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**DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523**

**CAPITAL ASSISTANCE PAPER**

**Proposal and Recommendations  
For the Review of the  
Development Loan Committee**

**PARAGUAY - EDUCATIONAL DEVELOPMENT PROGRAM**

L-021

AI. - JLC/P-914

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DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D.C. 20523

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AID-DLC/P-914  
June 17, 1970

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Paraguay - Educational Development Program

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$4,200,000 to the Government of Paraguay to assist in financing foreign exchange and local currency costs of equipment, material and services necessary for the conduct of the Borrower's Educational Development Program.

Please advise us as early as possible but in no event later than close of business on Wednesday, June 24, 1970, if you have a basic policy issue arising out of this proposal.

Rachel C. Rogers  
Secretary  
Development Loan Committee

- Attachments:
- Summary and Recommendations
  - Project Analysis
  - ANNEXES I-V

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PARAGUAY - EDUCATIONAL DEVELOPMENT PROGRAM

SUMMARY AND RECOMMENDATIONS

1. BORROWER: The Government of Paraguay, with responsibility for execution of the Project vested in the Ministry of Education.
2. THE LOAN: Not to exceed \$4.2 million. Repayment over a 40 year term including a ten year grace period on amortization of principal. Interest on disbursed balance will be at the rate of 2% annually during the grace period and 3% annually thereafter.
3. TOTAL COST OF PROJECT: \$6,000,000

	<u>Amount</u>	<u>Percent</u>
AID Grants	\$ 300,000	5%
AID Loan	\$ 4,200,000	67%
GOP Contribution	\$ 1,800,000	28%
	<hr/>	<hr/>
Total	\$ 6,300,000	100%

Commitment of proposed AID grants is expected to be in FY 71, 72, and 73 and drawdown of the AID loan during the same years.

4. PURPOSE AND DESCRIPTION OF THE PROJECT

The project proposed for AID financing is a program of qualitative and quantitative improvements for selected elements of the Paraguayan public school system. At the primary level it will provide 120 schools offering the full six year curriculum, as well as modifications in the present curriculum and an adequate supply of basic teaching materials - with the goal of substantially reducing the drop-out rate at the primary level.

At the secondary level primary emphasis will be placed on construction of two new Regional Education Centers and modifications of an existing third school complex to raise it to the level of a Regional Education Center. This will provide Paraguay with a total of 7 Regional Education Centers, which will provide high quality education in the major cities outside of Asuncion, and enable the Centers to play an educational leadership role with schools within their spheres of influence, and a community development role in the seven cities involved. Reforms at the secondary level will include initiation of full-time classes and elective courses for students, as well as orientation and curriculum changes which will put more emphasis on preparation for technical and scientific careers.

In addition a Superior Institute of Education and Normal School will be constructed which will permit restricting primary teacher preparation to the Regional Education Centers and the proposed Normal School in Asuncion, and secondary level teacher training to the Superior Institute and Paraguay's two Universities. This will permit the conversion of unneeded normal schools into secondary schools, eliminate the surplus of normal school teachers now being graduated, and make possible special courses for supervisors, guidance officers, and science teachers as well as curriculum development of the Superior Institute.

Finally, the loan will stimulate the re-organization of the Ministry of Education, the establishment of a career promotion and pay plan for teachers, the development and publication of textbooks and teaching materials, and commitment by the GOP to the goal of increasing the percentage of its budget devoted to education.

The loan is seen as the first stage in implementing the Ministry of Education's sweeping education reform plan. The decision to recommend a second loan will depend on the results of this proposed loan.

5. PROJECT COSTS

	<u>Foreign Exchange</u>	<u>L/C (expressed in \$)</u>	<u>Total</u>
GOP	-	1,800,000	1,800,000
AID Loan	1,000,000	3,200,000	4,200,000
AID Grant	300,000	-	300,000
<b>TOTAL</b>	<b>1,300,000</b>	<b>5,000,000</b>	<b>6,300,000</b>

6. LOCAL CURRENCY FINANCING

About 83% of the loan will be for local cost financing. Because of high level of prior commitments for counterpart for existing loans, the GOP cannot assume a higher percentage of the local costs. It is anticipated that the GOP counterpart contribution will consist of \$900,000 from increases in the normal budget of the Ministry of Education and \$900,000 from GOP owned PL 480 proceeds.

7. ALTERNATIVE SOURCES OF FINANCING

The BID and IBRD have indicated they are not interested in financing this project. The BID made a loan of \$1.5 million in 1965 for university development and is studying a loan to the Ministry of Agriculture for agricultural technical education, and the IBRD has initiated discussions with the Ministry of Education for vocational and technical education loan at the secondary level. Both loans, if they materialize, will be complementary, rather than competitive with the AID loan.

8. STATUTORY CRITERIA

All statutory criteria have been met.

9. VIEWS OF THE COUNTRY TEAM

The Country Team strongly endorses this high priority project which is responsive to the recommendations of the 1969 CIAP review that "Paraguay intensify its efforts in the field of education" and the 1970 recommendation that Paraguay give "required emphasis to educational improvement." To date foreign lending for education totals less than 1.0% of the value of loans made to Paraguay, and no loans have been made below the university level.

10. ISSUES

Section IV discusses the following issues which were raised by the CAEC and in subsequent loan development: 1) The CIAP review, GOP fiscal and foreign trade performance, and availability of local currency; 2) Technical Assistance and improving the managerial capacity of the Ministry of Education; 3) Loan conditions and targets, loan management, and educational innovations; 4) Availability of adequate financing; 5) Coordination with other agencies; and 6) Evaluation of the Ministry's school construction department.

11. RECOMMENDATION

Authorization of a loan to the Government of Paraguay in an amount not to exceed \$4,200,000 subject to the following terms and conditions:

- a) Repayment within 40 years from the date of first disbursement including a grace period of 10 years;
- b) Annual interest of 2% during the grace period and 3% thereafter;
- c) Repayment of principal and interest in U.S. Dollars

**Other Terms and Conditions:**

- a) Prior to and as Conditions Precedent to the first disbursement under the Loan, the Borrower shall in form and substance satisfy to AID:
  - 1) Appoint a Project Administrator who will be an employee of the Borrower with authority and responsibility to supervise and coordinate all aspects of the Project, throughout the primary and secondary school system.
  - 2) Contract for engineering services with an independent consulting engineering firm or individual to assist the Project Administrator in the administration of the Project and to approve final engineering plans and specifications, recommend construction contract awards, supervise construction, and to certify AID disbursement requests.
  - 3) Contract for the provision of long-term technical assistance in the areas of educational administration and curriculum planning, and such short-term technical assistance in fields such as textbook production, audio-visual education, etc, as may be needed to begin loan implementation.
  - 4) Obtain a firm commitment from the GOP to provide a total of \$1,800,000 during CY 1971, 1972, and 1973, and a schedule to increase the percentage of the national budget devoted to education.
  
- b) The loan shall be subject to such other terms and conditions as AID may deem advisable.

**PROJECT COMMITTEE:**

Deputy Director (Chairman)	Donald Finberg, USAID/P
Capital Development Officer	Michael Bander, USAID/P
Economist	Edward Costello, USAID/P
Chief Education Advisor	Frank Mann, USAID/P
Special Education Consultant	Emil Krieder, HADC
Construction A&E Advisor	William Mann, USAID/Chile

Drafted by:  
Finberg/Bander/Costello/F.Mann/Krieder/W.Mann

SECTION I - BACKGROUND

A. Project Background and Place in AID Program

1. Primary and Secondary Education in Paraguay

a. Primary Education

Primary education is free in the public schools and theoretically obligatory for children between 7 and 14 in urban areas and between 9 and 14 in rural areas. Supervision and control of these schools is the responsibility of a corps of supervisors of the Ministry of Education who are either experienced secondary school teachers with administrative experience or certified primary school teachers with supervisory experience. Each supervisor is responsible for a large number of schools. There are approximately 30 inspectors for 2,809 schools. Of this number of schools, 502 are classified as urban. In 1968, there were 12,722 primary teaching positions on the Ministry's rolls (some of which are assigned to private schools) for 406,342 students; 49,863 were attending private schools. The primary school curriculum covers a six year cycle, but as indicated below, it is not available to all students, due to lack of classrooms and teachers.

b. Secondary Education

Most public institutions on the secondary level charge a fee amounting to something less than the equivalent of \$10 for enrollment and examination fees. The age group at this level ranges from fourteen to nineteen. The secondary curricula are divided into two three year cycles of three years each. The basic cycle including grades 7 to 9 is common to all, with the second cycle divided among three "majors", normal school (primary school teaching), commercial and "bachillerato" (university preparatory). There are 456 secondary schools in Paraguay. Of this number, 141 are public schools. 42 are normal schools, 28 commercial and 277 offer the "ciclo basico" only.

The capital city of Asuncion has only two public secondary schools, one for boys and the other for girls. Roughly 70% of the students enrolled are in the ciclo basico. 51% of the 47,326 secondary school students were attending private schools in 1968.

c. Technical-Industrial Education

There is one public institution offering Technical-Industrial training, which operates evenings only. Without laboratories or shops, all instruction is given by means of lectures. The six-year curriculum includes a three-year basic cycle and specializations in electricity, mechanics, construction and industrial chemistry. Most of the students hold full-time jobs during the day.

d. Technical-Vocational Education

Technical-vocational education is offered by one public school in Asuncion and small private schools in Asuncion and the centers of population in the interior. The three year program of the public Technical Vocational School offers diplomas in automechanics, cabinet work, radio, leathercrafts, refrigeration, ironwork, plumbing, electricity, general mechanics and graphic arts. The aim of this school is to train skilled workers rather than prepare middle-level technicians, and it does not offer a high school diploma.

e. Agricultural Education

Five Regional Agricultural Education Schools in the interior, under the control of the Ministry of Agriculture, have been operating with a two year program to produce skilled and semi-skilled farm workers, rather than agricultural technicians. Recognizing that these schools, which have required no more than third or fourth grade education for admission, have not been successful, the Ministry of Agriculture has applied for a loan from the Interamerican Development Bank to revitalize them.

The Escuela Carlos Pfannl, near Coronel Oviedo, is the only school completely devoted to a high school program leading to an agricultural diploma. It is operated by the Salesian Fathers, and though it lacks equipment and teaching materials to provide a well-rounded basic education in agriculture, it is improving in quality. The school will graduate its first group of students this year. There is a good possibility of an IDB loan and substantial assistance from the German Government. In addition, \$40,000 of PL 480 funds is earmarked for construction and equipment in 1970.

Three of the existing Regional Education Centers offer Vocational Agriculture Education developed with USAID support, and as the program matures there will be graduates with a high school diploma in agriculture from this source also.

f. Teacher Education

The principal sources of training for primary school teachers are the 42 public and private normal schools. As indicated earlier, the three-year normal school program follows the common basic cycle.

Secondary school teacher training is restricted to five institutions; the Faculty of Philosophy and the Institute of Sciences of the National University, the Faculty of Philosophy and Education of the Catholic University, the private "Escuela Normal Maria Auxiliadora" in Asuncion and the Superior Institute of Education under the Ministry of Education.

g. Regional Education Centers

In 1963, the San Lorenzo Normal School was converted into the first Regional Education Center; thereby, the USAID helped establish a pattern which was later followed by construction of three additional centers. In 1964 the Regional Center in Encarnacion was completed and in 1967 the centers in Villarrica and Concepcion were completed.

The latter three centers were constructed at an average cost of \$300,000 (excluding furniture, library books and equipment) and all four had a combined enrollment in 1969 of 7,075 students in grades K-12. The second cycle of the secondary school presently offers the three "tracks" of university-preparatory, commercial and primary school teaching. Also, the USAID Vocational Agriculture Project has been implemented in these centers, with the result that a high-school diploma in Agriculture is being offered. As yet there have been no graduates from this program since it is too new.

While there are deficiencies, it is generally conceded that these Regional Education Centers offer the best public education in the rural areas of Paraguay below the university level. They are staffed by full-time teachers and administrators, have good laboratories and in general have the necessary basic equipment and teaching materials. One of the key concepts of this proposed loan is the improvement of the entire public education system in the rural areas through the existing Regional Centers and three others, two of which will be new and a third to be created by additions to an existing complex of buildings. Thus, at the completion of the proposed loan activity, Paraguay would have a total of seven Regional Education Centers. One of the means through which it is proposed to make the schools more responsive to local needs is decentralizing the system

by delegating more authority and responsibility to the Regional Centers, which would not only serve as "models", but also as administrative units, teacher training and supervisory centers directly related to the schools in the surrounding areas. Thus seven regions of the country would be served. The network of seven Regional Centers (four existing and three proposed) will directly reach 10,700 enrolled students and indirectly affect 145,000 primary and secondary students within their zones of influence - or about one-third of the primary and secondary students of Paraguay.

h. Basic Defects of Present System

(1) Irrelevance and Inadequacy of the System and Future Needs of the Nation

- Educational opportunities available to rural children are far fewer than for urban children. Only 20% of the rural primary schools offer all six grades, and public secondary school opportunities are even more scarce. (See Annex II-H).

- The attrition rate at the primary level is very high, with less than 18% of those entering first grade completing the sixth. In the first three grades there are a great many repeaters. (See Annex II-I).

- The secondary curriculum emphasizes pre-university preparation, with its proliferation of courses in the humanities as opposed to technology. For all practical purposes, with the exception of one technical vocational school in the capital, there are no intermediate technical schools.

- Effective agricultural schools at the secondary level are lacking.

- The primary and secondary curricula are outdated and in the rural areas they do not relate to regional differences.

- Rote learning for the sake of passing examinations is still the general rule.

- An overabundance of poorly prepared graduates is being produced in the primary school teaching and commercial fields.

(2) Budgeting and Planning

- As a percentage of the national budget, the GOP education budget, while increasing (from 12.5% in 1969 to 13.3% in 1970) is one of the lowest in Latin America. (See Annex II-G-1).

- Budgetary size, preparation and execution are inadequate. As a result, a very large percentage of funds is expended in operating costs, with too little remaining for capital items, such as facilities, equipment and materials. (See Annex II-G-2).

- Planning does not usually include budgetary provision for support of new projects.

### (3) Administration

- The system is highly centralized, with most policy decisions made by the Minister. The result is a lack of responsiveness to local needs.

- Within the Ministry there is a duplication of functions and a lack of coordination between and among the various departments. There is no career personnel system. There is very little in-service training for teachers and other personnel and no merit pay system.

### (4) Teaching, Educational Materials and Facilities

- In general, although the situation is improving, teachers are poorly prepared. In 1968, 52.6% of the primary school positions in the rural areas were filled by people who had little or no formal teaching qualifications. 52% of the secondary school teachers (theoretically university graduates) have no more than a secondary school education.

- In most public schools, particularly in the rural areas, there are virtually no educational materials. Many primary schools received their first textbooks in 1968, and most of the books on the secondary level are outdated.

- Many rural primary schools provide up to second or third grade education only. Public secondary schools are overcrowded, particularly in grades 7 to 9, providing only 37% of the total classroom space for 49% of the secondary school population.

#### 1. Recent Studies of the System and Changes in Leadership

In 1965, UNESCO published a "Report on the Educational Situation in Paraguay" which was a pioneering attempt to collect data on the entire educational system. In 1966, an unpublished report to the Ford Foundation on education in Paraguay was written by Daniel J. Socolow. In early 1967, an AID/Washington Education Planning

Assistance Team was sent to Paraguay to study the situation and recommend action for improvement. This led the Ministry of Education to develop a list of items for which outside assistance was requested, which was submitted to USAID in March of the same year. The USAID Program Memorandum submitted in 1968 included an education sector analysis, which was brought up to date in 1969.

With the appointment of the present Minister and Sub-Secretary (now Director General) in mid-1968, the Ministry began to demonstrate serious concern about its major problems. In November, 1968, a team was appointed by the Minister to prepare a diagnosis of the system and develop a twelve year national education plan. The results of these efforts were published in two volumes, "Diagnostico del Sistema Educativo" and "Plan de Desarrollo Educativo, 1969-1980." These unprecedented initiatives on the part of the Ministry of Education led to further refinements and initial implementation of the Plan, discussions with IBRD, the receipt of an increased level of technical assistance from UNESCO, and finally a request to USAID for the present loan. Relations between the Ministry and the USAID since the present Minister has been in office have been excellent, with full cooperation on the part of the Ministry personnel, and frequent and frank discussion between key Ministry and USAID officials in the development of this loan.

## 2. The AID Education Program in Paraguay below the University Level

Since 1945, AID and its predecessor agencies have conducted bilateral assistance programs in elementary and secondary education, first through the Servicio arrangement and later through USAID. From 1962 through 1967, an Alliance for Progress Rural Education Development Project was implemented. Three Regional Education Centers were constructed and equipped and classrooms were added to a normal school to convert it to a Regional Center. 2,396 teachers received in-country in-service training, 34 teachers, supervisors and administrators were sent abroad for training (the majority to the U.S.), 7,500 units of furniture for the new Regional Centers were constructed, a Curriculum Center was established (which produced 457,050 textbooks), ten elementary schools were constructed, and 19 were repaired. The total value of U.S. grant aid to Elementary and Secondary Education development has been \$5.3 million, and the total of all assistance to education \$9.8 million.

At present a successful USAID project in Vocational Agriculture Education, implemented from FY 1965 through FY 1970, is being terminated with the departure of the direct-hire technician. Other

active projects with the Ministry of Education are a Textbook Cooperative Sales Program (for teachers), a study of the causes of school desertion, repetition and overage, a school feeding program including 125,000 children and a PL 480 project to help improve the Carlos Pfannl Agricultural School. In addition, AID currently has a contract with the Hispanic American Development Corporation to provide educational planning assistance to the Ministry.

3. Other Assistance to Elementary and Secondary Education in Paraguay

The Organization of American States has a program largely limited to equipment and supplies for the production of didactic materials and training abroad. In the past year, approximately \$30,000 worth of printing material and supplies as well as training abroad in didactic material production have been provided. A current project provides \$45,000 worth of equipment and supplies for an adult literacy training program in addition to training abroad for four teachers, and another project provides \$31,000 to produce materials for science teaching. Two technicians could be made available, but the Ministry to date has not decided on the fields of specialization.

UNESCO provides technical assistance to the Ministry in Adult Literacy training with the services of one expert. An expert in Science Teaching, assigned to the Institute of Science at the National University assists the Superior Institute of Education also. Three experts will be arriving shortly to work in Supervision and Teacher Training, Curriculum Development and Educational Research and Evaluation. Two additional experts in Science Teaching who will also work with the Superior Institute are expected to begin work in the next few months. This program also currently provides three fellowships abroad in Educational Research, Curriculum Development and Educational Planning. A small amount of commodities is provided.

Another UNESCO program in Primary Education, coordinated with UNICEF assistance, is basically an in-service training program for teachers and supervisors, particularly in the newly colonized areas of Paraguay. UNICEF provides a basic set of didactic materials, vehicles and hand tools for shops gradually being installed in the larger rural elementary schools. Fifty percent of the funds in this

project are allocated to in-service training. This UNESCO-UNICEF program is scheduled to receive \$200,000 for additional in-service training, educational specialists and equipment for the two year period through the end of FY'71. The Ministry has requested that UNICEF designate didactic materials under this program for the primary schools to be constructed under this AID loan.

The UNESCO technical assistance has been coordinated between UNESCO and the USAID, with particular reference to the construction of the Superior Institute and the Regional Education Centers.

