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MEMORANDUM

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DATE: 31 August 1971

TO : Minister Ellis and Distribution

FROM : Kenneth J. Fedor, PREP
Neyde Ramos da Silva, PREP

SUBJECT: Evaluation of the Graduate Economics at the Federal University
of Pernambuco (Recife)

1. INTRODUCTION

We visited the Graduate Economics Program at the Federal University at Pernambuco (FGTE) on August 25, 1971. On the basis of this visit, discussions with Werner Baer and Arnold Harberger of the Ford Foundation, and a variety of USAID personnel, we are submitting the following evaluation of the present stage of the development of FGTE, our estimation of the probabilities that FGTE will have a self-sustained, quality, masters program within the next 3 - 5 years, and our recommendations for future USAID inputs into the program.

2. PRESENT STAGE OF DEVELOPMENT

The FGTE has 24 students enrolled at the present time. Of these, 13 students are in the first year and 11 in the second year of training. Five of the six full time professors at FGTE with whom we met were:

Luis Fuenzalida (Financed by AID)

Renato Duarte (Coordinator for the combined Economics and Sociology Graduate Program)

Glovis Cavalcanti

Paulo Maciel

Lycurgo Almeida

Professor Mameel Correia the director of the Economics Program, could not, unfortunately, attend the meetings because of illness.

We spent most of the day discussing what they have defined as the two primary objectives of the program - teaching and research. Their two secondary objectives are publishing papers in Economics and providing a variety of services to other institutions in the Northeast.

A. Teaching

The curriculum at FGTE consists of:

First Year Students

Microeconomics
Mathematics I
Statistics I
Research Methods

First Semester Courses

(4 credits - mandatory)
(3 credits - mandatory)
(3 credits - mandatory)
(3 credits - mandatory)

First Year Students

Macroeconomics
Mathematics II
Statistics II
International Trade

Second Semester Courses

(4 credits - mandatory)
(3 credits - mandatory)
(3 credits - mandatory)
(3 credits - optional)

Second Year Students

Economic Development
Monetary Theory & Policy
Econometrics
Economic Geography of the
Northeast

First Semester Courses

(3 credits - mandatory)
(3 credits - optional)
(3 credits - optional)
(3 credits - optional)

Second Year Students

Operations Research
Special Topics in Price Theory
Regional Economics
Economics of Natural Resources
Thesis Seminar

Second Semester Courses

(3 credits - optional)
(3 credits - optional)
(3 credits - optional)
(3 credits - optional)
(3 credits - mandatory)

In addition, PGTE offers optional courses in English which are currently being taught by the American wives of two USAID/NE American employees.

The Mathematics/Statistics/Econometrics portion of the curriculum is taught by professors associated with other departments of the university. Fuenzalida teaches and is responsible for 3 of the most important courses within the curriculum; Macroeconomics, Monetary theory and Policy, and the Thesis Seminar. In our opinion, one prerequisite for a self-sustained MA program is to improve and increase the regular PGTE faculty to a level at which it can teach a larger portion of the basic curriculum shown above. Although it would be feasible to continue to rely on outside professors to teach Mathematics, Statistics, and an occasional optional course, this basic curriculum should be the responsibility of the full time PGTE faculty, excluding visiting foreign professors.

The quality of the courses appears to be high and comparable to graduate courses in the U.S. The curriculum could, however, be improved by: (1) adding at least one more required course in basic theory to the core curriculum, and (2) by expanding the variety and number of optional courses.

We discussed the advantages and disadvantages of placing more emphasis on theory with the PGTE staff. Although they were reluctant to reduce their emphasis on Mathematics and Statistics, they did agree that the course on Research Methods could be profitably removed from the first semester of the first year and replaced by either another pure or applied theory course. Since PGTE is the only MA economics program in Brazil which admits students without a background in Economics, we recommended that they give serious consideration to providing another course in pure theory in the future. Whether they can or will depends, to a large extent, on increasing and improving their staff.

The choice of optional courses is extremely limited at this time. PGTE only has four courses offered for each of the first 3 semesters, and five for the last semester. Since students must complete 16 courses for the MA, the distinction between required and optional course work is largely artificial. One critical shortcoming of the curriculum is the absence of any courses offered in the field of agricultural economics in a region of the country where agricultural development is of the utmost importance.

The limited number and variety of optional courses can be explained fully in terms of the capacity of PGTE's staff. For example, the only regular professor qualified to teach agricultural economics is Fuenzalida, who is already forced to spread himself around rather thinly. It would be out of the question for him either to teach an extra course or to drop one of his current courses.

In spite of the problems mentioned above, we would agree with PGTE's assessment that of their four objectives, the provision of a quality teaching program is one of the strong points of the current program. Although the quality of teaching is difficult to measure, our evaluation of traditional indicators such as course outlines, reading lists, examinations, and quality of the staff lead us to the conclusion that PGTE is now offering a more than adequate and challenging program of course work to its students.

