

**AIRGRAM**

**DEPARTMENT OF STATE**

*Proj 5120302*

*PD-AAA-340-B1*

**UNCLASSIFIED**  
CLASSIFICATION

*PA-*

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FROM - RIO DE JANEIRO

SUBJECT - **NONCAPITAL PROJECT PAPER (PROP)**

REFERENCE - **Economic Development Planning**

**COUNTRY: BRAZIL**

**PROJECT No: 512-11-720-122.1**

**SUBMISSION DATE: December 29, 1969 ORIGINAL: X**

**PROJECT TITLE: Economic Development Planning**

**U.S. OBLIGATION SPAN: FY 62 through FY 70**

**PHYSICAL IMPLEMENTATION SPAN: FY 63 through FY 71**

**GROSS LIFE OF PROJECT FINANCIAL REQUIREMENTS:**

U.S. Dollars \$ 1,576,000

U.S. Owned Local Currency 306,000

Country Owned Local Currency 55,000

Cooperating Country Cash Contribution 906,000

**Total \$ 2,843,000**

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DRAFTED BY <b>EYoung/jh</b>	OFFICE <b>PAD</b>	PHONE NO. <b>327</b>	DATE <b>12/29/69</b>	APPROVED BY: <b>ADPR: H Harrison</b>
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AID AND OTHER CLEARANCES

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CONF: G Hewton

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## I. SUMMARY DESCRIPTION

In May 1964, the Minister Extraordinary of Planning and Economic Coordination was given the responsibility for the preparation of national, regional and sectorial economic and social development plans, including the establishment of priorities and allocation of resources, both Brazilian and external, to stabilize the economy of Brazil and assure the growth of its industry and the well-being of its people. In September 1964, the Office of Applied Economic Research (EPEA, later IPEA) was established within the Ministry.

USAID/B agreed to make available high-level economists and other specialists to cooperate with the Ministry through the provision of technical services. In June 1965, an AID-funded contract between the Government of Brazil and the University of California at Berkeley (UCB) was signed, under which UCB provided economic advisors to IPEA until September 30, 1969 (Contract AID/1a-272). Concurrently, AID entered into a contract with UCB (Contract AID/1a-254) providing that following an advisory tour with IPEA in Rio de Janeiro, selected advisors would return to the U.S. to conduct research at UCB on Brazilian economic development and that a limited number of UCB graduate students in economics who were researching their Ph.D. dissertations could conduct their work in IPEA.

Advisory services under this project consisted of 11 long-term technicians averaging 20 man-years; 5 short-term consultants for approximately 30 weeks and 15 man-months of one specialist covering three consultation tours of varying terms.

As of this date the project consists of the research program conducted at UCB campus, plus direct assistance in the form of three short-term consultations, all to be completed by June 30, 1970. This will complete USAID assistance through the UCB contract.

However, at IPEA request, the USAID is now studying the possibility of providing, under a new contractual arrangement, additional direct advisory assistance for an additional period of one or two years.

## II. SETTING AND ENVIRONMENT

The Brazilian Government in 1964 had had relatively little experience in long-range economic planning or in pursuing economic national policies in accordance with carefully developed economic analysis. However, the new GOB leadership as well as the leadership of the international banking and assistance institutions had been stressing the necessity of more comprehensive economic planning and greater correlation between policy and analysis.

The first Berkeley group arrived at the inception of the Ten-Year Plan of Economic and Social Development (Plano Decenal). The Plano Decenal was a planning exercise devoid of significant policy content. It was not designed for defining a long-term strategy nor even for the alternative of providing an analytical and

data base for intermediate governmental expenditure decisions. Only at the last moment was it integrated with a five-year capital budget. To the Brazilians as well as the foreign technicians, work on the Plan represented isolation from economic policy rather than involvement with it.

The UCB cooperation took two forms. In the first group it meant assuming direct responsibility for "diagnosticos" in several of the sectors where adequate counterpart relationships were lacking. In the second group, it meant almost complete freedom from planning activities to undertake research studies which were believed to be desirable.

IPEA responded more favorably to this concentration of the second Berkeley group upon research. Sectorial distinctions became less significant and more flexible arrangements resulted. By the end of 1968, most foreign technicians were working closely with Brazilians on joint projects.

### III STRATEGY

The strategy of the technical assistance has been to assign planning economists to IPEA where they would actively participate in the national economic research and policy formulation operations. The consultant group was to assist in the development of economic planning models and in training counterpart Brazilian economists at IPEA with the objective of permanently improving the capability of the GOB economic planning mechanism. At the same time, the technical assistance would insure the production of more complete and reliable plans for those projects already in process.