Discussion between the Ministry and the World Bank and USAID have centered on the World Bank's interest in secondary technical and vocational education. The Bank is aware of the parameters of this proposed loan project and its proposed loan, which is still in the initial stages of development, will complement rather than duplicate the USAID loan project.

The Peace Corps at present has one volunteer assigned to each of two Regional Education Centers, working with teachers in specific subject matter areas. The Peace Corps is being requested to provide a group of approximately 15 volunteers to provide technical assistance under this loan project. (See annex IV-C).

B. Place of Project in Country Program

Education has always had a high priority in AID and predecessor agency programs - generally ranking next to agriculture in overall priority. During the period 1942-1970 education has received more grant assistance (\$9.8 million) than any other sector, but education has received no loan assistance from the U.S. Government.

The basic reasons for the lack of prior loan assistance can be traced primarily to the poor working relationships which existed between the Ministry of Education and the USAID during the period 1962 to 1968. With the change of Ministers in August 1968, relationships between the Ministry and the USAID immediately began to improve and, perhaps more important, the Minister organized his own staff to identify and propose solutions for Paraguay's educational problems. The Diagnostico and Plan represent the first comprehensive analysis by the Paraguayans, and provided the basis for the development of this loan project.

Thus, the FY 1970 Program Memorandum (written in August 1968) proposed a loan in FY 1970 to the Ministry of Education for "curriculum development and general improvement of educational activities of the four existing regional centers and the creation of three or four more. These centers will be used as the basis for upgrading schools in surrounding areas. They can also serve as catalysts for community involvement in activities fostering social reforms and political democratization. The IBRD may cooperate in the loan funding."

Development of this proposed loan continued along these lines, becoming more comprehensive as the Ministry's desire to effect basic reforms across a broad front became increasingly apparent. The FY 1971 Country Field Submission (submitted in July 1969) described the self-help steps being taken by the Ministry of Education and proposed a loan which would place major emphasis on existing and new regional centers. In addition "the major problems recognized by the Ministry of Education will be addressed, such as extremely high drop-out and repetition rates, the lack of relevance of formal education to Paraguayan development needs, the need for in-service teacher education, supervision of the feeder schools, and others."

The FY 1972 CASP included as one of its six major objectives "Improvement in primary and secondary education designed to provide a curriculum more adapted to Paraguayan development needs, and more effective and less costly education administration," and identified this proposed education loan as the principal tool to achieve that objective.

Finally, this proposed loan is in direct support of CIAP recommendations for Paraguay. In 1968 CIAP recommended that the GOP devote priority attention to the high drop-out rates among primary students, shortage of secondary schools, educational reform, regional educational centers, industrial and vocational education, and increased financial resources to the Ministry of Education. In 1969 CIAP increased its emphasis on the education sector recommending that the GOP consider future revision of its public investment priorities to give more emphasis to projects in the productive sectors and education.

Thus, the proposed loan is in direct support of high priority objectives of CIAP, the CASP, and AID for Paraguay, and will make a major contribution to correcting key educational weaknesses.

C. Preliminary Analysis of Educational Reform in Paraguay

The project has been developed as the result of a period of extensive self-study by the Ministry of Education. In November 1968, shortly after his appointment to office, the new Minister appointed a technical team to evaluate Paraguayan education and to prepare a plan for educational development. The report of this team was published in two volumes completed in 1969; Volume I, Diagnosis of the Educational System and Volume II, Plan for Educational Development 1969-1980. These documents were summarized in TOAID A-312 of October 13, 1969. The Diagnosis frankly admits that Paraguayan education has been inefficient and poorly adapted to the present and anticipated future needs of the nation. The Plan outlines both qualitative and quantitative programs for overcoming the shortcomings identified in the Diagnosis. (These shortcomings are identified in the IRR for this loan). While the Plan has weaknesses (inadequate budget analysis, tendency for mechanical projections, and perhaps is over-ambitious), it is a serious and meaningful document. Considering the inadequacies of the statistical material available to the technical team, the previous lack of meaningful educational planning in Paraguay, and the relative inexperience of the team in educational planning it is a high quality report. The frank and realistic appraisal of Paraguayan education by this team created an atmosphere and a base for subsequent progress.

Since the publication of the plan, the MOE has been quite active in pursuing several reforms:

(1) Director General of Education

The position of Director General of Education was created replacing the former position of Sub-Secretary of Education. This is the number two position in the Ministry. The title change was made to emphasize that:

- (a) The position will be used to coordinate all activities of the Ministry and
- (b) It is a position to be filled according to criteria of professional and technical capability, rather than viewed as a political position.

The Director General was selected according to these criteria. He is a professional educator with substantial experience in both education and government (see Annex II-C for biographical information on the Minister and Director General of Education.) His scientific orientation (as a chemist) has provided both an analytical orientation within the Ministry and a high level spokesman for a less traditional, more modern curriculum. In this he has received full support of the Minister. The Director General recently returned from a USIA Leader Grant to the United States and is highly enthusiastic about introducing educational innovations in Paraguay.

- (2) On January 10, 1970 the Minister issued a resolution entitled "Operating Program of the Central Coordinating Commission". Under this resolution he created the basis for embarking upon educational reform. The two key commissions formed were a Central Coordinating Committee to integrate the activities of ten working committees (a list of the committees appears as Annex II-D) and an International Agency Coordinating Committee to work with AID, IBRD, IDB, UNESCO and other international organizations. The latter committee has held very frequent meetings with the USAID's Deputy Director, the Education Advisor and the Hispanic American Development Corporation consultant since early February concerning plans and conditions of the current loan proposal. The Central Coordinating Committee has also been active. Reforms adopted as of early May 1970 are specified below.

(3) Ministry Operating Procedures

The Ministry recognizes that there is a need for adopting more modern accounting, budgetary and personnel practices. As a first step in this direction, the Ministry has invited Mr. Isidoro Jaliff, a USAID contractor with the firm Horwath and Horwath (New York) to advise it on its administrative, accounting and budgeting practices. Mr. Jaliff, who has been working in these areas with other GOP Ministries for  $3\frac{1}{2}$  years, has already completed considerable research and currently is preparing an operations manual for the Ministry. This manual should be completed and implementation begun in June. He also has conducted a 26 hour course for 37 Ministry employees covering the basic elements of public accounting, internal auditing and administrative procedures.

The single most important result of Mr. Jaliff's work will be the establishment of a Central Budgeting and Accounting Office within the Ministry. The establishment of an accounting system will result, also, in improvements in the Statistical Division. Here, improvements in statistics for accounting purposes will be integrated with some basic improvements in the collection and analysis of statistics for use by the planning department. Given the current situation, emphasis will be on basic and standard procedures. Sophisticated procedures and techniques must await development of a basic competence in these areas.

The development of a budgeting and accounting office and the development of an improved personnel policy for teachers will be accomplished under this loan.

(4) Bachillerato Reform - Regional Centers

The Ministry has adopted a new curriculum for the 10th, 11th and 12th grades in the regional centers, designed to emphasize vocational and scientific alternatives. At the present time there are three alternatives at this level: humanities (55% of enrollment), normal school (28%) and commerce (17%). The first two programs are "traditional" and "classical" in their orientation. Commerce courses tend to be taught at night and are of generally low quality.

Under the new program all students will enroll in a common core of courses encompassing languages, social studies, science, art and physical education. The students will then "major" in one of the following elective areas: humanities, agriculture, poly-technical (shop), commerce, home economics, or science. For the first time students will be able to choose agriculture poly-technical, home economics, and science specialties. The program will be further strengthened by moving from a half-day to a full-time schedule. Normal school will no longer be an option at the high school level (see 5 below).

This program is being adopted initially for the four existing and 3 proposed regional centers. It is eventually to be adopted country-wide, but at the present budget considerations preclude such coverage.

(5) Teacher Training Reform

(a) Primary

At the present time primary teachers are trained in the normal schools which operate at the second cycle level of the secondary program (grades 10,11, 12). There are 42 schools offering this program with quality generally running from poor to bad. (The normal schools in the regional centers and in Asuncion approach adequacy, considering that they are only high schools). More than 4000 students are enrolled in the program with approximately 1250 graduating each year. According to the Plan only about 500 graduates will be needed each year through 1975 and 600 will be needed by 1979. In addition there exists a large excess-supply of normal school graduates who are currently unemployed (perhaps as many as 3000 with perhaps one-third of this number actually available in the sense they are currently seeking or would accept primary school teaching positions). The reform, then, has the twin objectives of upgrading the quality of primary school teachers and reducing the number trained to meet actual demand.

To accomplish this, the Ministry has decided to close all public normal schools except those in the regional centers. These facilities will be used, in the main, as secondary education facilities thereby helping to relieve the shortage of secondary school classrooms. Those normal schools remaining will be changed from a three year secondary level program to a 2 year post-secondary program. In addition, this loan will provide for the expansion and upgrading of a Superior Institute of Education which will share facilities with an 8th post-secondary normal school. This school, described below, is to be a substantial force toward quality improvement in Paraguayan teacher training.

Although the Ministry can close only the excess public normal schools, it feels that nearly all the 17 private normal schools will be forced to convert to regular secondary schools, since the Ministry plans to hire only primary teachers meeting the new requirements. Thus, the Ministry will effectively control the job market for graduates of any secondary level normal school.

The reform is to begin with the 1971 school year which starts in March of that year. The 10th grade normal class will be closed out in the old schools at that time. In March, 1972 the new post-high school program will enroll its first students. By timing the changes this way, the Ministry will be able to shift from a 3 year to a 2 year program without increasing the excess supply of teachers during the transition. The last graduating class under the old program will be 1972 and the first graduating class under the smaller new program will be 1973.

The introduction of the home economics alternative at the secondary level also is expected to reduce substantially the over-supply of teachers, as 88% of the normal school enrollment is female.

The Ministry realizes the need for a curriculum overhaul with the new program. A committee is currently working on this problem, but final decisions will not be made for some months. At present, the committee is working with Hispanic American's curriculum development specialist to lay the groundwork for this reform. Final decisions and plans for implementation will be made during 1971 with the assistance of a USAID technical assistant under the loan. It already appears clear that the Ministry wishes to place greater emphasis in teacher education to develop competence in the fields of health, agriculture and community development.

As in other countries of Latin America, it is very difficult to interest teachers in serving in the remote rural areas. The Ministry is now considering two alternative solutions to this problem. The first, and preferable, is to offer scholarships to promising students from these communities to obtain normal school degrees on condition that they return to teach primary schools in their communities. The second alternative is simply to require that all entrants into public normal schools agree to serve a minimum of two years in rural

communities. Since the number of people wishing to enter normal schools will far exceed the spaces available, it should be possible to impose this condition and still have an adequate supply of well-qualified normal school students.

(b) Secondary

Secondary teachers are generally trained in the universities. The Ministry has no direct control over the universities, although it provides the primary job market for graduates from the Philosophy and Education faculties. Nonetheless, certain steps are planned which will improve teacher quality at this level.

The secondary program is divided into two levels: the basic cycle (grades 7, 8, 9) and the second cycle (10, 11, 12). One attempt to improve teaching at the basic cycle level will be the establishment of a three year course at the new Superior Institute of Education in certain technical areas such as science and mathematics. The teachers produced will be given preference in hiring by the Ministry.

The Ministry also plans to hire more secondary teachers on a full-time basis than in the past. Budget considerations, given other reforms adopted, will not permit rapid movement toward a full-time secondary staff. As a minimum, however, the Ministry will continue its policy of hiring a majority of teachers on a full-time basis for its 4 existing regional centers and the 3 new regional centers (and, of course, in the Superior Institute of Education). It is felt that full-time teachers perform at a much higher level than part-time teachers. This is because the Ministry has fewer positions to fill and can choose the better applicants, and because the teachers do not have conflicting professional demands on their time.

(c) In-Service Training

The Instituto Superior and the Regional Education Centers will offer a large number of courses to in-service teachers. Some of these courses will be supported by becas (UNESCO) and will run for the full school year. Others will be only during vacation periods and, hence, supported only by free (or nominal) tuition and by new personnel policy which rewards in-service training through subsequent salary adjustments.

The regional centers have not done much to date in improving the quality of teaching in their zones of influence, mostly because of inadequate funds to expand their activities. However, in this past year some department-wide conferences have been held, both during the school year and during the summer vacation. Efforts will

be made to increase this program - in some centers utilizing Peace Corps volunteers which the Ministry has indicated it wishes to place in such coordinator positions.

(6) Primary School Reforms

The Ministry wishes to establish a primary school program in colonization areas which emphasizes agriculture, health, home economics and community development. This will be accomplished by adopting a new curriculum based on the following:

- a. Social education and "initial activities"
- b. Language
- c. Science
- d. Math
- e. Health and physical education
- f. Agriculture
- g. Home economics
- h. Manual arts and shops

Although the Ministry has committed itself to a substantial curriculum revision along these lines, the exact nature of the reform will be worked out with the assistance of a Hispanic American consultant.

The reform will involve the construction of 120 primary schools in rural areas and the zone of influence of Regional Education Centers with rudimentary shop, home economics and agriculture facilities. One school in each small region will be designated as the head school with other schools in the area becoming satellite schools, using some of the equipment of the head school on a rotating basis.

The program will be initiated in the colonization areas and will include the 10 schools where UNESCO has already constructed basic shops. The exact location of the schools is yet to be determined and will be jointly agreed upon by the Ministry and the USAID. Mr. William Mann, school construction specialist from USAID/Chile has completed two TDY assignments to Paraguay working with Paraguayan school architects. He is satisfied that the Ministry has the capability of designing and supervising the construction of adequate buildings made primarily from local materials.

SECTION II - PROJECT DESCRIPTION AND EVALUATION

A. Description of Project

1. Regional Centers

Three regional centers will be constructed. Two of these (Puerto Presidente Stroessner and Pedro Juan Caballero) will be completely new educational centers with facilities similar to existing regional centers (See Annex II-L). The third center (Pilar) will involve only minor construction and equipment projects as the basic facilities of a regional center already exist. The goal in this case is to construct the facilities and provide the equipment that will enable the complex to serve as a regional center.

The Regional Centers are generally considered to be the best schools in the interior of the country today (public or private). Under this loan the number of such centers will be expanded so that most of the larger interior towns will have such facilities. With the curriculum reform, the change in normal school education, and the expanded program of contact with other schools within their zones of influence (through Ministry action aided by Peace Corps technical assistance), the Regional Centers will have a still greater impact on interior and rural education. Successful reforms in regional centers can pave the way for a more efficient and relevant education in the entire country.

Puerto Presidente Stroessner

(a) Location and Need for Facilities

The most rapidly growing department in Paraguay since the last Census (1962) has been Alto Parana. Estimates for 1968 show that the population in this department almost doubled from 1962-1968, growing four times as fast as the total population in the country. Further, this growth was concentrated in the Hernandarias district which includes Puerto Presidente Stroessner. More than 90% of the Alto Parana population lives in this district.

It is anticipated that the population will continue to grow at a rapid rate. The bridge across the Parana River at

Puerto Presidente Stroessner makes this area the primary entry location for traffic to and from Brazil. The importance of the bridge is increased, of course, by the paved road between Asuncion and the free port of Paranagua.

A second reason for expected population growth also is related to the highway. The existence of this highway has opened this fertile region to greater agricultural development. While the process is already well under way, it is probably not yet completed. This is especially true for supportive services and small industries in the towns of the area.

In the longer run this will be an important region in Paraguay. Full realization of this potential, however, is probably some years away and will depend heavily upon the provision of more roads and overhead services. Adequate school facilities are obviously among these services.

While the number of primary schools has doubled in this same 1962-68 period, the primary enrollment has more than tripled. The student/teacher ratio rose over the period from 30 to 36, the highest department average in Paraguay at the present time. Of 50 primary schools, only 14 offered all 6 grades and one third offered only the first grade or first and second grades. While 3,608 students were enrolled in the first grade, only 529 were enrolled in grade 6 (1969).

There has been a very rapid growth in primary enrollment. From 1968 to 1969, for example, total primary enrollment in the Department of Alto Parana rose from 8,004 to 10,255 or 28%. Of course, this will have a substantial impact upon secondary enrollment in the near future, especially when free public secondary education is made available through the Regional Center.

The enrollment in secondary schools has been substantially below the national average. While this particular department contains about 2% of the population it enrolled only 1% of the 7th, 8th, and 9th grade students and only 3/10 of 1% of the 10th, 11th and 12th grade secondary students in 1968, all of them in the humanities program. In 1969 there were 391 students in grades 7-9 and 72 students in grades 10-12, including 17 in the commercial program. The Ministry of Education indicates that there are six secondary schools in the "possible zone of influence" of Puerto Presidente Stroessner with only 16 rooms. It should be noted, however, that all six schools are private and

that only one has any rooms of its own (2 rooms) - the rest use inadequate rented facilities. Thus, the Regional Center will be built in a populated area which is very deficient in educational facilities, particularly at the secondary level.

Clearly, given the rapid population growth, the present state of educational facilities, and the future prospects for the district, construction of a Regional Center at this time is a wise investment.

(b) Capacity of Center

Demand for primary education in the area will far exceed that planned for the Center. This will be taken care of by building other primary schools in the area. The Centers, while continuing to offer a full spectrum of educational services from pre-school through the second year of the new normal program, are not intended to serve predominantly as primary centers. Further, primary children should live as close to the schools they attend as is economically feasible.

Enrollment in the basic cycle, grades 7-9, should reach capacity easily during 1972, the first year of operation. The enrollment for the second cycle is more difficult to calculate, given the fact that a new program is being introduced and that there is no experience with public education at this level in the area. The capacity is being designed for 250 students realizing that this may cause some excess capacity in the first one or two years. A secondary school smaller than this should not be built in this area, however, as it would be uneconomical in size and would necessitate the building of a second secondary school of uneconomical size within the very near future.

The normal school enrollment will be held at the indicated size based on the projected need for primary teachers.

Enrollment Capacity

Puerto Presidente Stroessner Regional Center

Pre-School	40
Primary	480
Basic Level	480
Second Level	250
Normal School	75
	<u>1325</u>

See Annex II-M for a description and justification of the Physical Plant.

Pedro Juan Caballero

(a) Location and Need for Facilities

Pedro Juan Caballero is a rapidly growing district in Amambay, a department that is growing substantially faster than the national average (36% vs. 23% from 1962-68). Approximately 3.4 of Amambay's population is in this district with the town of Pedro Juan Caballero (population about 16,000) being the largest town.

It is probable that Pedro Juan Caballero will continue to grow and will maintain its position as the dominant urban center in the area. The recently completed road to Coronel Ovidio, although not paved, will likely provide a stimulus to population growth and economic growth for some time. The completion of the AID financed electric plant will also act as a stimulus to the city and the surrounding area. A bridge under construction at Bella Vista to connect with Pedro Juan Caballero and Concepcion should be a significant stimulus to the area's development.

In 1969 primary enrollment in Amambay was approximately 7,250 students, with over 75% in the Pedro Juan Caballero district. Although the growth in primary school enrollment has been rapid in the past 6 years (more than a 50% increase from 1962-68) attendance rates are still below the national average. Three-fourths of all primary schools students are enrolled in the first three grades, with 2/3 of the 53 schools offering only 1, 2 or 3 years of study. With the rapid growth in numbers from 1962-68 the average student/class figure has advanced also from 26.7 to 33.0, putting greater strain on facilities.

The Department of Amambay is also substantially below the national average in secondary school attendance. This is particularly true for the final three years of secondary training. Although Amambay has 2.1% of the country's population, it has only 1.5% of Basic Cycle enrollment and only 9/10 of 1% of the enrollment for the final three years.