B. Research

Fuenzalida has successfully introduced the beginnings of a research tradition at PGTE. Faculty members are individually and collectively under contract to conduct research for such institutions as IPEA, CONDEPE, and SUDENE. The quality of the research completed has been so good that these institutions are planning to finance additional research contracts with PGTE. It should be noted that PGTE is also

interested in conducting research for USAID in the future in the areas of income distribution and employment. In addition to creating a more academic atmosphere at PUTE, overhead income provides an important source of revenue for PGTE.

Five of the nine thesis topics under way are in the area of agriculture. Fuenzalida is directing all nine theses. The topics appear to be well conceived, manageable, and relevant to problems of the economy of the Northeast. A number of the topics are in areas in which faculty members are conducting research. Fuenzalida is certainly capable of helping the students turn each of these topics into quality thesis before the middle of 1972, should his contract be extended beyond 1971.

C. Publications

The publications aspect of PGTE activities is mainly directed to fulfill the need for bibliography in Economics and Sociology in Portuguese. These publications will consist of a collection of papers written by PGTE members as well as translations of essays published abroad in English and Spanish. The first book is expected to come out of the Catholic University Press by September of 1971. PGTE professors indicated that they will have their second book published before the end of the year.

They also explained that the plans were to have books published periodically and that the reason for publishing books rather than a journal was the difficulty in obtaining a commitment from the university Press on regular timing of the publications.

It is estimated that the PGTE books will be in demand principally by undergraduate students, thus the prospects of this becoming a reliable source of income to PGTE are quite good.

D. Community Services

Both PGTE professors and students (2nd year) teach in undergraduate Faculties as well as in the graduate program in Sociology.

Examples consist of:

- a) Special courses in Economic Geography and Elementary Economics given to students in the Sociology graduate program;
- b) Four second year students teaching Elementary Economics in the Economics department of UFP;
- c) One second year student teaching at the Engineering School and two teaching at the Catholic University.

In addition a one week intensive course in Economics was given at the University of Sergipe by one of the PGTE professors. According to Prof. Fuenzalida, teaching by PGTE professors and students at the undergraduate Economics program has had an impressive effect in improving the quality of training especially with reference to curriculum development.

Another area in which PGTE has been involved is the development of a program in Agricultural Economics at the Universidade Rural in Pernambuco. Professor Fuenzalida was asked to provide assistance in setting up a graduate program in Agricultural Economics at the Universidade Rural. As outlined in the draft proposal, the program will count on PGTE professors to teach the Economics courses and the Rural will hire teachers (both fulltime and part time) for the agricultural courses. Students in the agricultural program at the Rural will take their Economics courses at PGTE, so that the additional burden on PGTE professors will be minimal. At the same time, PGTE students will be allowed to take courses in agriculture at the Rural. This will improve the PGTE curriculum substantially by increasing the number of optional courses available in an area in which PGTE is deficient. It should be noted, however, that there is no provision to teach a course in agricultural economics at this time, although PGTE is trying to hire a part time professor to do so.

Present plans are to have the Agricultural program start in 1972, with the agricultural courses beginning only in the second semester. This would allow the teachers in these courses to spend some time becoming familiar with the programs in Fortaleza, Viçosa and Piracicaba.

It is indicated in the proposal that funding available in the Rural's and PGTE's budgets is insufficient and that they will try to find other domestic (EMB, SUDENE, IAA) and foreign (FORD, OAS, IDB, USAID, Rockefeller) sources of financing.

E. Summary and Conclusions

The Economics Graduate Program at PGTE began in 1965, with the masters degree program beginning in 1967. We feel that only within the last year has the program developed to a level at which it can justifiably grant MA degrees to a regular graduating class*.

The remarkable progress that the program has made in the time since Fuenzalida arrived is documented in various reports. Some indicators of progress are the University's support to PGTE by providing 5 full time teachers beginning in October, 1970; the regular payment by SUDENE of the students bolsas, making it possible for PGTE to retain its students; the fact that PGTE is now attracting students from other training centers (CAEN); the contracting of 7 of the second year students to teach at the undergraduate level, the fact that 9 theses are in process; and the existence of an academic atmosphere.

* (Only one MA has been awarded to date, with the recipient currently being enrolled in the Ph.D. program at Vanderbilt University)

Although it is difficult for us to assess this progress since we do not have first hand knowledge of the quality of the program prior to the 1970 academic year, we are willing to accept the conclusions of these other reports because it is apparent that without Fuenzalida or someone with similar qualifications and dedication, PGTE would not be in a position to issue quality master degree. This is the case today and, in all likelihood, will remain the case for at least the next two academic years. This conclusion is meant to be a compliment to Fuenzalida and his efforts rather than to belittle the rest of the faculty, which is capable and dedicated, but young and inexperienced, both academically and administratively.

3. RECOMMENDATIONS

The following recommendations are based on a number of assumptions about USAID priorities in Brazil which should be verified by top Mission Management before our recommendations are adopted. These assumptions are:

- a) The Northeast will continue to receive priority attention in Mission programming over the next 2 - 3 years;
- b) USAID/B is willing to make some risky investments in order to support the GOB's strategy for solving the problems of higher education in Brazil, i.e., improving the system by supporting the development of graduate centers rather than at the undergraduate level where the real problem seems to exist.
- c) The training of highly qualified economists in the Northeast is sufficiently high on the list of Mission priorities to warrant a risky investment.

