executive Secretary will be assisted by a Deputy Executive Secretary, who will be responsible for such duties as will be delegated to him by the Executive Secretary and who will automatically act as his substitute in his absence and when unable to act.

Art. 24 - The federal entities participating in GERAN's Deliberative Council will give priority treatment to problems of their respective competence

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related to the sugar cane areas of the Northeast, observing the specific legal and regulatory norms as well as the intent of the paragraphs of this Article.

- § 1 - SUDENE will grant incentives mentioned in article 13 of Law 4.239 of June 27, 1963, as amended by Laws 4.369 of December 1, 1965 and 5.503 of October 11, 1966, for projects of rationalization of the sugar cane agro-industry in the Northeast.
- § 2 - IAA will orient its quota assignment policy, both concerning the industrial output quotas of the sugar factories (usinas) and agricultural quotas and proportional shares, towards facilitating the modifications in the economic and social structure of the sugar cane areas of the Northeast, contemplated in this Decree.
- § 3 - The Brazilian Institute for Agrarian Reform will effect expropriation of lands which, under each project for the rationalization of production units approved by GERAN's Deliberative Council, are made available to the Government for the absorption of excess labor.
- § 4 - The National Institute for Agrarian Development (INDA), in cooperation with GERAN, will carry out programs for rural development in the sectors of colonization, rural extension and cooperatives in the Northeast sugar cane areas.
- § 5 - The Bank of Brazil will render financial assistance to sugar agro-industry rationalization projects in Northeast in accordance with an agreement to be made with GERAN.

Art. 25 - The Sugar and Alcohol Institute (IAA) will furnish GERAN, for purposes of budgeting and programming, estimates of annual revenue to be obtained through collection of the funds mentioned in sub-head "a" of article 7 of this Decree.

Art. 26 - SUDENE, IAA, IBRA, INDA and the Bank of Brazil, (the latter in accordance with paragraph 5 of Article 24) will give GERAN financial and technical cooperation to permit the complete execution of programs designed to attain the objectives established in Article 1, paragraph 1 of this Decree.

Art. 27 - GERAN will establish the time limit within which agro-industrial sugar cane units in the Northeast may apply, through projects, for the financial incentives necessary to their rationalization, and after the expiration of such time limit, will propose to the Government measures it considers suitable in relation to those producing units which failed to make the structural modifications contemplated in this Decree.

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Art. 28 - After the time established for execution of the IV Stage of the Master Plan for the Economic and Social Development of the Northeast, approved by Law 5.503 of October 11, 1968, GERAN, together with SUDENE, will submit to the Ministry of the Interior, an evaluation of the results of the application of the provisions of this Decree, proposing to that Ministry the necessary measures for the continuation or termination of its activities, as well as arrangements, at that time, deemed appropriate in view of the economic and social conditions in the sugar cane areas of the Northeast.

Art. 29 - GERAN, jointly with SUDENE, DNOCs, SUVALE and DNB, make up the system of regional development agencies of the Northeast attached to the Ministry of Interior.

Art. 30 - This Decree enters in force on the date of its publication.

Brasília, December 26, 1968
147th of Independence and
80th of the Republic.

A. COSTA E SILVA

Afonso A. Lima

Hélio Beltrão

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Enclosure 4

A.

GERAN

ORGANIZATION CHART

Deliberative
Council

Exec. Sec.
Staff

Executive
Secretary

Assoc. Exec.
Secretary

Technical
Coord. Adv.

Legal
Advisor

Adminis-
trative Off.

Public
Relations Off.

Industrial
Modernization Unit

Sugar-cane
Modernization Unit

Agrarian
Modernization Unit

Human
Resources
Development

Basic
Surveys
Unit

B. Brief Description of Organization.

Technical Coordination Office (ACT)

This office is responsible for the preliminary and final review of projects submitted to GERAN. Following preliminary study of projects, it forwards the various components to operational units for technical review. After the units complete their share of the review, ACT brings together the components, makes a strategic analysis and forwards the project to the Executive Secretary for submission to the Deliberative Council. In time, this office should also plan the overall program for GERAN.

Legal Office

The office has the normal responsibilities of a legal advisor.

Administrative Office

All tasks common to this field are its responsibility.

Public Relations Office

The same as above can be said of this office.

Industrial Modernization Unit (URI)

URI concerns itself with sugar manufacturing technology, diversification of the industry into processing of sugar-cane and sugar by-products and the analysis and monitoring of project components in these fields.

Sugar-cane Modernization Unit (URLC)

URLC has sub-units in sugar-cane production technology and transportation of cane. It analyzes plans for the modernization of sugar-cane production and monitors their implementation.

Agrarian Modernization Unit (URAG)

URAG plans land reform projects when these are the government's responsibility as part of a modernization project, or reviews such plans when submitted by applicants. It may implement public settlement projects, but will only monitor private parcelization operations or when they are implemented by another public agency. It passes on land use diversification plans as part of integrated modernization projects and monitors their implementation. Agricultural economics and socio-economic research projects are planned by URAG for execution mainly by other agencies.

Human Resources Development Unit (UCRI)

UCRI has responsibility for planning and in part implementing activities in primary education, literacy, encouragement of unions and organization of cooperatives, all as parts of GERAN approved and financed projects. It monitors all such activities to be executed by other agencies. It also plans and monitors the bulk of research in socio-economics and for training needs.

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Enclosure 4

Basic Surveys Unit (U.B)

U.B plans and monitors the implementation of aerial photography, cartography, soils, climatology, and other physical resources survey projects.

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