In 1969 enrollment in grades 7-9 was approximately 400 and enrollment in grades 10-12 approximately 150 in the Department. At the present time 3 secondary schools and a normal school

in Pedro Juan Caballero account for all second cycle enrollment and most of the basic cycle enrollment of the Department. Three are public schools and one is private; all will be converted to other uses.

The rapid population growth, prospects for the region, and present school situation all indicate that a Regional Center in the area would be a wise investment.

(b) Capacity of Center

The capacity of the center will be the same, at all levels, as that to be built in Puerto Presidente Stroessner:

Pre-School	40
Primary	480
Basic Cycle	480
Second Cycle	250
Normal School	75
	<u>1325</u>

Primary and pre-school enrollment will have to be held to the capacity figures. Conversion of the normal school, the small public high school and the high school part of the Redemptorist school to primary facilities should be satisfactory, however, for immediate primary needs in the area.

In 1968 primary enrollment, by grade, in the Department of Amambay was:

Grade 1	2651 students
2	1895
3	1328
4	993
5	638
6	439

These figures indicate that the basic cycle and second cycle capacity figures are reasonable. All second cycle students in the department and most of the basic cycle students will be in the center. For the country from 1964-69 the retention rate for primary students was 25.2% - i.e. 1 out of every 4 students who began grade 1 in 1964 was enrolled in grade 6 in 1969. (This was a substantial improvement over the figure from the 1956-1961 rate of 13% or 1962-1967 rate of 21%). With the introduction of free quality education in Amambay, it is reasonable to expect the

rate in this Department to move toward the national average (but not reach it as the national average is influenced greatly by Asuncion figures). If this is the case, the capacity provided for the basic and secondary cycles will be fully utilized by within the first two years. Normal enrollment will be held to the numbers indicated, consistent with the teacher training reform.

(c) Physical Facilities

The physical facilities will be the same as for the Regional Center at Puerto Presidente Stroessner (See Annex II-M).

Pilar

(a) Location and Need for Facilities

The school system in Pilar is in many ways already comparable to a regional center. This system already contains one of the best vocational programs (machine and carpentry with fledgling electricity and automobile shops) in Paraguay. The goal is to expand the vocational agriculture offering and to convert this system into a regional center which will have an influence throughout the Department.

Since most of the physical facilities desired for a regional center already exist, this project will be much smaller than those located in Puerto Presidente Stroessner and Pedro Juan Caballero.

(b) Physical Facilities: Description and Justification

Several constructions will be necessary for the Pilar Regional Center. The first will be a small agriculture building with the following features:

- 1 classroom
- 1 shop room
- 1 shed for a tractor and other tools
- 1 well and pump
- 1 shower and toilet facilities

These are essentially the agricultural facilities in the existing centers. An agricultural program exists now, in its infancy, on land recently acquired for the purpose. There are, however, no physical facilities devoted to the program.

The remainder of the construction will be at the sight of the present normal school and will include two classrooms for a new normal school; rooms for natural science, physics and chemistry, commerce, home economics, and art; an auditorium, a snack bar, library facilities and the offices necessary for the administration of the Regional Center. The thirteen rooms in the existing normal school will be renovated for use as secondary school classrooms.

This construction program will provide the facilities necessary to make service to area schools possible. In addition, it will create the facilities necessary to allow Pilar to participate in the second cycle and normal school reforms planned for regional centers.

(c) Equipment

Equipment needs will be less than in most centers as Pilar already has adequate equipment in some areas (e.g. science) and substantial, though not sufficient, equipment in others (e.g. machine shop, carpentry). Under this loan \$4,000 will be provided for electricity shop equipment and \$26,000 will be provided for office and teaching equipment necessary for the new Regional Center program.

2. Superior Institute of Education

(a) Introduction

The Superior Institute of Education (SIE) is a new institution established in 1968 with the following objectives:

- (1) Training of teachers for the basic cycle; supervisory personnel for the primary and secondary schools, and teachers in certain special areas for all levels (e.g. science, math teachers).

- (2) In-service training for those already employed in the above areas.
- (3) Pedagogic research.
- (4) Development of new teaching materials.
- (5) Development of experimental educational programs.

During the first year of operations the SIE was located in the Regional Education Center at San Lorenzo. In 1969 temporary rented quarters were secured in Asuncion, with present 1970 enrollment as follows:

Guidance Counselors	14	
Primary School Directors	50	
Secondary School Directors	35	
Specialists in Adult Education	8	
Industrial Arts Teachers	15	
Ciclo Basico teachers:	95	
Natural Sciences		(32)
Mathematics		(38)
Modern Languages		(25)
	217	

Some of the students enroll directly after their high school training. Many, however, have teaching experience and are enrolled either under becas provided by the UNESCO or, if they are teaching part-time, during non-working hours. There is a substantial short-course program offered to in-service teachers during the vacation period which is not reflected in the 1970 enrollment figures above (285 teachers enrolled in such courses between the 1969 and 1970 school years).

Under this loan the Ministry will build a physical plant for an expanded SIE. The plant will include a post-bachillerato normal school which will make joint use with the SIE of such facilities as the water system, gymnasium-auditorium, canteen, etc.

(b) Location and Need for SIE

The Ministry owns a sizable tract of land located on the main approach road to Asuncion. This location, which can best be described as suburban Asuncion, is adequate in every respect for the SIE and has been designated by the Ministry for its use. The site should be in the Asuncion area in order to attract a qualified teaching staff. Likewise Asuncion is the most centrally located city when both population density and available transportation are considered.

SIE is a fundamental part of the Ministry's teaching reform program. The emphasis is upon special technical areas of education, especially science and math, which are being emphasized in the second cycle curriculum reform; and on the training of directors and other administrative personnel for the schools - especially in the interior. Educational research will be conducted in the same institution so that students will be in daily contact with those concerned with the development of pedagogic methods and teaching materials. Textbook production and distribution will remain located in the Ministry but will be assisted by some experimentation and writing within the SIE. Three UNESCO technical assistants will be assigned to SIE (see "technical assistance" below) to assist in these objectives. The goal is to create a program and an atmosphere which will break through the rigid, traditional teacher training program of the past.

A post high school normal school will be constructed in the same building complex. The normal school will be the only normal school in Asuncion, replacing the three secondary level normal schools which now exist and will be an integral part of the program.

It is felt that the combination of the change from a bachillerato to post-bachillerato normal program, the establishment of special training programs for particular important (and neglected) areas, in-service training for existing teachers and a supportive didactic material program will have a significant impact on the quality of primary and secondary education in Paraguay, especially in the interior areas to which the program will be directed.

(c) Capacity of SIE

Projected capacities for SIE and the attached normal schools and primary schools are:

Superior Institute of Education:

First year	260
Second year	240
Third year	<u>220</u>
Total	<u>720</u>

Normal School:

First year	260
Second year	<u>240</u>
Total	<u>500</u>

The total enrollment in the new Normal School and SIE will be a reduction of approximately 10% from present enrollment in the 3 Asuncion normal schools and the present SIE, combined. However, the number of new teachers produced will be substantially less as a large percentage of the SIE enrollment (probably about one-half) will be in-service teachers and administrators. UNESCO will give 120-150 becas for study in SIE during the calendar year 1971, mostly to teachers from the interior of Paraguay, and plans to continue such assistance for the foreseeable future. (This number does not include short-course becas - 4 weeks or less). Thus, capacity enrollment as projected (together with the closing of all existing normal schools) would simultaneously reduce the over-supply of teachers in the capital and increase the supply of qualified teachers in the interior.

See Annex II-M for a description and justification of the physical plant.

### 3. Primary School Construction

120 grade schools will be constructed under the loan with emphasis on new schools in the areas of influence of existing and to-be constructed Regional Education Centers. 20 of the schools will be central grade schools and 100 will be satellite schools around the central school. The Central schools will have a capacity of 600 students - physical capacity for 300 students at one time with 2 sessions per day. The satellite schools will have a capacity for 200 students on the same basis. These schools will be coordinated with existing schools to form groups of schools - the central school in each case supervising the use of didactic materials, tools, etc. in the system.

All schools constructed will offer all six grades of primary education. A significant factor in the very high dropout rate between the first and sixth grades is that many interior schools do not offer more than one, two or three years of instruction. (See table).

Highest Grade, Rural Primary Schools, 1968  
Selected Departments

<u>Department</u>	<u>Highest Grade Offered</u>					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
Concepcion	4	32	25	19	9	11
San Pedro	5	29	33	27	9	30
Cordillera	16	42	31	37	21	37
Caaguazu	27	41	37	23	8	26
Alto Parana	5	11	7	8	3	7
Amambay	5	14	15	6	0	6
Ñeembucu	5	31	30	16	5	10
Itapua	16	62	50	44	25	38
All Rural Schools	128	451	387	288	162	346

This program will substantially expand the availability of primary education in the colonization areas, where schools offering three grades or less are concentrated.

The schools constructed under the loan will become involved in a curriculum reform designed for the rural Paraguayan student. This reform, a part of the overall curricula reform, will be based on the assumption that most students in these schools will not proceed beyond the sixth grade.

The schools will be equipped with the unsophisticated equipment and books necessary for this program. UNICEF-UNESCO is favorably disposed to grant the request. If they do not do so, construction will be reduced slightly under this loan with the resulting savings being used to provide adequate equipment and didactic materials.

The Ministry is also considering the problem of incentives to teach in these rural area schools. One attempt at solution of this problem will be the construction of modest living quarters for teachers in the central schools. The Ministry also is considering the adoption of a program whereby rural students would receive scholarships to the new normal schools upon their promise to teach at least two years in rural primary schools, or simply requiring that students who wish to enter normal schools agree to serve a given period of time after graduation in isolated areas.

The physical facilities to be constructed are described in Annex M.

4. In-Service Training

Three years of in-service training will be provided under the project. Training will be offered in both the existing Regional Education Centers and the Superior Institute of Education (SIE) according to the following tentative plan:

	<u>Number of Students</u>	<u>Guarani Costs</u>	<u>Dollar Equivalent</u>
1971: Mathematics **	80	2,650,000	( 21,030)
Natural Science **	80	2,650,000	( 21,030)
Spanish **	80	2,650,000	( 21,030)
Social Studies **	80	2,650,000	( 21,030)
Design & Arts **	80	2,650,000	( 21,030)
Department Heads *	40	960,000	( 7,620)
Principals & Administrators *	20	480,000	( 3,810)
Supervisors *	20	480,000	( 3,810)
<b>Total</b>	<b>480</b>	<b>¢15,170,000</b>	<b>(\$120,400)</b>

\*\* offered in both Regional Centers and SIE, 4 month course

\* offered in SIE only, 3 month course

1972: Same as 1971	480	¢15,170,000	(\$120,400)
1973: Mathematics *	40	¢ 1,280,000	(\$ 10,160)
Natural Science *	40	¢ 1,280,000	(\$ 10,160)
Spanish *	40	¢ 1,280,000	(\$ 10,160)
Social Studies *	40	¢ 1,280,000	(\$ 10,160)
Design & Arts *	40	¢ 1,280,000	(\$ 10,160)
<b>Total</b>	<b>200</b>	<b>¢ 6,400,000</b>	<b>(\$ 50,800)</b>

\* offered in SIE only, 4 month course.

3 year TOTALS                      1160                      ¢36,740,000                      (\$291,600)

These courses are in addition to the beca program sponsored by UNICEF which is concentrated in the science and mathematics, offering approximately 100 scholarships per year for in-service training at the Superior Institute of Education. UNICEF also offers a number of short-course scholarships during vacations (4 weeks or less). Within this

short-term program UNICEF plans an in-service program to orient teachers to new textbooks and other didactic materials. If UNICEF assistance should prove insufficient, this tentative plan can be altered to provide funds for orientation in the use of these materials.

The becas will be controlled so that both the interior and Asuncion will benefit. The courses in the regional centers will be for students from the relevant zones of influence; courses at SIE will be for teachers and administrators from all schools, with the emphasis on schools in the interior.

#### 5. Textbook Production Project

On the premise that a \$105,000 pilot textbook production project grant funded by USAID in FY 1970 will be implemented in FY 1971, the Ministry has planned a three-year project to be funded under this loan. If approved, the grant funded project will provide experience in production and distribution. It would result in the production of 180,000 urgently needed textbooks, in five titles, the manuscripts for which are now ready. It would make possible a carefully controlled study of comparative costs, with production divided between the Ministry and local commercial firms, prior to the implementation of the loan-funded project.

If the grant-funded project is not approved, the loan-funded project described below will be adjusted accordingly.

The projected loan would enable the Ministry to build on the experience gained with the grant-funded project, which will provide readers for the first, second and third grades and a basic text in subject matter areas for first grade and another for second grade. On the assumption that these books are produced with grant funds, the loan-funded project would begin with the production of readers for grades four, five and six.

Over the three year life of the loan, it is anticipated that 480,000 copies of 19 books would be produced. In 1971, 180,000 books would be produced and in 1972, 205,000. The third year's production would be 155,000.

The Ministry plans to sell or rent the books at a small fee. It is estimated that 40% of the cost of the first two years' production will be recovered, providing more than enough funds to cover the production planned for the third year.

The Ministry also plans to purchase children's books for the Bookmobile and maps, charts and workbooks in relatively small quantity. The portion of the loan estimated for the first two years book production and these items is \$333,000 of which \$133,000 would be for paper, ink, and other foreign exchange costs.

From 1955 through 1967, through the Education Servicio and later under the Rural Education Development Project, a Curriculum Center, whose principal functions were to produce textbooks and train writers, librarians and teachers receive technical assistance. Short-term consultants and direct-hire U.S. technicians helped the Ministry build up and train staff of writers. It is this group, now absorbed into the Department of Educational Materials Production, which has produced the five manuscripts which are now ready for printing and has others in preparation.

The books produced under this proposed loan would be primarily for distribution in the rural areas, where the need is greatest. The Training of teachers in the use of the books would be included in the in-service training provided by the loan, and the Ministry will develop a system of evaluation of the books as educational tools and follow up on their use.

#### 6. Technical Assistance

The following technical assistance will be provided under the loan:

a. The Peace Corps will provide approximately 30 man years of assistance to the regional centers. Fourteen volunteers will be based in the regional centers working with area teachers in the fields of agriculture-shop, mathematics, science, and home economics-health. These volunteers will conduct in-service workshops at the centers and also will travel to area schools to work with teachers on location. The Ministry will provide an equal number of full-time counterparts who will be expected to continue on the job after the Peace Corps volunteers leave.

The 15th Peace Corps volunteer will work with the Regional Center office, coordinating the program and assisting that office in establishing working relationships between the Centers and their outlying schools. A Paraguayan counterpart will be provided from the Regional Center Office.

b. One full-time architect or civil engineer to assist in the final design and supervision of construction. This person will work with the Office of School Construction for a period of up to three years.

c. One full-time curriculum expert to work with Ministry and UNESCO technicians in establishing the normal school, secondary and primary curriculum reforms. Two years.

d. One full-time expert in educational administration, accounting, statistics and budgeting. Two years.

e. Short-term assistance in textbook preparation, audio-visual education, bilingual education.

f. UNESCO will make available six experts to work with the Superior Institute of Education and the Ministry in the following areas: educational research and evaluation, curriculum development, teaching of science, supervision and teacher training. At least 8 man-years.

Project Costs

	¢	\$
15 Peace Corps Volunteers *	--	--
15 Peace Corps Counterparts **	6,450,000	--
Architect or Civil Engineer	--	90,000
Curriculum Reform Expert	--	60,000
Administrative Expert	--	60,000
Short-term Consultants	--	15,000
6 UNESCO Experts	--	--
	<hr/>	<hr/>
Totals *	¢6,450,000	\$225,000

\* See equipment and supply needs. A condition of Peace Corps assistance is the provision of adequate transportation and supplies in Regional Centers.

\*\*Counterparts for the existing Regional Centers, Pilar, and the Regional Center Office in Asuncion are calculated for three years each; those in the two new Regional Centers for two years. Not loan funded.

In addition to the \$225,000 for technical assistance under the loan, the USAID will make grant funds of approximately \$100,000 annually during FY 1971, 1972, and 1973. These funds will be used to provide supplementary technical assistance (particularly in the fields of educational innovation, research and development of information retrieval systems); participant training, and whatever additional support may be required for Peace Corps educational activities.

B. Engineering Analysis

1. General Description of the Construction Portion of the Project

Included in the loan project is the construction of 120 primary Schools totalling about 680 classrooms. These schools will be constructed primarily in areas within the zone of influence of existing and planned Regional Education Centers.

New Regional Education Centers for 1325 students will be constructed at Puerto Presidente Stroessner and Pedro Juan Caballero, and existing facilities at Pilar will be expanded and improved to form the third center.

Finally, the loan will provide for the construction of a Superior Institute of Education for 720 students and a Normal School for 500 students which will have some shared facilities.

The total costs of construction and basic furnishings (excluding land) is estimated at \$4,500,000. It is anticipated that \$423,000 represents foreign exchange costs (excluding approximately \$90,000 for engineering and construction supervision costs), and \$4,077,000 represents local currency costs. It is proposed that the GOP will pay \$1,800,000 of construction costs and the loan will finance \$2,700,000.

2. Design

The preliminary designs completed by the Ministry Construction Department call for simple construction using traditional materials and technology in which there is good capability in Paraguay. All institutions are composed of basic classrooms combined in blocks with administrative offices. These basic blocks will be supplemented by such special facilities as laboratories, libraries, shops, etc. In all cases, blocks will be arranged in a manner to meet site, orientation and capacity requirements at each location. Mr. William Mann, architectural advisor, has determined that the preliminary designs are adequate to comply with 611 requirements.

Except for the addition to the Pilar Normal School, the design is based on modifications of the one-story system used for previously constructed Regional Education Centers, which proved inexpensive, functional, and fully satisfactory except for minor features such as ornamental brick work and some imported fixtures which are being changed. The Pilar institution, being an addition to an existing normal school, is in two stories but essentially the same traditional type construction.

The Superior Institute Normal School complex is of the same type, one-story traditional construction, except for a gymnasium and assembly hall which are to be of reinforced concrete.

Sites for the new Regional Education Centers, for the Superior Institute and Normal School have been selected. Inspection of all these sites by USAID officials revealed no adverse conditions. However, sub-soil investigations and definitive determinations on utilities will be made prior to the preparation of working drawings and specifications, although no problems are anticipated.

Site plans for the Regional Centers, the Superior Institute and the Normal School group buildings are planned in a manner to form several compounds, partly isolating such elements as the kindergarten and shop building, while orienting buildings for best protection from the sun and rains and facilitating reception of prevailing breezes and natural illumination.

The rural classrooms will be built in two types of institutions, Central Rural Primary Schools and Satellite Rural Primary Schools. Each Satellite School will consist of 3 classrooms combined with administration block and toilet building, complemented by a small work shop, rural home economic facilities, etc. Essentially, the Central Rural Primary Schools (to serve as nucleus for about five Satellite Schools) will be formed by doubling the Satellite Rural Primary Schools.

Specific sites for rural classrooms have not yet been selected. Site selection criteria have been established, and will be applied by the Ministry in consultation with the engineering consultant. (See Annex N).

All buildings will be composed of concrete foundations, steel reinforced where necessary, brick interior and exterior walls, wood roof framing, and clay tile roofing. Windows will be of wood or steel, depending on availability at each location, and doors will be of wood. The design follows the local Spanish-influenced traditions.