We want to emphasize that our recommendations would be to discontinue USAID support for PGTE if any of these assumptions are rejected by Mission Management. On the basis of this year's Country Program Submission, however, it appears to us that the project is one which should receive Mission support. This is particularly true if the Mission is serious about adopting a strategy of concentrating its efforts on the top levels of the manpower pyramid in Brazil where the U.S. has a comparative advantage in assisting Brazilian development.

The nature of the support we would recommend is for USAID to fund two visiting professors and eight boias for study abroad over the next two academic years, 1972 and 1973. There are indications that Vanderbilt would be willing to including this under their contract with USAID, provided that one of the professors is Fuenzalida. Renato Duarte, the Coordinator of the Economics and Sociology program said that they needed these two visiting professors and would try to get funding from some other source if USAID support is not available. He mentioned the OAS and the BNB, although we do not think that PGTE has held serious discussions with any institution other than USAID about funding visiting professors in economics.

* The recent Ford Foundation grant to UFP has provision for funding visiting professors in Sociology.

In any case, Fuenzalida is seriously considering accepting another offer and will likely accept it if he does not have assurances of staying at Recife within the very near future. In other words, if USAID does not provide assurances of support almost immediately, Fuenzalida will leave and the program would be seriously damaged.

Our reasons for recommending USAID funding for two professors and eight bolsistas for two years are:

- a) The most important barrier to continued improvement in the PGTE program is the absence of qualified leadership within the Brazilian faculty. Fuenzalida has not only filled this vacuum extremely well but has expended considerable efforts in trying to develop individual Brazilians on the staff to a point at which they can take over. To use Professor Harberger's analogy, Fuenzalida has miraculously set the ship afloat, pointed it in the right direction, and has his hand firmly on the rudder. But the ship is barely out of the bay. It is by no means certain that the voyage will be completed successfully. If Fuenzalida leaves Recife this December, we have serious doubts that the Brazilians themselves will be able to **steer it through the reefs**. The first storm would be fatal. With Fuenzalida aboard for the next two years, there is an even chance that one of the Brazilians could take over. If Fuenzalida and another qualified visiting professor are present, we estimate that there would be better than an even chance for success.

The ambiguity of these predictions is explained by our inability to assess accurately the probabilities of leadership coming forth by any of the Brazilians currently on the staff or the two returning from training in the U.S. within the next two years.

The absence of a readily identifiable Brazilian leader makes any investment by USAID very risky. Our recommendation for two professors simply reduces this risk to a point at which we feel the probabilities of success are greater than 50%. Fuenzalida is simply forced to spread himself too thinly to be able to spend enough time in developing and training the Brazilian staff. The return of two young Ph.Ds will make this function more important and useful. Fuenzalida could fill this role because he has earned the confidence and respect of the Brazilians and because he has extensive experience in other Latin American Universities facing similar problems. He will be able to mold them into a productive team, able to stand on its own, only if he has the time to do so.

- b) As mentioned above, the curriculum needs to be expanded and improved. This can be best accomplished by adding to PGTE's permanent staff. Since PGTE has only recently (October, 1970) received 5 full time slots, there is little chance that they will receive more from the University within the next two years. Our strong feeling is that they need to develop a strong curriculum in Agricultural

Economics. Their proposed convênio with the Universidade Rural could be one way of proceeding. The assistance of a qualified visiting professor with a specialty in agricultural economics seems to be an ideal way to get the agricultural program off to a good start. The agricultural program is only one example of the manner in which a second visiting professor could be most profitably used.

- c) The staff at FGTE needs further training. Renato Duarte is, for example, hoping to return to the U.S. to work on his Ph.D. within the near future. FGTE needs qualified professors to substitute for Brazilians while they are getting needed further training. This implies the continuance of USAID provision of bolsas for FGTE professors and students to work on their Ph.Ds. We recommend that FGTE receives a total of eight bolsas, four each year, for the next two years either directly from USAID, or through IPE or any other appropriate mechanism. Although this number may appear excessive, we feel that it is required given the large number of students already working in MA thesis and the fact that not all students sent abroad return with a degree.
- d) The rationale for recommending that USAID continue support through 1975 is that at least two of the FGTE professors now in the U.S. will return during this period. The probabilities that either of these two professors will provide the future leadership at FGTE will be higher if Fuenzalida and another visiting professor are there to help during the "re-entry" period. An additional two year period for training and developing the current staff is desirable for the same reason.

One may ask why USAID should give special assistance to Recife when its general strategy for improving economics training in Brazil is to provide support to IPE in São Paulo which, through its extension program, is supposed to assist the other regional centers. The answer is that the productivity of IPE's extension program would be greatly increased if it could work with higher quality graduate programs in the regional centers. This requires visiting full time professors at this time. CAEM in Fortaleza and CEDEPLAR in Belo Horizonte are receiving outside funding for two such visiting professors (CAEM from the BNE and Fulbright; CEDEPLAR from the Ford Foundation and Resources for the Future). Recife is counting on USAID.

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