In accordance with basic A.I.D. policy, the assistance has been provided as a direct IPEA-UCB relationship, with minimal USAID involvement in project activities and with careful attention to avoidance of the implication that the U.S. was seeking to influence Brazilian economic or development policies.

### IV. PLANNED TARGETS, RESULTS AND OUTPUTS

The project envisioned two general areas of activity: Institutionalization of the planning function to be accomplished through the training of economic development planners, the production of viable economic plans and the development and testing of planning models.

The second target was the production of:

- (a) a number of sectorial studies on which the country's basic development plan could be prepared and
- (b) the production of the Ten-Year Plan of Economic and Social Development (Plano Decenal), the Five-Year Investment Budget (Orçamento-Programa Plurianual - 1967-1971), and the formulation of Development Strategy

(Programa Estratégico) in the Government Directives (Plano de Ação do Governo).

Future results will be in the form of increasingly accurate and reliable economic forecasts and policy recommendations emanating from IPEA. The various projects that were programmed in 1965 such as the production of a Ten-year Economic Plan and the Five-year Investment Budget were produced in 1967 and 1968 respectively. The Director of IPEA has moved on to become the Minister of Planning. Thus, many of the anticipated results have become realities.

In the process, the Berkeley team prepared 46 studies covering many phases of macro and sectorial economics. They also assisted IPEA counterparts in the production of reports in 29 major areas.

In addition to on-the-job and short-term training, the 25 Brazilians were programmed for study in the U.S., leading to 25 Masters and 1 Ph.D. degrees in selected areas of economic planning and development.

#### V. COURSE OF ACTION

USAID assistance has consisted of funding, for IPEA, an advisory contract with USD, plus some related participant training. The present contract will be completed on June 30, 1970; however at IPEA request the USAID is studying possible additional advisory assistance for one or two more years. This would be consistent with the basic work plan and time table of the project.

BELTON

NONCAPITAL PROJECT FUNDING (Obligations in \$000)<sup>a/</sup>

Table 1  
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COUNTRY: BRAZIL

Project Title: Economic Development Planning

Prop Date: 12/22/69  
ORIGINAL: X  
Rev. No:  
Project No: 512-11-720-122.1

Fiscal Years	AG	L/G	Total	Cont <sup>1/</sup>	Personnel Serv.			Participants		Commodities		Other Costs	
					AID	PASA	Cont	U.S. Agen.	Cont	U.S. Agen.	Cont	U.S. Agen.	Cont
Prior thru Actual FY 69	AG	G	1,492	1,073	37	-	885	291	-	2	9	89	179
Operational FY 70	AG	G	84	84	-	-	66	-	-	-	-	-	18
Budget FY 71			-										
B + 1 FY 72			-										
B + 2 FY 73			-										
B + 3 FY 74			-										
All Subs Years			-										
Total Life	AG	G	1,576	1,157	37	-	951	291	-	2	9	89	197

<sup>1/</sup> Memorandum (nonadd) column

<sup>a/</sup> Does not include post-UCB assistance, now under consideration.

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	<u>AID-controlled</u>		<u>Other Cash</u>	<u>Food for Foreign Comedities</u>		
	<u>Local currency</u>	<u>Country</u>		<u>Contribution</u>	<u>Other Donor</u>	<u>CCC Value</u>
	<u>U.S. owned</u>	<u>owned</u>	<u>Cooperating</u>	<u>Funds</u>	<u>Metric Tons:</u>	<u>World Market</u>
			<u>Country</u>	<u>(\$ Equiv.)</u>	<u>(000)</u>	<u>Price (000)</u>
<b>Prior thru</b>						
<b>Actual FY 69</b>	306	43		767		
<b>Operational</b>						
<b>FY 70</b>		12		139		
<b>Budget</b>						
<b>FY 71</b>						
<b>B 1</b>						
<b>FY 72</b>						
<b>B 2</b>						
<b>FY 73</b>						
<b>B 3</b>						
<b>FY 74</b>						
<b>All</b>						
<b>Subs Yrs</b>						
<b>Total Life</b>	306 <sup>1/</sup>	55 <sup>2/</sup>		906		

<sup>1/</sup> NCr\$1,316,241 - FL 480 see 104 (f)  
<sup>2/</sup> Trust Fund