The engineering consultant mentioned above will be contracted by the Ministry as consultant with approval powers on the preparation of final designs, working drawings, and bid documents on the advertising award and administration of contracts, and on the supervision of construction.

### 3. Costs

Detailed cost data as prepared by Ministry Construction Department (see Annex L) have been determined by Mr. Mann and USAID/Paraguay to be adequate to meet all requirements. An analysis of these

cost data, and a comparison with data obtained from the Ministry of Public Works and from one of the largest local private contractors, has resulted in the conclusion that the Ministry's cost estimates are realistic. These estimates include the cost of basic furnishings, but not the cost of special equipment.

The cost of land acquisition has not been included, since in all cases the land is already owned by the Ministry or will be donated by the municipalities where schools will be located.

It is estimated that of the total construction and equipment costs approximately 13% will be for importations and 87% for local costs.

#### 4. Construction

The Paraguayan construction industry is fully capable of constructing the buildings proposed. There is sizeable local experience with this type of construction; materials and crafts involved are in plentiful supply. The construction period has been estimated at 36 months.

In the case of rural primary school classrooms, construction will be done by qualified builders contracted through competitive bidding in accordance with Ministry of Education regulations and procedures. Where advantages in cost, completion time and quality can be expected, rural classrooms will be bid for and constructed in groups of schools in geographic proximity.

In the cases of the Regional Education Centers, the Superior Institute and Normal School, construction will be done by builders contracted through competitive bidding by a qualified list of firms. Construction firms not currently operating in Paraguay are not expected to seek qualification to participate in construction.

In all cases, construction will be under the supervision of the Ministry's Construction Department. The engineering consultant will closely follow the progress and quality of all work, and will advise in this regard as necessary. He also will keep the USAID fully informed, enabling it to give due regard to this findings in considering disbursements under the loan.

#### 5. Maintenance

In the past the GOP has generally not been able to provide adequate maintenance for school buildings. Although the four existing Regional Centers are in good condition, they also need adequate and timely preventive maintenance.

The Ministry agrees that maintenance of buildings constructed under this loan must have high priority for additional funds to be provided to the Ministry's budget. Therefore, it is planned that each year, beginning in CY 1973 2% of the value of the buildings constructed with the loan will be set aside for school maintenance.

The loan agreement will require that a satisfactory maintenance organization and plan be prepared by the Ministry and formal adoption of the plan by the Ministry will be a pre-condition for the second disbursement of funds under the loan.

#### 6. Summary

The material as prepared by the Ministry Construction Department, and as supplemented by comments herein, satisfies Section 611 requirements in that it includes (a) preliminary plans and specifications providing sufficient detail to establish how the buildings are to be built, (b) cost estimates establishing foreign exchange and local currency requirements, (c) a statement outlining how construction plans are to be made, (d) an account of how construction will be carried out and supervised, and (e) a plan for maintenance. For rural classrooms, where specific sites have not been selected, criteria for their selection have been established and an agreed to procedure for approving these sites established.

It is believed that all technical requirements for the satisfactory implementation of this project are provided for.

C. Financial Aspects

1. Project Requirements. The overall costs of the loan-funded portion of the project will be \$6.0 million. This will be composed as follows:

TOTAL PROJECT COSTS BY AREA

	<u>FX</u>	<u>LC</u>	<u>TOTAL</u>
Primary Schools	126,000	2,394,000	2,520,000
Superior Institute of Education and Normal School	105,000	595,000	700,000
Regional Centers	192,000	1,088,000	1,280,000
Teacher Training	---	292,000	292,000
Texts and Didactic Materials	133,000	298,000	431,000
Equipment	219,000	46,000	265,000
Technical Assistance	225,000	---	225,000
Operations and Planning	---	287,000	287,000
	<u>1,000,000</u>	<u>5,000,000</u>	<u>6,000,000</u>

In addition, the USAID will provide \$100,000 per year during FY 1971, 1972, and 1973 in order to provide supplementary funds for short-term technical assistance, participant training outside Paraguay, and additional support for the Peace Corps technical assistance element.

Of the total of \$6.0 million, the AID loan will provide \$4.2 million, (or 70%) and the GOP will provide \$1.8 million (or 30%). It is anticipated that one-half of the GOP contribution will derive from GOP-owned PL 480 Title I funds and one-half from normal increases in the Ministry of Education's budget. Should PL 480 funds not be available, planned increases in the GOP budget for education will still be sufficient to meet the \$1.8 million of counterpart costs (see Section II-D).

The following table indicates the proposed Disbursement Schedule by Calendar Year. It is anticipated that all of the GOP contribution of \$1.8 million will be utilized for primary school construction, thereby simplifying accounting under the loan.

DISBURSEMENT REQUIREMENTS

1971

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Construction Superior Institute of Education and Normal School	700,000	
Regional Centers: PPS	480,000	
Pilar	311,000	
30 Primary Schools		
5 Central          5 x 33.5 =	167,000	: (of which GOP
25 Sub-central 25 x 18.5 =	462,500	: \$600,000)
In-service training	120,400	
Didactic Material - texts & others	165,000	
Books for Regional Centers and Superior Institute of Education	50,000	
Equipment	157,000	
Technical Assistance	100,000	
Operations & Planning	96,000	<u>\$2,809,400</u>

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1972

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Construction PJC Regional Center	489,000	
7 Central Schools x 33.5 =	234,500	: (of which GOP
35 Sub-central      x 18.5 =	647,500	: \$600,000)
In-service training	120,400	
Didactic Material - texts & others	168,000	
Books for Regional Centers and Superior Institute of Education	48,000	
Equipment	83,000	
Technical Assistance	100,000	
Operations & Planning	96,000	<u>\$1,986,400</u>

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1973

Construction			
8 Central Schools x 33.5 =		268,000	: (of which GOP
40 Sub-central     x 18.5 =		740,000	: \$600,000)
In-service training		50,800	
Equipment		25,000	
Technical Assistance		25,000	
Operations & Planning		95,000	<u>\$1,203,800</u>

SUMMARY OF DISBURSEMENT REQUIREMENTS

1971	2,200,000	600,000	2,800,000
1972	1,400,000	600,000	2,000,000
1973	<u>600,000</u>	<u>600,000</u>	<u>1,200,000</u>
	\$4,200,000	\$1,800,000	\$6,000,000

Of the total AID loan, approximately \$1,000,000 will be used for foreign exchange costs, as shown in the following table:

ESTIMATED FOREIGN EXCHANGE REQUIREMENTS

Primary Schools	126,000
Superior Institute of Education & Normal School	105,000
Regional Centers	192,000
Laboratory & other Equipment	219,000
Textbooks	133,000
Technical Assistance	<u>225,000</u>
	\$1,000,000

This relatively small amount (17%) is due to the fact that little foreign exchange is required for local construction. All of the technical assistance services provided under the loan will be of U.S. or Latin American origin. Strong local support for the technical assistance will be provided by the Ministry's Office of Project Implementation.

2. Availability of Alternative Sources of Financing. The IDB has thus far limited its interest in the education field to a \$1.5 million loan to the National University, but is now considering assistance to agricultural education at the primary school level as part of a proposed agricultural sector loan. The IBRD is in the initial stages of developing a possible loan aimed primarily at secondary vocational and technical education. Neither the IDB or IBRD is interested in financing this proposed loan. UNESCO, UNICEF, and OAS interest in education in Paraguay is limited to technical assistance and limited commodity support.

3. Repayment Prospects. As more fully discussed in Annex III, this loan should not put undue pressure on the debt-servicing burden, and the GOP should not have undue difficulty in meeting the repayment schedule.

D. Economic Considerations

1. Rationale for Project Selection: The basic economic rationale for the project is that economic and social development cannot be achieved with underdeveloped people. Economic development requires both investment in productive capital and investment in human capital. This loan is viewed as an investment in the human element--an investment that will increase the productivity of the human input of the production equation. A literate labor force together with qualified administrators and supervisors are essential if economic development is to proceed. As presently organized and carried out, Paraguay's educational system does not provide the wherewithal to increase the economic productivity of the labor force. The Paraguayan educational system places far too great emphasis on humanistic studies in preparation for universities which are attended by only 1.6% of the Paraguayan student population. The primary school system is notable for extremely high dropout and repetition rates, particularly in rural areas; lack of certified teachers and classes; a language problem for large numbers of Guarani speaking children; emphasis on rote learning; and irrelevancy of the curricula for the daily needs of most students. The secondary system is notable for the very low enrollment (12%) of students in the secondary level age group; excessive concentration on pre-university education; and an almost complete lack of vocational agriculture preparation.

Educational expenditures at all levels are too low, and devoted almost entirely to operating expenses. Historically the GOP's relative expenditure for education has declined at a time when educational demands were increasing. There is a need for planning and leadership at all levels, and a rationalization of organization within the Ministry of Education and the universities.

As a recipient of capital, the education sector has been sorely neglected. Of all the foreign loan funds received by Paraguay since 1955 only one loan totalling less than 1% has gone for education; this single loan is aimed at the improvement of education at the University level. Paraguay now has fairly adequate physical structure and it is becoming apparent that the bottlenecks resulting from an inadequately trained and educated labor force are becoming increasingly serious. For these reasons, we have selected the education sector for emphasis. This loan is a first attempt to strike a balance between investment in things and investment in people.

2. Rate of Return: It is generally agreed that rate-of-return techniques are inadequate to measure the benefits of investment in education (see: A Cost Benefit Approach to Education Planning in Developing Countries, IBRD Report No. EC-157, December 10, 1967). As indicated above, human capital is just as important as physical capital in the production process. Trying to separate the two would be highly speculative academic exercise. If one accepts the positive correlation between education and economic and social development such an exercise is unnecessary.

3. Effect on Private Enterprise: The initial effect of the loan will be on the construction sector. The value of construction is presently estimated at \$4,500,000 equivalent. It is anticipated that all construction will be by local firms through a bid system. The effect will be to support the construction sector including suppliers of building materials. The loan will have a small import component but its effects will not be great. In the longer run, the provision of a literate and more productive labor force will have profound effects on the private sector. As people become more productive, business can become more competitive. Given Paraguay's competitive disadvantages, this can be an essential ingredient in improving the competitiveness of Paraguayan products on world markets. In summary, we view as favorable the effects of the loan on the private sector.

4. Effects on U.S. Balance of Payments: The direct effect on the U.S. balance of payments will be limited. Imports under the loan will be only \$1,000,000. Of these, possibly a quarter will be of direct U.S. origin. In the longer run, however, more favorable effects are envisioned. U.S. products are popular in Paraguay and presently account for about 20-25% of total Paraguayan imports, the largest source of Paraguayan imports. As economic development proceeds and imports rise, this ratio can be expected to be maintained so that larger absolute volumes of U.S. goods will be required. In addition, of course, a considerable portion of money spent for purchases from other Latin Countries will also eventually be spent in the United States. In conclusion, U.S. purchases will be stimulated to the extent that the loan stimulates economic development.

5. Analysis of GOP Education Expenditures: Over the past 12 years there has been a disturbing trend in the proportion of GOP expenditures budgeted for education. As shown in Table I, the proportion has fallen from 15-16% in the 1960-62 period to 12-13% in the 1968-70 period. At the same time, there has hardly been any change in the composition of expenditures, i.e. current expenditures have averaged about 97% of the total. Viewed differently, education expenditures, including university level, accounted for only 1.9% of Paraguay's gross domestic product in 1968.

TABLE I-

RELATIONSHIP BETWEEN THE GENERAL BUDGET OF THE NATION,  
THE EDUCATION BUDGET, AND CURRENT AND CAPITAL EXPENDITURES FOR EDUCATION BUDGET

(Millions of Guaranies)

YEARS	B U D G E T S			E D U C A T I O N A L   E X P E N D I T U R E S			
	National	Education <u>a/</u>	Education as % of National Budget	Current	%	Capital	%
1959	2.627,6	414,4	15,6	-	-	-	-
1960	2.740,7	439,6	16,0	-	-	-	-
1961	3.410,4	511,9	15,0	501,9	98,0	10,0	2,0
1962	3.803,0	591,2	15,5	583,5	98,7	7,7	1,3
1963	5.772,7	713,5	12,3	700,2	98,1	13,3	1,9
1964	5.350,0	813,9	15,2	783,2	96,2	30,9	3,8
1965	6.118,1	900,5	14,7	864,5	96,0	36,0	4,0
1966	6.698,5	1.031,2	15,4	995,2	96,5	36,0	3,5
1967	8.587,0	1.106,5	12,8	1.075,6	97,2	30,9	2,8
1968	9.889,0	1.240,4	12,5	1.198,5	96,6	41,8	3,4
1969	9.944,2	1.241,8	12,5	1.210,8	97,5	31,0	2,5
1970	10.441,8	1.388,4	13,3	1.356,4	97,7	32,0	2,3

Source: General Budget of the Nation

Prepared by: Educational Planning Department  
Ministry of Education

a/ Includes the Ministry of Education and the National University

Relative to other countries in Latin America, Paraguay's recent performance in the educational area has also been poor. For example, in 1960 in Paraguay 61.7% of the 5-14 age group were enrolled in school while in the region <sup>a/</sup> the proportion was 46.7%. By 1968 the regional proportion increased 23.1% (reaching 57.5% of the 5-14 group) while in Paraguay the increase was only 2.4% (and included 63.2% of the 5-14 age group). The rate of growth in enrollment for Paraguay (2.4% over the 1961-1968 period) was second from the bottom (Venezuela was -0.7%). Virtually the same conditions exist with respect to secondary, higher, and adult education. The Alliance for Progress goal in education was "to eliminate adult illiteracy and by 1970 to assure, as a minimum, access to six years of primary education for each school-age child in Latin America". Paraguay is far from attaining this goal, since less than 25% of those entering primary school finish the sixth grade.

Returning to Table I, the 1970 budget revealed an encouraging development. While the national budget increased 5%, the education sector increased almost 12%. This increase was due primarily to the efforts of the new Minister of Education who took office in time to influence the 1970 budget. Similar increases will be necessary in order to augment substantially the percentage of the budget to education. To do so will be difficult and will require a firm commitment to education on the part of the GOP.

As presently envisioned, the GOP counterpart will amount to \$1.8 million equivalent over the 3-year life of the project. Half of this amount is scheduled to derive from PL 480 proceeds. Assuming annual PL 480 agreements of 30,000 tons (or about \$2.0 million equivalent) the \$900,000 spread out over three years would require 15% of each PL 480 agreement. At the present time, the education sector below the university level receives virtually no PL 480 funds. Presently programmed irreducible PL 480 requirements for use during 1971 come to \$835,000, primarily for support to agricultural activities and a USAID-supported private development bank. This leaves about \$1,000,000 for support of this educational project (\$300,000) and other mutually agreed upon projects. In 1972 and 1973, although requirements for some activities may be expected to increase, the

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a/ 18 Latin American Republics

requirement for support to the private development bank and other activities is expected to decline. As a result, sufficient PL 480 availabilities for the loan are anticipated.

In addition to the PL 480 funds, the GOP will have to provide \$900,000 equivalent (i.e. \$113 million) from its own sources in support of the loan. It is anticipated that this amount will derive from the increased resources which ideally could raise the education budget to 20% of total expenditures by 1980. Projecting this increase and assuming an annual increase in total GOP expenditures of 10% produces the following table:

TABLE II

PROJECTED GOP AND EDUCATIONAL EXPENDITURES  
(Millions of Guaranies)

<u>Year</u>	<u>Total GOP Expenditures</u>	<u>Devoted to Education</u>		<u>Increase Necessary</u>
		<u>%</u>	<u>Amount</u>	
1970	10,441.8	13.3	1,388.4	--
1971	11,486.0	14.0	1,608.0	219.6
1972	12,634.6	14.5	1,832.0	224.0
1973	13,898.0	15.0	2,084.7	252.7
1974	15,287.8	15.5	2,369.6	284.9
1975	16,816.6	16.0	2,690.6	321.0
1976	18,498.2	16.5	3,052.2	361.6
1977	20,348.0	17.0	3,459.2	407.0
1978	22,382.8	18.0	4,028.9	569.7
1979	24,621.0	19.0	4,678.0	649.1
1980	27,083.1	20.0	5,418.6	738.6

As can be seen, to achieve this goal will require a sizeable and quite rapid increase in amounts budgeted to education. If total revenues can increase 10% per year between 1969 and 1974, the \$284.9 million needed for education in 1974 will require about 25% of the \$1,170.6 million increase in total revenue projected for that year. The \$900,000 equivalent required for the project in 1971, 1972, and 1973 will require only about 16% of the increase projected in each of those years. Hence, if funds for education as indicated above are made available, it should not be difficult to direct 16% of the increase to the loan.

Providing the necessary resources for education will require some difficult decisions for the GOP and some realignment of spending

priorities. However, education requirements should not put undue pressure on the budget. If revenues rise by 10% per year between now and 1975, the projected 1975 increase in revenue will be \$1,287.6 million. If we also calculate that capital expenditures will rise by 10% and current expenditures to rise by 5% annually, there will still be sufficient funds for education, for servicing the Trans-Chaco loan and enough left over for other increases. The following table presents these considerations:

TABLE III

Projected uses of increased revenues  
in 1975 (millions of \$'s)

A 10% increase in investment	157.6
A 5% increase in current expenditures	469.0
Requirements for Trans-Chaco debt- service payments (on assumption all funds are disbursed by 1975)	164.5
Increase for education (see above table)	321.0
Other increases	175.5
Projected increase in revenues	<u>1,287.6</u>

In conclusion, it should be possible for the GOP to provide substantially increased support for education. The task will not be easy since competition for available funds for use in other sectors can be expected to continue. In order to encourage the necessary availabilities, the loan has as a precondition to signing a firm commitment from the GOP. During the life of the loan disbursements will be contingent on the availability of counterpart funds and increases in the budget. Finally, the desire of the GOP for an education loan from the World Bank and a follow-on education loan from AID around 1975 will serve as a stimulus to meet the projected increases in the education budget.

6. Ability to Repay the Loan: At the end of 1969, Paraguay's external debt stood at \$243.8 million. Of this amount \$20.9 million had been repaid and \$100.2 million had not yet been utilized. The structure of the debt is generally favorable--70.6% of outstanding

loans have initial maturity dates of 15 years or more. To date Paraguay has not experienced undue difficulty in meeting debt-service payments--such payments (in both local and hard currency) have grown from about 10.4% of export receipts in 1965 to about 24% in 1970 (estimated). Assuming a 5% annual growth in exports, hard currency debt-service payments will require 27.1% of export earnings by 1974. Thus, it is anticipated that hard currency can be made available for these payments. Not only do debt-service payments have priority over other uses of export proceeds, but there is also an active curb market which can supply importers with foreign exchange.

It is not anticipated that the proposed \$4.2 million loan will appreciably affect the debt-service ratio. As indicated above, the more serious problem will be to raise the local currency with which to make debt-service payments. This will represent one more demand for scarce revenues. However, given the anticipated 40 year repayment schedule, including 10 years of grace, it is not thought that the annual requirements will put undue strain on the budget. Furthermore, given the debt-servicing fund which has been successfully established for the timely repayment of AID and predecessor loans, no problems are anticipated in meeting the payment schedule. In conclusion, the Mission does not anticipate the GOP will have difficulty in repaying the loan.

See Annex III for a detailed discussion of Paraguay's foreign debt, external reserves, and debt repayment capacity.

CENTRAL GOVERNMENT FINANCES

ITEM	Fiscal Year ending December 31					Millions*
	1965	1966	1967	1968	1969 <sup>a</sup>	
	Millions of guaranies					
<b>A. REVENUE - TOTAL</b> .....	<u>5,779</u>	<u>6,300</u>	<u>6,832</u>	<u>7,255</u>	<u>8,323</u>	<u>65.0</u>
1. Domestic revenue .....	<u>5,779</u>	<u>6,300</u>	<u>6,832</u>	<u>7,255</u>	<u>8,269</u>	<u>65.6</u>
a. Income taxes .....	515	611	706	733	608	6.4
b. Sales taxation .....	942	1,018	1,329	1,699	1,901	15.1
c. Customs .....	2,088	2,112	2,118	2,061	2,072	16.5
d. Profits of fiscal monopolies ..	927	1,002	898	896	985	7.8
e. Other tax revenue .....	851	994	1,142	1,227	1,529	12.1
f. Receipts from gov't enterprises	215	300	319	311	596	4.7
g. Other nontax revenue .....	241	260	320	328	378	3.0
2. From foreign grants .....	-	-	-	-	<u>54</u>	<u>0.4</u>
a. U.S. Government .....	-	-	-	-	-	-
b. Other .....	-	-	-	-	54	0.4
<b>B. EXPENDITURE - TOTAL</b> .....	<u>6,565</u>	<u>7,336</u>	<u>9,355</u>	<u>10,703</u>	<u>12,197</u>	<u>96.8</u>
1. Current .....	<u>4,459</u>	<u>4,773</u>	<u>5,591</u>	<u>6,224</u>	<u>6,763</u>	<u>53.7</u>
a. Defense (Total) .....	823	956	1,229	1,235	1,407	11.2
b. Agriculture .....	184	145	190	225	343	2.7
c. Education .....	788	890	972	1,148	1,202	9.5
d. Health .....	247	255	279	300	421	3.4
e. Transportation .....	76	50	190	137	125	1.0
f. Communication .....	29	34	14	16	22	0.2
g. Interest .....	85	49	150	87	231	1.8
h. Other current .....	2,227	2,394	2,567	3,076	3,012	23.9
2. Capital .....	<u>2,106</u>	<u>2,563</u>	<u>3,764</u>	<u>4,479</u>	<u>5,434</u>	<u>43.1</u>
a. Agriculture .....	47	67	39	27	143	1.1
b. Education .....	35	37	34	31	36	0.3
c. Health .....	32	37	75	41	66	0.5
d. Transportation .....	628	725	1,336	1,377	2,340	18.6
e. Communication .....	52	35	79	58	103	0.8
f. Industry and Power .....	327	612	1,027	1,194	703	5.6
g. Other capital .....	985	1,043	1,174	1,751	2,143	16.2
<b>C. DEFICIT (-) OR SURPLUS (+)</b> .....	<u>-786</u>	<u>-1,036</u>	<u>-2,523</u>	<u>-3,448</u>	<u>-3,874</u>	<u>-30.8</u>
<b>D. FINANCING THE DEFICIT</b> .....	<u>786</u>	<u>1,036</u>	<u>2,523</u>	<u>3,448</u>	<u>3,874</u>	<u>30.8</u>
1. Domestic sources (net) .....	-98	-719	314	732	294	2.3
a. Central Bank borrowing .....	-100	-66	-50	-243	-91	-0.7
b. Other .....	2	-633	364	975	385	3.0
2. Foreign borrowing (net) .....	884	<u>1,755</u>	<u>2,208</u>	<u>2,717</u>	<u>3,581</u>	<u>28.5</u>
a. U.S. Government .....	111	133	40	633	1,272	10.1
b. Other .....	773	1,622	2,168	2,084	2,309	18.4

\* Converted at 126 guaranies per dollar.

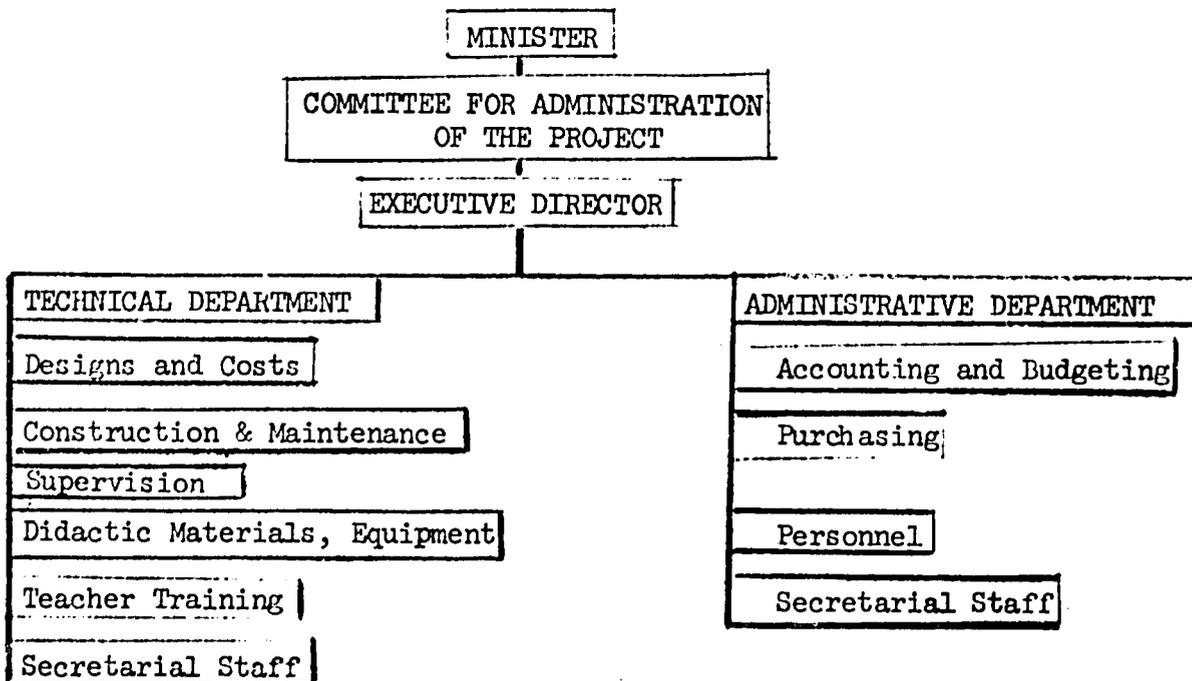
a - Budget basis.

SECTION III - LOAN ADMINISTRATION

A. Project Execution

The Ministry of Education will establish a special office to be responsible for the implementation of the project (and the proposed World Bank loan at such time as that may be approved). The office will report directly to the Minister and Director General of the Ministry. Policy direction will come from a small committee, whose President will be the Director General of the Ministry and will contain the heads of the Ministry's Planning and Secondary Education Departments, and a representative of the USAID. It will have as its advisor the principal author of the Diagnosis and Plan for educational development. Thus, a small group of key Ministry personnel, which also includes USAID representation, will control execution of the project.

Actual implementation will be in the hands of a full time and highly qualified Executive Director, who will supervise a Technical and an Administrative Department, most of whose personnel will consist of full-time personnel. The cost of supplementary salaries for the technicians and the salaries of the Executive Director and Chiefs of the Technical Department and Administrative Department will be part of the Project. Estimated costs are \$287,000 . A tentative organization chart of the proposed office is shown below:



Technical assistance will be provided from a number of sources, including UNESCO and the Peace Corps, as well as those provided directly under the loan. Under the grant funded HADC contract one full-time advisor has been advising the Ministry on its planning and the development of this loan since January 1970. His services will continue through December 1970. In addition the HADC is providing short term assistance in curriculum development and educational administration.

UNESCO is currently providing a long-term expert in the teaching of science, and has agreed to furnish further long-term assistance in educational research and evaluation, curriculum development, teacher training and the sciences. While these people will be assigned primarily to the Superior Institute of Education they will also serve as advisors to the Ministry office charged with administration of this loan.

Discussions have been initiated with the Peace Corps to provide approximately fifteen volunteers ( 30 man years) who will be based in the Regional Education Centers, and who will work with teachers in the fields of agriculture, shop, mathematics, science, home economics, and health. In addition to this technical assistance, the volunteers will also play a major role in ensuring that the Regional Centers form a closer relationship with schools in their respective zones of influence.

It is felt that with the help of the technical assistance mentioned above, the Ministry's office of Project Implementation will be able to efficiently administer this loan. AID will, in addition, monitor the loan through conditions attached.

One full-time architect or civil engineer will ensure that final plans, designs, and cost estimates are adequate, and will supervise construction with the assistance of Paraguayan counterparts during the life of the project. One full-time expert will work for two years with Ministry and UNESCO officials in curriculum reform and the normal, secondary and primary levels of education, as well as assisting with textbook production. The Ministry's division of textbook production has already benefitted from several US advisors and virtually all of its personnel have received training in textbook and didactic material preparation through USAID participant training programs.

In addition a full-time expert for two years will assist the Ministry in the fields of educational administration, accounting, statistics and budgeting. He will receive supplementary assistance from

a grant funded technician under the USAID's general Budgeting and Accounting project. Finally shorter-term assistance will be provided in such areas as audio-visual and bilingual education and other educational innovations. The total cost of loan funded technical assistance will be \$225,000, plus UNESCO and Peace Corps assistance and grant funded technical assistance and participant training as required.

B. Implementation Plan

1. Target Dates: The following dates are expressed in terms of time elapsed from date of loan authorization, which is expected to be during June, 1970.

a. Authorization by AID/W - June, 1970.

b. Authorization plus two months - August, 1970.

1) Draft Loan Agreement and Implementation Letter No. 1 submitted to GOP.

c. Authorization plus three months - September, 1970.

1) Signature of loan agreement.

d. Authorization plus six months - December 1970.

1) Loan ratification by GOP.

2) Inclusion of the equivalent of \$600,000 in budget and/or in allocation of PL 480 funds for 1971 counterpart costs.

3) Written communication of intent to increase annually the percentage of national budget devoted to education and to provide funds, estimated at \$1,200,000 required to complete project.

4) Appointment of project administrator.

5) Selection of firms or individuals to provide technical assistance and supervisory engineering services.

6) Final plans, specifications, and drawings completed for first year's construction.

7) Conditions precedent to first disbursement fulfilled.

8) Commitment of initial \$2.2 million of loan funds.

e. Authorization plus seven months - January, 1971.

1) Commitments by GOP begin and first disbursement is made.

f. Authorization plus ten months - April, 1971.

1) Ministry of Education and USAID review counterpart requirements and proposed 1972 budget.

g. Authorization plus eighteen months - December, 1971.

1) GOP approval of reorganization of Ministry of Education.

2) GOP approval of regulations governing teachers' employment, training, promotion, and salary.

3) Maintenance program for schools adopted by Ministry.

4) Revised curricula for primary, secondary and normal schools partially adopted by Ministry.

5) Adoption and beginning of implementation of plan to decentralize appropriate administrative and educational responsibilities to Regional Education Centers.

6) Adoption of budget for second calendar year of operations with adequate funds by legislature.

7) Authorize commitment of up to \$1.4 million additional of loan funds.

h. Authorization plus twenty-four months - June, 1972.

1) Authorize commitment of remaining loan funds, \$0.6 million subject to satisfactory performance.

Prior to making the second and third disbursements under the loan the Ministry and the USAID will hold annual meetings to review progress and problems in implementing this Project and in attaining the objectives of the Ministry's Educational Development Plan. In conducting the review, special attention will be given to the adequacy of financing both for the project per se and the expanded continuing requirements of the Ministry as set forth on page 44. The attached table outlining GOP Education Plan goals and the contribution of the loan in achieving these objectives, as well as the Tentative Annual Review Check List (see Annex II-0) will serve as a point of departure for the review. The meetings will serve to analyze progress and problems. The mechanism for conducting these reviews will be set forth in a USAID Implementation Letter.

Relationship Between GOP Educational Plan  
Targets and Proposed Loan

**GOP Education Targets**

**1. General Administration**

- a. Replace sub-Secretary with Director General, creation of a Superintendency for Supervision, Educational Orientation Service, and Auditing Department.
- b. Improve general accounting and budget preparation and execution.
- c. Consolidation in number of departments reporting to Minister and Director General.
- d. Educational budgets to give better balance between investments and current expenses.
- e. Improve system of collecting data and increase research.
- f. Delegation of administrative and administrative educational responsibilities from Ministry to Regional Centers.

**Contribution of Loan to Meeting Targets**

**1. General Administration**

- a. Already accomplished.
- b. Being assisted through USAID grant funded technical assistance.
- c. Being accomplished by MOE without assistance. Project implementation office under loan will ensure internal coordination within Ministry.
- d. Loan will permit greatly increased investment budget and substantial increase in education budget (estimated to increase from 13.3% of national budget in 1970 to 15.5% by 1974) to meet goal.
- e. Technical assistance will be provided for establishing data retrieval system. Research component included within SIE and project implementation components of loan.
- f. Creation of additional centers and strengthening their ability to exercise leadership on primary and secondary schools within their zones of influence.

g. Creation of a career teaching service with adequate remuneration, qualified personnel, and advancement opportunities.

g. Loan will make possible closing of surplus normal schools (and conversion to secondary schools), establishment of teacher education as a post-secondary level training, reduction of supply of new teachers to level of demand.

## 2. Primary Education

a. Reduce drop-out rates from level of over 82% by grade 6 by transforming incomplete schools (less than 6 grades) into complete schools, revise the promotion system, and attack bilingualism problems.

b. Revise curriculum to put greater emphasis on terminal education, and agriculture, home economics, shop and basic science education.

c. Increase percentage of school age population (7-14) enrolled from 83.6% in 1969 to 89% in 1974 (a total additional enrollment of 88,000 students).

d. Construct a total of 897 public school classrooms in period 1969-1974.

## 2. Primary Education

a. Work with GOP to establish target for reduction of dropouts. Loan will provide 120 new six-year schools. Technical assistance funds available for study of bilingualism. Twenty major primary schools constructed under loan will have responsibility for assisting and supervising other primary schools in their zones.

b. Technical assistance in curriculum revision. Textbook program which will make possible adequate supply of basic texts throughout primary system.

c. Primary schools and regional centers constructed under loan will provide for 33,000 of 88,000 students.

d. Loan will provide for approximately 600 primary classrooms.

e. Provide 2,682 new teaching positions in period 1969-1974 (an average of 447 annually throughout period).

f. Decentralize supervisory offices by 1971, and bring primary schools which are part of other departments into the Primary Education Department by the end of 1970.

### 3. Secondary Education

a. Change curriculum to provide for elective specialization in second cycle of secondary education.

b. Development of texts and new teaching materials for secondary education by 1973.

c. Increase percentage of school age children (12 to 18) enrolled in secondary education from 15.3% in 1969 to 21.5% in 1974 (a total additional enrollment of 33,231).

d. Construct a total of 185 new public school classrooms in period 1969-1974.

e. Loan will provide for better qualified teachers, graduating approximately 500 new well qualified teachers annually by 1974.

f. To be done by Ministry without loan assistance.

### 3. Secondary Education

a. Curriculum technical assistance, in-service training in required specialties, adequate facilities in normal school and regional centers.

b. Technical assistance in didactic materials development.

c. Loan will provide directly for only 2,000 of the additional enrollment, but freeing of present normal schools for basic cycle will make available about 4,000 additional places. Annual reviews with GOP and coordination with IBRD will explore realism of this goal.

d. Loan will provide about 30 new classrooms for use at secondary level. Proposed IBRD loan will provide bulk of additional.

4. Other

- a. Increase the percentage of the national budget devoted to education.
- b. Adequate maintenance for schools.
- c. Executive implementation of the loan, and coordination and planning of foreign assistance.
- d. Introduce general use of textbooks in all primary grades.

4. Other

- a. Through annual reviews, tranching, PL 480 negotiations, and other measures seek to obtain following increases: 1971 - 14% of national budget; 1972 - 14.5%; 1973 - 15%; 1974 - 15.5% as minimum.
- b. Establishment of sinking fund for maintenance of 2% of value of buildings constructed under the loan, beginning in CY 1973.
- c. Creation of Office of Project Administration under leadership of Director General of Education, with representation by Chief of Planning and USAID representative.
- d. Production of 480,000 copies for all six grades of primary school. Introduction of textbook sale and rental system.

C. Conditions and Covenants

In addition to the usual covenants and conditions, the Project Committee recommends that the Loan Agreement contain the following:

A. All goods and services financed by the loan for the Project shall have their source and origin in the United States or the nations of the Western Hemisphere south of the United States, with the exception of Cuba. Ocean shipping financed with loan funds shall be procured from the United States and marine insurance financed under the loan shall be placed with a company authorized to do marine insurance business in any State of the United States.

B. Prior to and as a condition to the disbursement of Loan funds to finance any particular construction contract, Borrower shall, in form and substance satisfactory to AID, furnish USAID:

1. Evidence that all necessary rights to the land have been obtained.

2. Final engineering designs and specifications for the specific school; and

3. An executed contract with a qualified construction firm satisfactory to AID and the Borrower.

C. Prior to and as a condition for the first disbursement under the loan, the Borrower shall appoint a Project Administrator who will have the authority and responsibility to coordinate all aspects of the project, including both construction and qualitative improvements within the primary and secondary school system.

D. Prior to and as a condition for the first disbursement under the loan, the Borrower shall covenant to provide \$1,800,000 during calendar years 1971, 1972, and 1973 in support of this project, and a schedule, satisfactory to AID, for its contributions. In addition, the Borrower shall pledge its best efforts and intent to substantially increase the percentage of the national budget for education,

E. Prior to and as a condition for the first disbursement under the loan, the Borrower shall, in form and substance satisfactory to AID, contract for a period of up to three years with an independent consultant engineering firm or individual with authority to approve final engineering designs and specifications, recommend construction contract awards, supervise construction, and certify AID disbursement requests, for a period of up to three years.

F. Prior to and as a condition precedent to the first disbursement for the first year's construction under the loan, the Borrower shall, in form and substance satisfactory to AID, contract for long term technical assistance of educational administration and curriculum development for periods of up to two years, and such short term assistance as may be necessary to begin implementation of the loan.

G. The Ministry of Education shall covenant its responsibility and intent to implement as promptly as feasible the following reforms included within its Educational Development Plan:

- 1) Planned organizational changes within the Ministry of Education;
- 2) Establishment of a career teaching service, which will provide remunerations as an incentive for participation in in-service training, which will make possible the gradual elimination of unqualified teachers and the elimination of surplus graduates from normal schools;
- 3) Education reforms for the primary, secondary and normal schools, including curriculum reform;
- 4) Adoption of a plan for the delegation of educational and administrative responsibilities to the Regional Centers and a plan to increase the role of the Centers in the improvement of other primary and secondary schools within their zones of influence;
- 5) Adoption of an adequate maintenance plan for all schools financed under this loan.

SECTION IV - ISSUES

The USAID forwarded an IRR for this project in October 1969. AID/W requested a re-organization of the IRR in order to focus on

- a) Major educational problems in priority order;
- b) Strategy of activities proposed to address these problems; and
- c) Funding arrangements related to strategy.

In December the IRR was re-submitted in the requested form, and in February the CAEC authorized intensive review of the project. The CAEC requested that the IRR give emphasis to the following issues:

A. The CIAP review, GOP fiscal and foreign trade performance, and the availability of local currencies in light of requirements for the Trans-Chaco Road. For the past two years CIAP has urged the GOP to put greater emphasis on directly productive enterprises, agriculture, and education, as opposed to long-range physical infrastructure projects. This loan proposal is a direct reflection of the strong interest of the GOP in educational improvement. In recent conversations with Assistant Secretary of State Meyer, the GOP requested U.S. support, both bilateral and multilateral, for loan assistance in education (specifically this proposed loan and possible future assistance from the IBRD), agriculture (primarily through a proposed IDB loan and PL 480 assistance), and an airport terminal needed for the recently finished landing field. Thus, only one of the GOP's top priority requests for foreign lending assistance is in the field of physical infrastructure.

Paraguay's foreign trade situation has improved dramatically over the past six months, and it is anticipated that Paraguay's exports in 1970 will be about \$57 million or \$5 million more than in 1969. The first three months of 1970 compared with 1969 showed the following significant differences:

	<u>December 31, 1969</u>	<u>March 31, 1970</u>
Exports	\$ 7.1 million	\$11.6 million
Imports	\$17.1 million	\$13.9 million
Not Foreign Exchange Reserves	\$ 1.3 million	\$ 5.8 million

The GOP is making serious efforts to reduce red tape and offer special incentives to exporters, such as reduction of some export taxes. The recently formed Export Promotion Center is receiving high level GOP

support and is an important factor in improving Paraguay's export situation.

The fiscal situation has also shown an improvement in 1970, with receipts during the first three months increased over \$1 million or 7.2% over a similar period in 1969. The GOP has introduced a new income tax bill, which is now under active consideration by the Congress. It is anticipated that the law will be passed shortly to become effective July 1, 1970. While there is little doubt that the need to provide counterpart for the Trans-Chaco and other active loans over the next five years will place strains on the budget, we have concluded that the GOP can and will make available sufficient counterpart for this project and increase the budget of the Ministry of Education each year. Priority will be given in future PL 480 Title I loans to making proceeds available in support of this loan.

B. Technical Assistance and Improving the Managerial Capacity of the Ministry of Education. The GOP has consistently taken the position that it welcomes technical assistance, but for economic and domestic political reasons has great difficulty in justifying loan financing large amounts of technical assistance. Like other Latin Americans, the Paraguayans are also becoming increasingly resentful of U.S. "paternalism" and feel they have the technical capacity to implement most aspects of the loan. The USAID believes that the proposed loan contains sufficient technical assistance to ensure successful implementation of the loan, when other sources of technical assistance such as UNESCO and the Peace Corps are considered.

The loan will specifically finance following technical assistance:

- Architectural and Engineering Services ..... 3 years
- Educational Administration and Planning ..... 2 years
- Curriculum Development ..... 2 years
- Short term assistance in fields such as textbook preparation, audio-visual education, bilingual education and other educational innovations.

In addition to the above loan funded assistance, estimated at \$225,000, the USAID plans to provide \$100,000 annually, primarily for participant training and additional short term technical assistance.

Because of the very close working relationships between the USAID, the UN and Peace Corps, their technical assistance (See Section II A-6) consisting of six UNESCO technicians working with the Superior Institute of Education and 15 Peace Corps volunteers working with the regional centers should also be regarded as part of the technical assistance element of this loan project and loan financing in support of the Peace

Corps is proposed. Finally, assistance in budgeting and accounting will continue to be provided on a part-time basis by a USAID grant funded technician.

The formation of an Office of Project Administration within the Ministry of Education, to consist of well-qualified full-time personnel, is a major step forward in improving the managerial capacity of the Ministry of Education (see Section III A). The creation of this office will provide not only for the successful implementation of this loan, but also ensure that the World Bank loan now under development will be closely coordinated both in planning and execution. The amount of loan project funds programmed for this Office during the three year period of the loan is \$287,000.

C. Selection of Loan Conditions and Targets, Loan Management and Educational Innovations. The loan conditions have been carefully designed to ensure that the loan serves as a real stimulus for educational reform and innovation - not just a school construction program. For this reason, primary emphasis is placed in obtaining a GOP commitment to increasing the percentage of the national budget available for education and actually implementing the reforms outlined in the Plan. The proposed disbursement of funds in three tranches is designed to ensure that the GOP actually implements the planned reforms and obtains local resources.

We are encouraged by the Ministry of Education's determination to establish a special office which will be responsible for the implementation of this loan as well as the development and implementation of other loans - such as the one under development with the World Bank. A small group will determine policy for the loan implementation office (one which can be expanded to include representation by the United Nations, World Bank, and others as appropriate). The office will be centrally located within the Ministry with access to all the Departments of the Ministry of Education. Finally, the office will consist of qualified, full time personnel - either on a direct hire or contract basis.

We also believe that the loan provides for significant educational innovations. First, there will be a complete change in the normal school system, which will become a post-secondary specialty. Surplus normal schools will be closed and the supply of teachers brought into line with demand. Second, the entire curriculum at the primary and secondary level will be revised to make it more relevant, and give the student more opportunity to select courses. Third, for the first time textbooks will become available throughout the primary school system - making it possible to break out of the rote learning system. Fourth, a considerable decentralization of both administrative and

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educational functions will be made from the Ministry to the Regional Education Centers. Fifth, a combination of in-service training and regulations governing work conditions, salaries, promotions, etc., will make it possible to upgrade the quality of Paraguay's teachers, and establish a career teaching service. Finally, it will be possible to initiate educational experimentation and innovations such as utilizing new methods of teaching mathematics and sciences, automatic promotion in lower grades, use of radio in education and investigating the problems associated with guarani and spanish teaching, etc. The study of these possible innovations will naturally take time and require careful research - such as the study now under way to determine the more deep-seated reasons for Paraguay's very high drop-out rates.

D. Availability of Adequate Financing. Annex IV contains the letters of the Minister of Education and the Minister of Finance pledging the availability of \$1.8 million in counterpart funds and the intention of increasing the percentage of the national budget devoted to education.

Given continued PL 480 Title I loan agreements over the next two years, we foresee no difficulty in the GOP providing the necessary \$1.8 million counterpart. Even without PL 480 assistance the GOP will be able to meet its counterpart contribution, although with some difficulty. The GOP has taken the commitment to increase the percentage of the budget devoted to education extremely seriously, and realizes this commitment involves an adjustment in national priorities.

Loan conditions and the tranching of releases assures the availability of the required counterpart and increases in the budget through 1973 and probably through 1974. Although it is impossible to guarantee that the GOP will continue to increase substantially the Ministry of Education's budget there are several factors which will maintain pressure to do so. First, the GOP wishes a loan from the World Bank aimed primarily at secondary technical and vocational education which will probably be ready to begin implementation around CY 1973 or 1974, and which will undoubtedly have significant counterpart requirements. The Ministry has also indicated that it will probably seek a follow-on loan to the AID loan now being proposed. The knowledge that successful performance on the presently proposed loan and continued increases in the percentage of the national budget devoted to education will be a pre-requisite for considering a second loan will serve as a powerful stimulus to meeting commitments.

The USAID has considered and rejected the desirability of seeking new special taxes for education. Paraguay already suffers from many uncoordinated earmarked taxes and is moving in the direction of a rationalization of its tax system, (a request for technical assistance to do so was recently made by the GOP). We believe that the answer

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lies with taxes with broader incidence and stricter enforcement. Over the past year, the GOP has introduced some important new taxes and improved administration of existing ones. The Congress currently has under consideration a proposed new income tax which it is believed will become effective about July 1, 1970.

E. Coordination with Other Agencies. The USAID and the Ministry have coordinated closely with other foreign assistance agencies. Once it was known that the World Bank had an interest in assisting secondary vocational and technical education, the USAID and the Ministry shaped the loan to concentrate on other elements of the educational system. Although continued emphasis will be placed on agricultural vocational education at the secondary level, this will be limited to an augmentation of the programs initiated by the USAID and restricted to the Regional Education Centers. Through a small PL 480 grant (\$40,000) and frequent contacts with the Carlos Pfannl school we have assured ourselves there is no conflict between agricultural education activities under the loan and their programs.

The IDB is also considering including within a proposed new agriculture loan assistance to the CREA (Regional Centers for Agricultural Education) system at the primary level. This aspect of their loan will require coordination with the IBRD and, to a lesser extent with the USAID. In order to achieve the maximum coordination, a sub-committee of the International Organizations monthly meetings will be established in Asuncion consisting of representatives of the USAID, UN, OAS, and the IDB. This group will meet with the Ministry of Education, Ministry of Agriculture, and National University as appropriate. Unfortunately, as yet there is no representative of the World Bank in Asuncion who would be appropriate to participate in these meetings.

Finally, the policy board of the Office of Project Coordination within the Ministry of Education charged with administering this loan and developing new loans can be expanded to include representatives of the other international organizations - particularly the United Nations. In brief, given the small size of Paraguay and the very frequent contacts among the international agencies we are satisfied that adequate coordination of AID, World Bank, UN and IDB activities will take place.

F. Evaluation of the Ministry of Education's School Construction Department. The permanent staff of this department consists of 1 Director (an Architect), 1 Chief Architect, 1 Engineer, 2 construction inspectors, and 5 draftsmen (each of whom has completed 5 years of training in architecture at the National University), and clerical staff. In the past seven years this Department has programmed and supervised the construction of 520 classrooms, at a cost of about \$895,000, exclusive of self-help labor and materials, plus three Regional Centers at a cost of

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\$652,000. It is presently performing planning and programming for about \$240,000 worth of educational facilities construction for CY 1970.

The Department Director received three months of specialized training in school design and construction at CONESCAL in Mexico City. He worked 5 years on the Rural Education Development Project, under which the existing Regional Education Centers were built.

The Construction Department has been improved since completion of the first group of Regional Centers. Its permanent staff has been increased by six, including the graduate engineer, second graduate architect and four draftsmen. The capability of the Director himself was added to through experience with the earlier Regional Centers. Perhaps of greater significance is the Director's leadership in setting higher staff performance standards, particularly in plans, specifications and construction supervision.

The designs contemplated for use under the proposed loan draw heavily on satisfactory experiences with numerous primary schools and the four existing Regional Education Centers. They use materials and technology well known in Paraguay. For all institutions a system is proposed under which modules can be repeated in a number of locations and arrangements to fit requirements of each site. It is to the credit of the Department that they opted for well tried methods and low costs rather than prestigious concepts.

The caliber of work done on preliminary designs for this proposed loan, and the caliber of previously executed design work, indicates that the Construction Department has all basic knowledge and capabilities requisite for preparing satisfactory designs and cost estimates. It has more background in the specialty of educational facilities than any other technical group in Paraguay. This Department shall be augmented with additional staff and funding so that it will have the capacity to produce all documents within the required time. Through these projects the Ministry's permanent Construction Department will accumulate experience which will be valuable to education in Paraguay over the future. Although adequate for Paraguayan conditions and practices, plans and specifications are not to a depth of detail usual under U.S. practices, which helps prevent problems in construction and contract administration. Under the loan a competent bilingual advisor could transfer U.S. technology in these areas to the benefit of the Construction Department.

In order to exercise satisfactory control over the quality and progress of work to be carried out, the Ministry has agreed that the staff of this Department will be augmented and placed on a full-time basis; and some minor organizational changes made. The engineering consultant, who will work full-time in the Construction Department Offices, would advise on all aspects of construction supervision.

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Maintenance of most buildings has been inadequately funded. As indicated in the section on Engineering Analysis, the Construction Department will establish a maintenance program, including preventive maintenance, and will be provided funds from the Ministry's regular budget to implement such a program.

PARAGUAY - EDUCATIONAL DEVELOPMENT PROGRAM  
ANNEXES

- ANNEX I Statutory Checklist and USAID Director's Certification
- ANNEX II Government of Paraguay Education Development Program
- A Organization of Ministry of Education - December 1968
  - B Proposed Organization - Ministry of Education
  - C Biographical Data - Minister of Education and Director General of Education
  - D Committees to Implement Educational Development Plan
  - E Existing Educational System
  - F Proposed Educational System
  - G Educational Finances
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  - K Composition of Working Force
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  - N Criteria to be Used by Architect/Engineer in Site Inspection
  - O Annual Review Check List
- ANNEX III Paraguay's External Debt, Foreign Reserves, and Debt Repayment Capacity
- ANNEX IV
- A. Letter from Minister of Education
  - B. Letter from Minister of Finance
  - C. Peace Corps Letter
- ANNEX V Draft Loan Authorization

CHECKLIST OF STATUTORY CRITERIA

(Alliance for Progress)

In the right-hand margin, for each item write answer or, as appropriate, a summary of required discussion. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended by the Foreign Assistance Act of 1968.

App. - Foreign Assistance and Related Agencies Appropriations Act.

MMA - Merchant Marine Act of 1936, as amended

COUNTRY PERFORMANCE

Progress Towards Country Goals

1. FAA §.208; §.251(b).

A. Describe extent to which country is:

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

The Government of Paraguay has made substantial progress in new programs designed to increase food production. During the period 1964 to 1969 production of wheat increased from 8,800 MT to 32,000 MT, soybeans from 10,000 MT to 22,000 MT, and rice from 20,000 MT to 27,100 MT. Further expansion of food production is planned. The IDB has proposed a loan of approximately \$5 million to increase food storage and distribution facilities.

The GOP investment law (Ley No. 246, Feb. 25, 1955) offers advantageous terms for foreign investors. A recently created private development bank has participation from foreign investors and will receive a loan from the GOP. The GOP has repeatedly encouraged foreign private investors and strongly supports A.I.D.'s investment guarantee programs.

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*(3) Increasing the public's role in the developmental process.*

This education project, the recent creation of regional development committees in the principal cities outside Asuncion, and a proposed Municipal Development Bank will increase the public's role in the development process. The GOP provides land to colonists and technical assistance to small producers.

*(4) (a) Allocating available budgetary resources to development.*

Paraguay allocates a substantial portion of its national budget to development.

*(b) Diverting such resources for unnecessary military expenditure (see also Item No. 18.) and intervention in affairs of other free and independent nations. (See also Item No. 17.)*

AID/W has reviewed the level of Paraguay's military expenditures and found it to be within acceptable limits. A considerable part of the efforts of the Army's Engineer Command is devoted to construction of Farm to Market roads. There is no known intervention in other countries affairs.

*(5) Willing to contribute funds to the project or program.*

The GOP is making a substantial contribution (\$1.8 million over three years) to the project and has pledged itself to increase the percentage of the national budget devoted to education,

*(6) Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.*

The GOP has recently passed eight tax measures which, together with improved collection efforts increased tax revenues from Gs.6.7 billion in 1967 to Gs.8.5 billion in 1969. A revised income tax law is now under consideration by the Paraguayan Congress.

*(7) Adhering to the principles of the Act of Bogota and Charter of Punta del Este.*

Paraguay adheres to the principles of the Act of Bogota and the Charter of Punta del Este.

*(8) Attempting to repatriate capital invested in other countries by its own citizens.*

Not applicable since Paraguay's investment in other countries is negligible.

*(9) Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.*

A new Constitution was adopted in Nov. 1967, which, by providing a popularly elected bi-cameral legislature, increases popular participation in government. Paraguay is demonstrating a clear determination to take effective self-help measures as

shown by recent increase in collection of various kinds of taxes, and contributions from its own sources toward agriculture and educational reform. The GOP has demonstrated its determination to implement  
B. *Are above factors taken into account in the furnishing of the subject assistance?* CIAP and A.I.D. recommended self-help measures.

The above factors have been taken into account in the furnishing of subject assistance.

Treatment of U.S. Citizens

2. FAA §.620(c). *If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?*
- No such cases are known to exist in Paraguay.
3. FAA §.620(e)(1). *If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing-ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?*
- Not applicable.
4. App. §.106. *If country attempts to create distinctions because of their race or religion among Americans in granting personal or commercial access or other rights otherwise available to U.S. citizens generally, what steps (will be) (have been) taken during loan negotiations to influence elimination of such distinctions?*
- No such actions have been taken in Paraguay, and it appears reasonably certain that no such action will be taken.

AID 1240-2 (4-70)

5. FAA §.620(o); Fishermen's Protective Act. §.5. *If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,* **Not applicable to Paraguay as it is inland country without any fishing activity in international waters.**

a. *has any deduction required by Fishermen's Protective Act been made?* **Not applicable.**

b. *has complete denial of assistance been considered by A.I.D. Administrator?* **Not applicable.**

Relations with U.S. Government and Other Nations

6. FAA §.620(d). *If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?* **Not applicable.**

7. FAA §.620(j). *Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action, of U.S. property?* **There have been no incidents or damage by mob action of U.S. property in Paraguay. Adequate measures have been taken to prevent them.**

8. FAA §.620(l). *If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?*
- Paraguay has signed a Specific Risk Guarantee Agreement with the U.S.
9. FAA §.620(q). *Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?*
- Paraguay is not in default on interest or principal on any A.I.D. loan.
10. FAA §.620(t). *Has the country severed diplomatic relations with U.S.? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?*
- Not applicable. Paraguay has consistently maintained diplomatic relations with the U.S.
11. FAA §.620(u). *What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearage taken into account by the A.I.D. Administrator in determining the current A.I.D. Operating Year Budget?*
- Paraguay is not delinquent on its U.N. obligations.
12. FAA §.620(a); App. 8.107(a) and (b). *Does recipient country furnish assistance to Cuba, sell strategic material to Cuba, or permit ships or aircraft under its flag to carry cargoes to or from Cuba.*
- According to the best information available, Paraguay allows none of the proscribed activities.

AID 1240-2 (4-70)

13. FAA §.620(b). *If assistance is to a government, has Secretary of State determined that it is not controlled by the international Communist movement.* The Secretary of State has determined that Paraguay is not controlled by the communist movement.

14. FAA §.620(f), App. §.109. *Does recipient country have a communist government* Paraguay does not have a communist government.

15. FAA §.620(i). *Is recipient country in any way involved in (a) subversion of, or military aggression against, the U.S. or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression.* Paraguay is not in any way so involved.

16. FAA §.620(n); App. 107(b) and 116. *Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam?* According to the best information available, no Paraguayan ships or aircraft transport cargoes to or from North Viet-Nam.

#### Military Expenditures

17. FAA §. 620(s). *What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points to be coordinated with PPC/MAS.)* Nineteen percent of Paraguay's budget for 1970 is for military expenditures. An estimated \$1.2 million in foreign exchange resources were spent on military equipment in 1969. No funds were expended on sophisticated weapons systems. AID/W has determined that Paraguay is not devoting an unnecessary percentage of its budget for military purposes.

AID 1240-2 (4-70)

18. App. §.119. How much spent by country during current U.S. fiscal year for sophisticated military equipment purchased since January 1, 1968? Has corresponding amount been deducted from current OYB, or is the weapons purchase determined by the President to be important to U.S. national security? (Responses to these questions to be coordinated with PPC/MAS.)

Paraguay has not purchased and does not intend to purchase sophisticated military equipment.

CONDITIONS OF THE LOAN

General Soundness

19. FAA §.201(d). Information and conclusion on reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.

Loans terms are consistent with U.S. and Paraguayan laws. The lending terms of the loan are considered reasonable in comparison with other sources of financing available.

20. FAA §.251(b)(2); §.251(e). Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner.

The activity is concluded to be economically and technically sound. The application for this loan, plus detailed discussions before and after receipt of the application, give sufficient information and assurance that the funds will be used in an economically and technically sound manner.

AID 1240-2 (4-70)

21. FAA §.251(b). *Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.*
22. FAA §.611(a)(1). *Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?*
23. FAA §.611(a)(2). *If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purposes of loan?*
24. FAA §.611(e). *If loan is for capital assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?*
25. FAA §.251(b). *Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.*

It is concluded that Paraguay has the capacity to repay and that there is reasonable assurance of repayment.

The cost to the U.S. has been fixed by the amount of dollar loan, which is based on reasonably sound estimates of construction and other costs. In arriving at these costs, past cost figures for existing Regional Education Centers have been analyzed and the services of a TDY school architect employed. There will be architectural, construction, and financial plans prior to signing of loan.

Legislative action will be required to increase the percentage of the national budget devoted to education. However, based on assurances from the Executive branch and discussions with Congressional leaders, there is a reasonable basis to anticipate that legislative action will be taken in time to permit orderly accomplishment of loan purposes.

See ANNEX I for Mission Director's certification.

Other free-world financing is not available for this project; although IDB and IBRD are planning complementary loans which will be carefully coordinated with this loan.

AID 1240-2 (4-70)

Loan's Relationship to Achievement  
of Country and Regional Goals

26. FAA §.207; §.251(a). *Extent to which assistance reflects appropriate emphasis on; (a) encouraging development of democratic economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs, or (e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and voluntary agencies; transportation and communication; planning and public administration; urban development; and modernization of existing laws.*

27. FAA §.209. *Is project susceptible of execution as part of regional project? If so why is project not so executed?*

28. FAA §.251(b)(3). *Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.*

The assistance will contribute towards these goals by providing:  
(a) Better educational opportunities for the people of Paraguay, particularly in rural areas. The Regional Education Centers will participate directly in local and regional economic and social development activities.  
(b) The loan will assist in increasing food needs through the agricultural vocational specialty which will be offered in the Regional Education Centers and through changes in the curriculum which will put greater emphasis on agricultural production.  
(c) The major objective of this loan is to improve the quality and quantity of Paraguay's manpower through improved education.  
(d) This loan will indirectly assist in meeting the country's health needs through emphasis on health and sanitation in the school curriculum, and in home economics courses.  
(e) The loan will increase the role of Regional Education Centers, and nuclear schools at the primary level, to play a major role in the economic and social, as well as educational, development of their regions.

The project is not susceptible of execution as part of a regional project.

This project has been designated a high priority by both the GOP and CIAP.

AID 1240-2 (4-70)

29. FAA §.251(b)(7). *Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.*

Improved quality of education is essential to attaining self-help sustaining growth, particularly in light of the very large percentage of the labor force (about 80%) with less than a full primary school education.

30. FAA §.281(a). *Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions.*

An objective of the loan is to increase the role of the Regional Centers in fomenting local community development. Libraries, sports facilities, and workshops will be utilized by the general community in a program of adult education. To the maximum extent possible local parents groups will be organized to support school construction, maintenance, and share in educational decision-making.

31. FAA §.281(b). *Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.*

As indicated in 30 above, the loan will seek to mobilize local support and participation. Curricula will be modified to meet regional needs, including civic education.

AID 1240-2 (4-70)

32. FAA §.601(a). *Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.*
- The loan will make a substantial contribution to improve the efficiency of industry, agriculture, and commerce through upgrading the quality of education in these and related fields.
33. FAA §.619. *If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?*
- Not applicable.
34. FAA §.251(h). *Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities.*
- This loan is in direct support of the 1969 and 1970 CIAP recommendations that Paraguay place greater emphasis on productive investments and education.
35. FAA §.251(g). *Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.*
- This loan is not directly related to the development of cooperatives, although it is believed that it should provide an indirect stimulus to formation of cooperatives.

AID 1240-2 (4-70)

36. FAA §.209; §.251(b)(8).  
*Information and conclusion whether assistance will encourage regional development programs, and contribute to the economic and political integration of Latin America.*

The loan will promote regional development within Paraguay through stimulation of local poles of development. Establishment of two new Regional Education Centers on the Brazilian border should promote further economic integration. The Regional Center in Encarnacion is already being emulated by nearby Argentine schools.

Loan's Effect on U.S. and A.I.D Program

37. FAA §.251(b)(4); §.102.  
*Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving the U.S. balance of payments position.*

The bulk of this loan will be for local costs, although a substantial amount will be for foreign exchange purchases in the United States or other countries of Latin America. The loan will have no adverse effect on the U.S. economy.

38. FAA §.601(b). *Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).*

Productivity resulting from higher quality manpower should serve as a stimulus to U.S. private investment, and private trade should be encouraged through increased exports of agricultural products and by-products.

AID 1240-2 (4-70)

39. FAA §.601(d). *If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?*
- Approximately \$225,000 of the loan will be used to provide engineering and professional services. Although untying policies open procurement of these services to other Latin American countries, it is anticipated that the GOP will prefer U.S. assistance.
40. FAA §.602. *Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services finance by the loan.*
- The bulk of this loan will be for local costs, however, A.I.D. regulations regarding U.S. small business will be complied with when applicable.
41. FAA §.620(h). *Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?*
- Not applicable.
42. FAA §.621. *If technical assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.*
- All technical assistance will be contracted from private individuals and firms.

AID 1240-2 (4-70)

43. FAA §.252(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.

All loan funds for commodities will be used for purchases from private exporters.

Loan's Compliance with Specific Requirements

44. FAA §.201(d). Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter?

Yes.

45. FAA §.C08(a). Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.

The loan agreement will require considering the utilization of excess property.

46. FAA §.604(a); App. §.108. Will all commodity procurement financed under the loan be from U.S. except as otherwise determined by the President?

Commodities purchased with loan funds will have their source and origin in the United States, or other countries of Latin America as determined by the President. Statutory reporting requirements will be met.

AID 1240-2 (4-70)

47. FAA §.604(b). *What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price?* **No bulk commodity purchases are planned.**
48. FAA §.604(d). *If the host country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the U.S. on commodities financed by the loan?* **This provision will be included in the loan agreement.**
49. FAA §.604(e). *If off-shore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?* **Not applicable to this loan.**
50. FAA §.611(b); App. §.101. *If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962?* **Not applicable to this loan.**
51. FAA §.611(c). *If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable?* **This provision will be included in the loan agreement.**

AID 1240-2 (4-70)

52. FAA §.620(g). *What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property?* Not applicable.
53. FAA §.612(b); §.636(h). *Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.* The GOP will contribute local currencies required for the project to the maximum extent possible. There are no U.S. owned foreign currencies available for this project.
54. App. §.104. *Will any loan funds be used to pay pensions, etc., for military personnel?* No such payment will be made under this loan.
55. App. §.111. *Compliance with requirements for security clearance of U.S. citizen contract personnel.* The requirements for security clearance of U.S. citizen contract personnel will be followed.

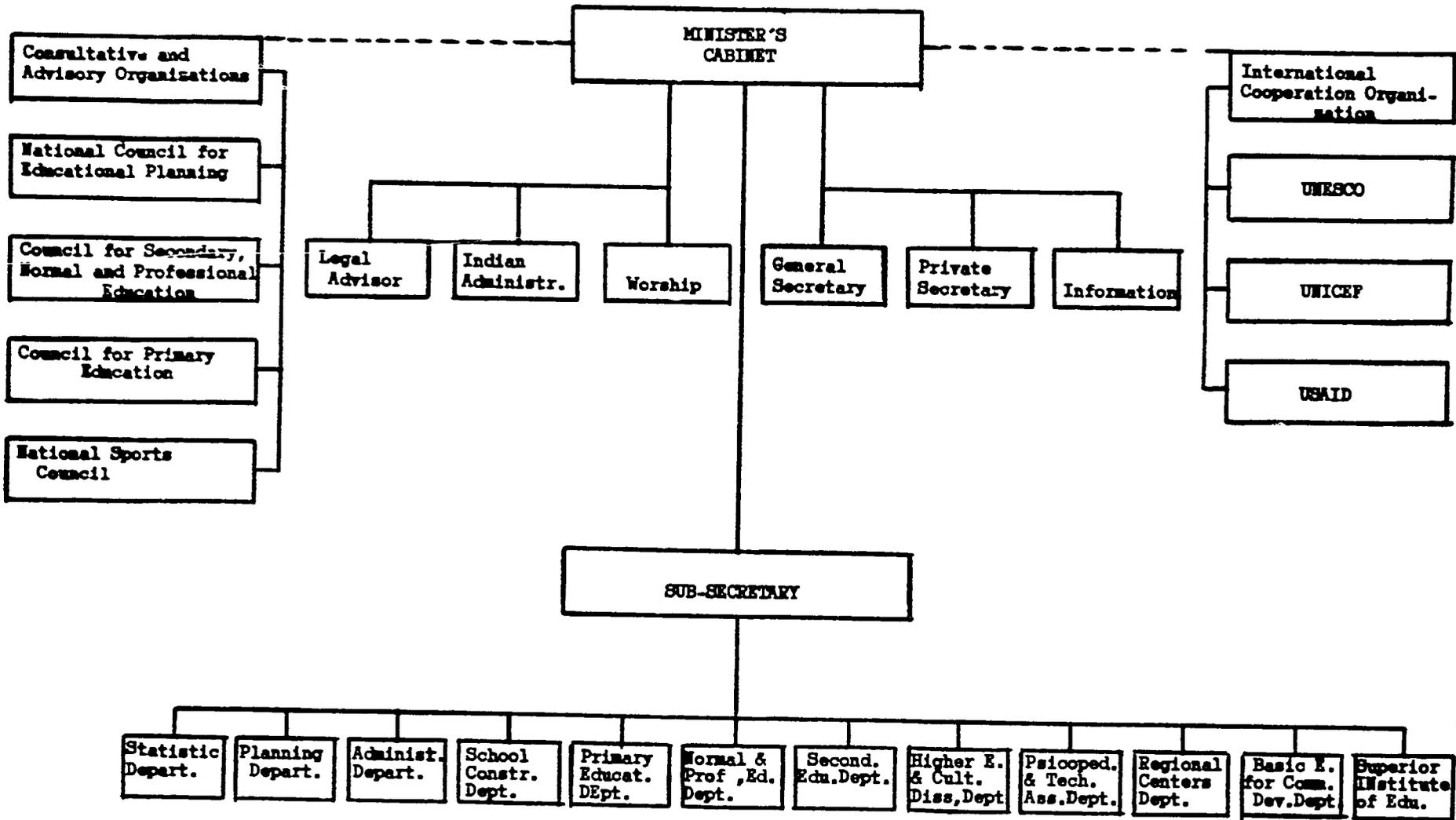
AID 1240-2 (4-70)

56. App. §.112. *If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms?* All contractors and the terms of their contracts will be approved by USAID.
57. App. §.114. *Will any loan funds be used to pay U.N. assessments?* The loan agreement will preclude such use of loan funds.
58. App. §.115. *Compliance with regulations on employment of U.S. and local personnel for funds obligated after April 30, 1964 (Regulation 7).* The loan agreement will reflect this requirement.
59. FAA §.636(i). *Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction?* Loan funds will not be used to finance non-U.S. manufactured motor vehicles. The loan agreement will preclude such use of loan funds.
60. App. §.407. *Will any loan funds be used for publicity or propaganda purposes within U.S. not authorized by the Congress?* Loan funds will not be used for publicity or propaganda purposes within the U.S.

AID 1240-2 (4-70)

61. FAA §.620(k). *If construction of productive enterprise, will aggregate value of assistance to be furnished by U.S. exceed \$100 million?* **Not applicable to this loan.**
62. FAA §.612(d). *Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?* **There is no U.S. owned excess foreign currency available for this project.**
63. MMA §.901.b. *Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.* **This provision will be included in the loan agreement.**

ORGANIZATION CHART OF THE MINISTRY OF EDUCATION  
December 1968

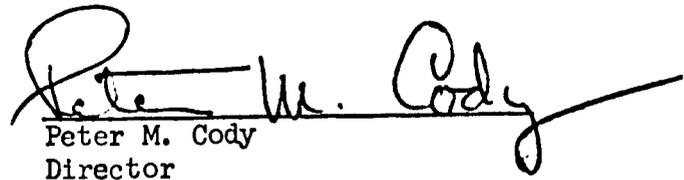


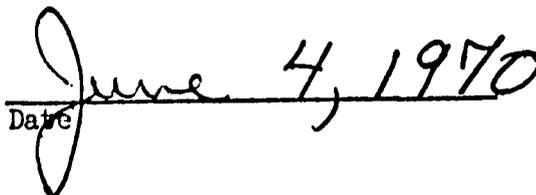
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 AID-DIC/P-914  
 ANNEX II  
 Exhibit A - Pg 1 of 1

CERTIFICATION PURSUANT TO SECTION 611(e)  
OF THE FOREIGN ASSISTANCE ACT OF 1961,  
AS AMENDED

I, Peter M. Cody, the principal officer of the Agency for International Development in Paraguay, having taken into account, among other things, the maintenance and utilization of projects in Paraguay previously financed or assisted by the United States, do hereby certify that in my judgement Paraguay has both the financial capability and the human resources capability to effectively maintain and utilize the capital assistance project, Educational Reform Program.

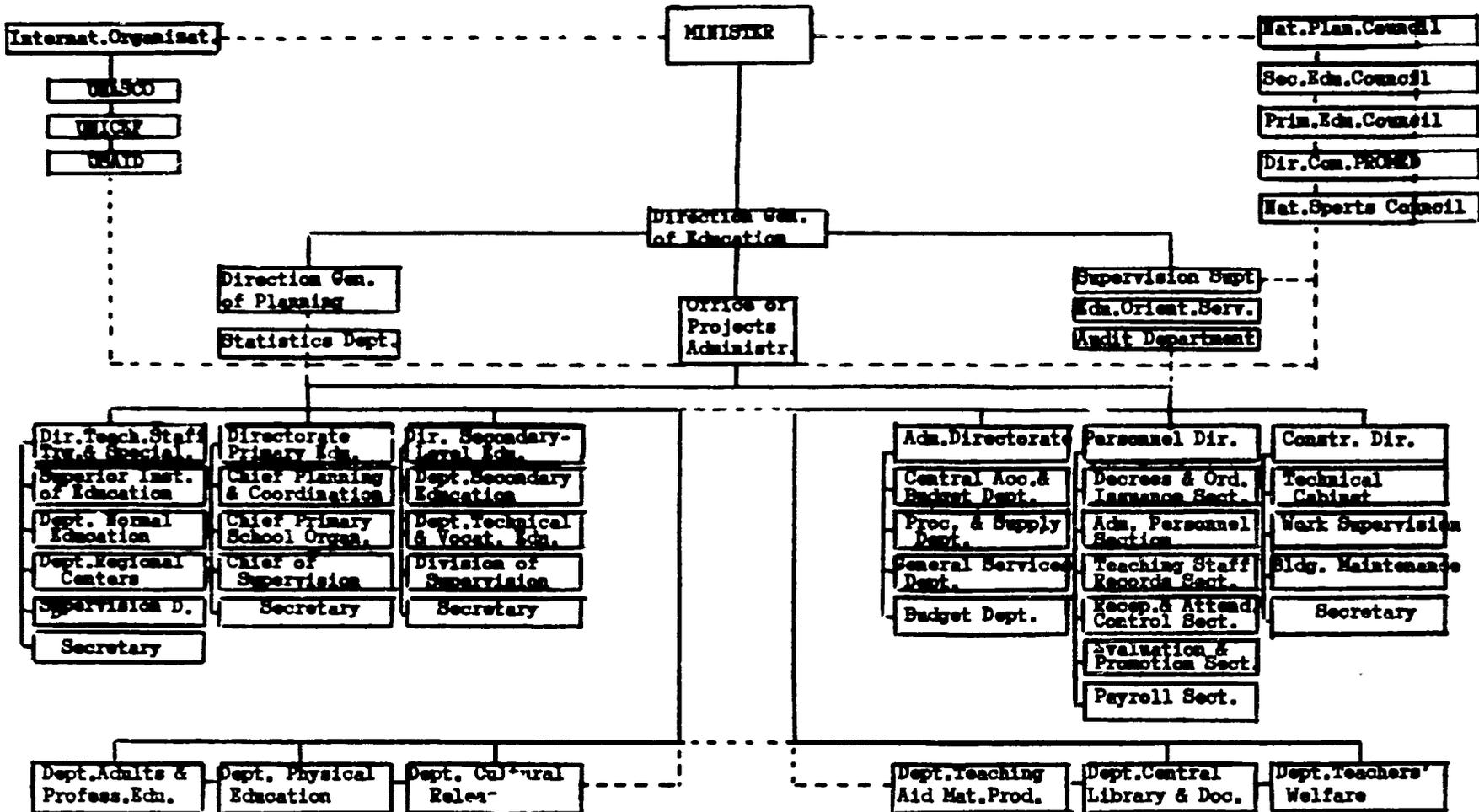
The capital assistance paper certifies that the statutory criteria as applied to Paraguay have been met. Discussions in the capital assistance paper on Loan Administration (Section III) demonstrate the capability of Paraguay to effectively maintain and utilize the project. Paraguay's record in maintaining the four existing Regional Education Centers, constructed with U.S. assistance, has been satisfactory and far superior to general standards of maintenance in Paraguay.

  
Peter M. Cody  
Director

  
Date

ORGANIZATION OF THE MINISTRY OF EDUCATION AND WORSHIP

PRELIMINARY PROPOSAL FOR NEW STRUCTURE



17

BIOGRAPHIC DATA

DR. FABIO RIVAS, DIRECTOR GENERAL OF EDUCATION  
MINISTRY OF EDUCATION AND WORSHIP

Attended primary school in Concepcion, Paraguay, and secondary school in Montevideo, Uruguay; Asuncion, Paraguay; and Buenos Aires, Argentina, obtaining the degree of B.A. in Philosophy. Took his Doctor of Chemistry degree at the Faculty of Chemistry of the National University of Asuncion, in 1958.

Attended post-graduate training courses in Chemical Engineering at the University of Parana, Brazil, in 1960. Received a scholarship for studies on Food Technology at the Faculty of Sciences, Valencia University, Spain, from 1962 through 1963. In 1967 took a course on Grains and Feeds at the University of Vicosa, Mina Gerais, Brazil.

From 1960 through 1969 visited several countries on official missions and in March 1970 visited the U.S. invited by the Department of State.

He has occupied the following positions in the past: Secretary of City Council of Concepcion; officer of the Ministry of Industry and Commerce and Ministry of Agriculture; member of Chamber of Representatives from 1958 through 1968; member of Constitutional Convention in 1967; and presently, National Representative for the five year term (1968-73).

From 1959 to present, Professor in the National University of Asuncion. From 1969 to present, Professor at the War National School.

Appointed Director General of Education, December 7, 1968.

BIOGRAPHICAL DATA

DR. RAUL PEÑA, MINISTER OF EDUCATION AND WORSHIP

Attended primary and secondary school at the San Jose College in Asuncion. Took M.D. degree at the School of Medicine of the National University in 1928.

From 1929 through 1932 took post-graduate courses at the Institute Oswaldo Cruz in Rio de Janeiro, and subsequently several courses in the U.S.A.

From 1931 through 1949 worked at the Ministry of Public Health in various important positions such as Director of Central Laboratory, Director of Sanitary Education Department, finally heading the General Direction of Health. Served in the Chaco during the Chaco War, and then was appointed Director of the Bacteriology Department where vaccines utilized by the Army were prepared.

From 1932 through 1949 was Professor of Bacteriology at the Faculty of Medicine.

In 1950 was elected National Representative, and in 1952 and 1953 held the Presidency of the Chamber of Representatives.

In 1954 was appointed Ambassador to Peru, from where he was recalled to be made Minister of Education until 1958, at which time he was made Minister of Public Health and Social Welfare.

Appointed Ambassador to Chile in 1960, in 1961 was transferred as Ambassador to Brazil where he remained until 1966.

Presently he is member of the Governing Council of the Colorado party political association, and also member of the Paraguayan Congress, as Senator, for the five year term (1968/73).

In August 15, 1968, was again appointed Minister of Education and Worship.

He has received decorations and awards from Brazil, Peru, Ecuador and Spain.

RESOLUTION No. 129

BY WHICH WORKING COMMITTEES ARE ORGANIZED TO CARRY OUT SPECIFIC STUDIES RELATING TO THE IMPLEMENTATION OF THE 1969-80 EDUCATIONAL DEVELOPMENT PLAN

Asuncion, April 2, 1970

WHEREAS: The development process requires various works relating to technical and economic feasibility studies on projects for educational improvements, and

CONSIDERING: The urgent need to accelerate specific studies which will be needed for final projects,

THE MINISTRY OF EDUCATION AND WORSHIP

RESOLVES:

- 1.- To make the Coordination Central Committee, appointed by Resolution No. 18 of January 10, 1970, responsible for the implementation, through the Planning Department, of the work program established for the Educational Development Plan (1969-80).
- 2.- To form Work Committees as follows:
  1. Plans and Programs for Primary Schools.
  2. Plans and Programs for Basic Courses (First three years of Secondary Schools).
  3. Plans and Programs for Bachillerato (Humanities).
  4. Plans and Programs for Normal Schools.
  5. Plans and Programs for Commercial Schools.
  6. Plans and Programs for Technical Schools.
  7. Legal and Administrative Regulations for Education.
  8. Financial Studies on Education.
  9. Teaching Material and Equipment.
  10. Construction of Schools.

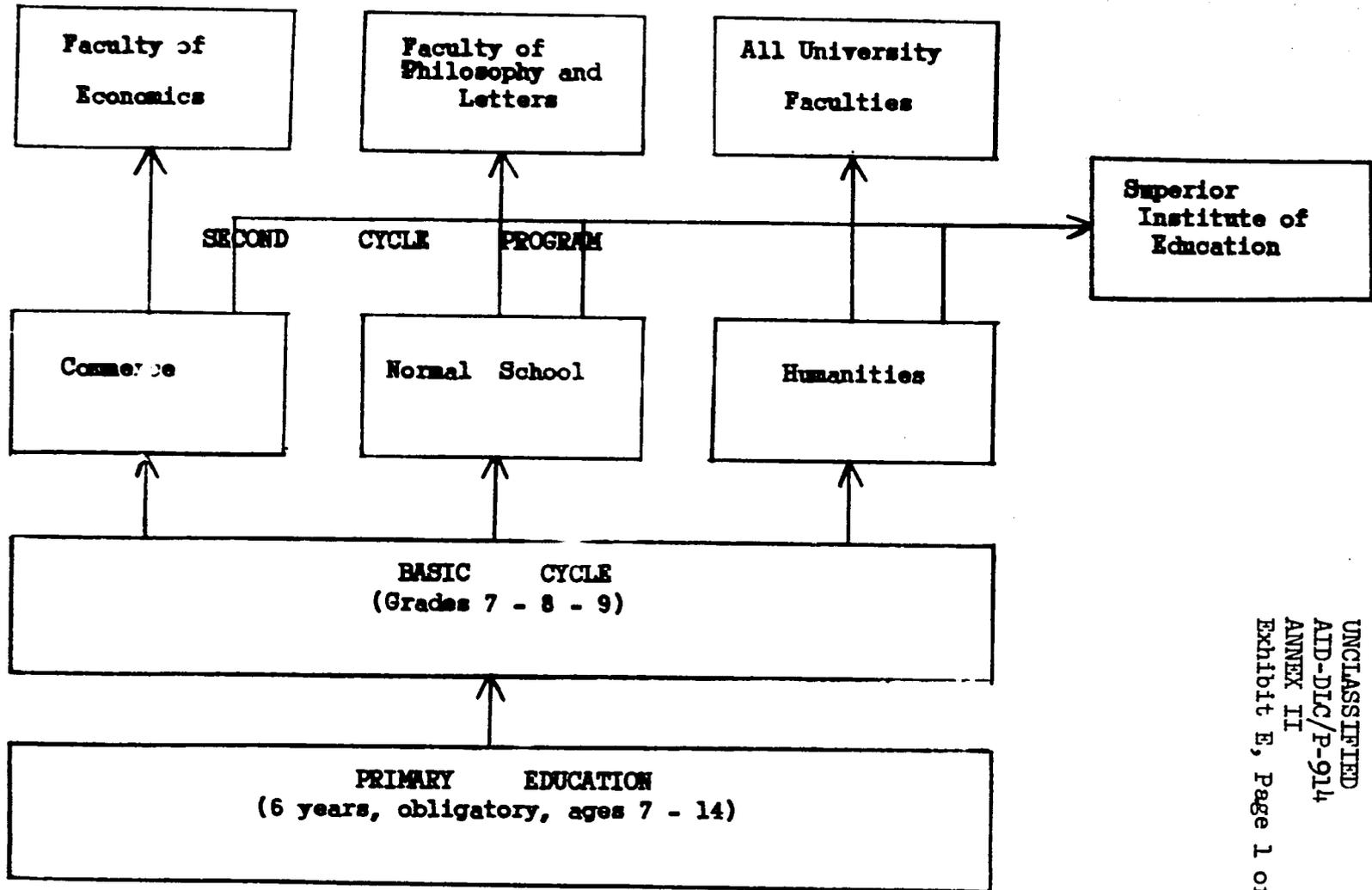
- 3.- The Committees mentioned above will assign a Coordinator who will be responsible for the work program to the Planning Department which will be the Executive Department, and organize sub-committees.
- 4.- The different Departments and Services of the Ministry of Education and Worship will support Committees appointed by this Resolution whenever it is necessary.
- 5.- Lic. Margarita Ortiz de Salcedo is appointed Technical Secretary to the Coordination Central Commission; Sr. Benito Rojas Technical Secretary to the Planning Department and Sr. Eduardo Viera Arias Administrative Secretary.
- 6.- The Coordination Central Committee will submit a monthly report and all studies and conclusions relating to the Project to the Minister of Education and Worship.
- 7.- Notification to the Executive Power.

Signed: Dr. RAUL PEÑA  
Minister

Copy:

s/ Secretary

EXISTING EDUCATIONAL SYSTEM



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ANNEX II  
Exhibit E, Page 1 of 2

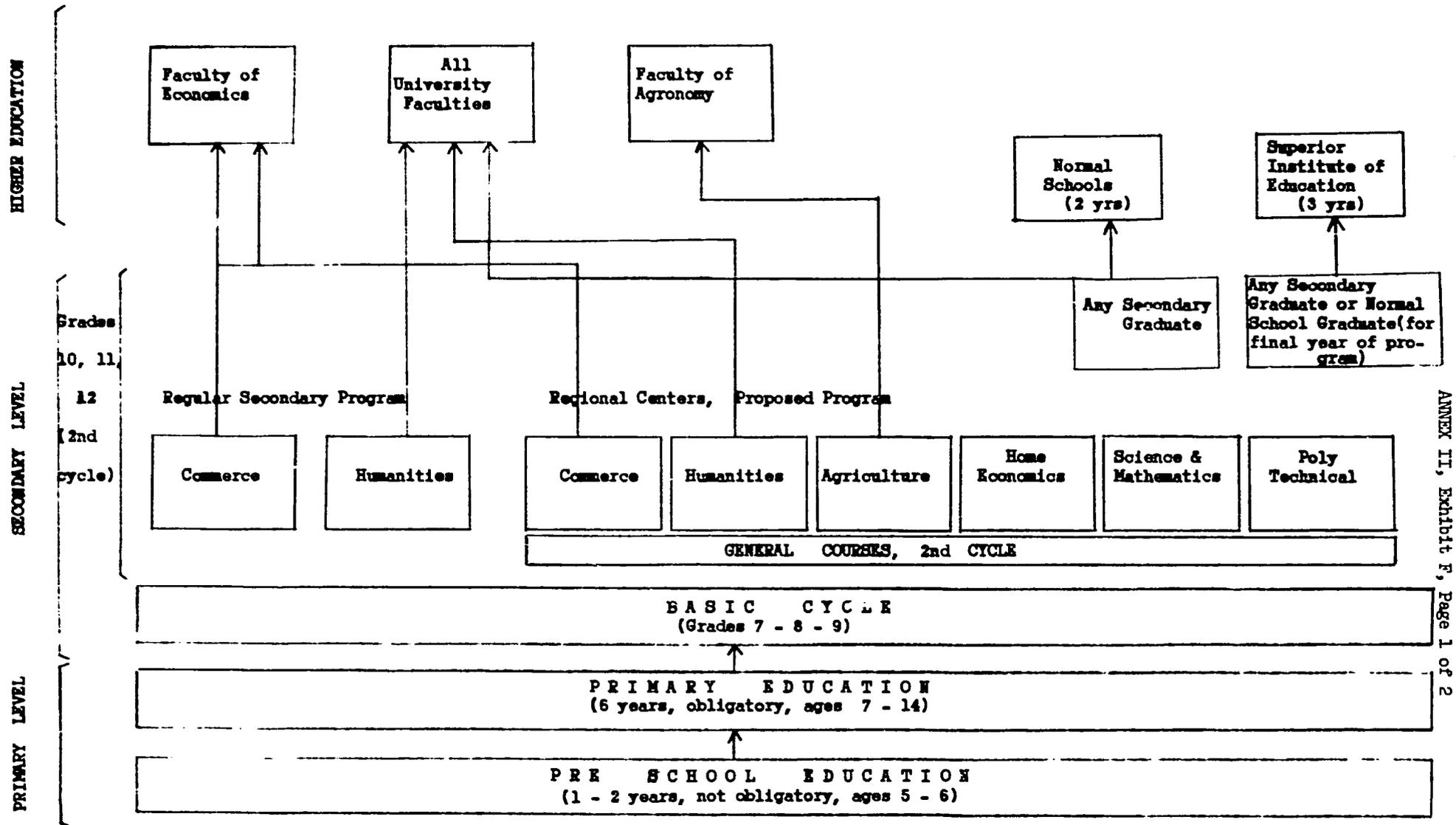
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EXISTING EDUCATIONAL SYSTEM

- NOTES: no. 1 - Outside this system there exist a few agricultural schools and a vocational school which can be ignored for present purposes due to low enrollment and the poor quality of the programs. A proposed Inter-American Development Bank loan would assist the agricultural schools. One reasonably good private agricultural school exists at the second cycle level. Under a proposed (but still in very preliminary stage) IERD loan, the presently inadequate vocational school would be assisted.
- no. 2 - The Superior Institute is a new school, post-high school level. Many students are "in-service" teachers and do not come directly from the high school program.

91)

PROPOSED EDUCATIONAL SYSTEM



10

PROPOSED EDUCATIONAL SYSTEM

- NOTES: (1) Outside this system there exist a few agricultural schools and a vocational school which can be ignored for present purposes due to low enrollment and the poor quality of the programs. A proposed Inter-American Development Bank loan would assist the agricultural schools. One reasonably good private agricultural school exists at the second cycle level. Under a proposed (but still in very preliminary stage) IBRD loan, the presently inadequate vocational school would be assisted.
- (2) Assuming the Regional Center reform of the secondary level curriculum is successful, the Ministry hopes to adopt it on a country-wide basis. At present, however, a majority will remain enrolled in the "regular secondary program". Adoption of the reform in the Regional Centers may open the way for adoption by private high schools. This is important as more than half of second cycle enrollment is in private schools.

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RELATIONSHIP BETWEEN THE NATIONAL BUDGET,  
THE BUDGET OF THE MINISTRY OF EDUCATION  
AND THE GROSS NATIONAL PRODUCT

(Million of 1962 Guaranies)

Years	G.N.P. 1	General Budget of the Nation 2	Education <sup>a/</sup> Budget 3	Current Expenditures 4	Capital Expenditures 5	Relative Values %			
						3:1	3:2	4:3	5:3
1959	40.135	3.589,66	566,12	-	-	1,41	15,8	---	-
1960	40.802	3.235,00	518,89	-	-	1,27	16,0	-	-
1961	43.118	3.700,92	555,51	544,66	10,85	1,28	15,0	98,0	2,0
1962	45.483	3.803,00	591,20	583,50	7,70	1,30	15,5	98,7	1,3
1963	46.539	5.555,48	686,65	673,85	12,80	1,47	12,3	98,1	1,9
1964	47.880	5.015,00	763,27	734,30	28,97	1,59	15,2	96,2	3,8
1965	51.004	5.824,54	857,29	823,02	34,27	1,68	14,7	96,0	4,0
1966	52.274	5.985,08	921,91	889,20	32,71	1,76	15,4	96,5	3,5
1967	55.961	7.747,20	998,29	970,41	27,88	1,78	12,8	97,2	2,8
1968	58.639(x)	8.525,00	1.069,22	1.033,19	36,03	1,82	12,5	96,6	3,4

Source: General Budget of the Nation - 58/68  
Technical Planning Secretariat and Division of Economical Studies, Central  
Bank of Paraguay (G.N.P.).

(x) Estimate amount

Note: This table presents data in million of  
constant (1962) guaranies.

Prepared by: Dept. of Educational Planning, Ministry of Education

<sup>a/</sup> Includes the Ministry of Education and the National University.

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 ANNEX II  
 Exhibit G-1  
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9/10

**RELATIONSHIP BETWEEN THE GENERAL BUDGET OF THE NATION,  
THE EDUCATION BUDGET, AND CURRENT AND CAPITAL EXPENDITURES FOR EDUCATION BUDGET**

(Millions of Guaranes, Current)

YEARS	B U D G E T S			E D U C A T I O N A L   E X P E N D I T U R E S			
	National	Education a/	Education as % of National Budget	Current	%	Capital	%
1959	2.627,6	414,4	15,8	-	-	-	-
1960	2.740,7	439,6	16,0	-	-	-	-
1961	3.410,4	511,9	15,0	501,9	98,0	10,0	2,0
1962	3.803,0	591,2	15,5	583,5	98,7	7,7	2,3
1963	5.772,7	713,5	12,3	700,2	98,1	13,3	1,9
1964	5.350,0	813,9	15,2	783,2	96,7	30,9	3,8
1965	6.118,1	900,5	14,7	864,5	96,0	36,0	4,0
1966	6.696,5	1.031,2	15,4	995,2	96,5	36,0	3,5
1967	8.587,0	1.106,5	12,8	1.075,6	97,2	30,9	2,8
1968	9.889,0	1.240,4	12,5	1.198,5	96,6	41,8	3,4
1969	9.944,2	1.241,8	12,5	1.210,8	97,5	31,0	2,5
1970	10.441,8	1.388,4	13,3	1.356,4	97,7	32,0	2,3

Source: General Budget of the Nation

Prepared by: Educational Planning Department  
Ministry of Education

a/ Includes the Ministry of Education and the National University

Note: Excludes the externally financed expenditure of Table IIG3.

MINISTRY OF EDUCATION

Expenditures Trends

(Million of Current Guaranies)

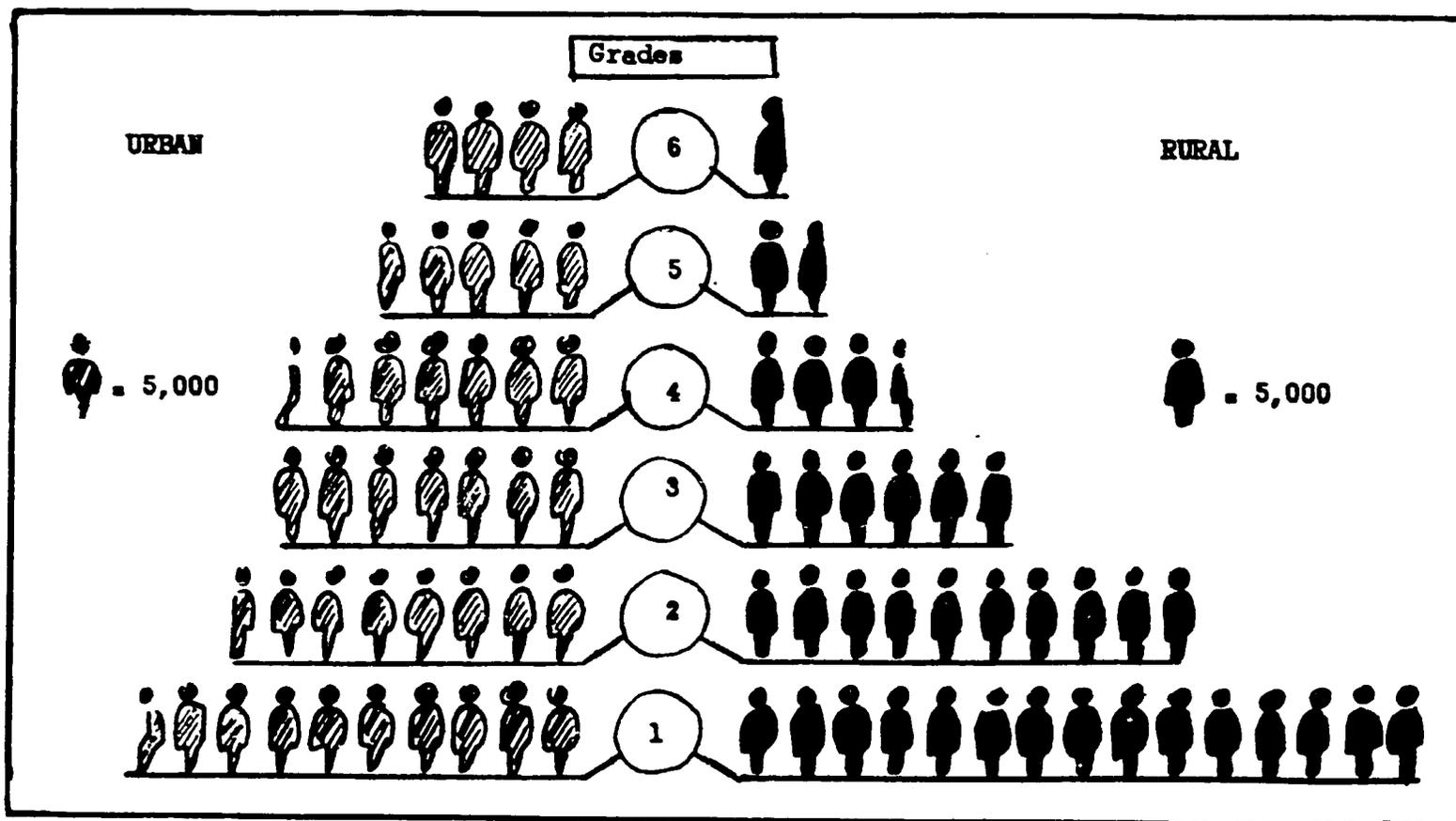
Years	Expenditures			Financing					
	Current	Capital	Total	Internal	External				Sub-Total
					USAID	KEDP	UNICEF	UNESCO	
1961	512.0	10.0	522.0	512.0	-	-	-	10.0	10.0
1962	605.0	14.0	619.0	592.0	9.0	7.0	-	11.0	27.0
1963	754.0	40.0	794.0	714.0	34.0	34.0	-	12.0	80.0
1964	880.0	82.0	962.0	814.0	68.0	68.0	-	12.0	148.0
1965	921.0	62.5	983.5	901.0	34.0	35.0	0.5	13.0	82.5
1966	1,029.0	50.0	1,079.0	1,032.0	17.0	17.0	1.0	12.0	47.0
1967	1,100.0	37.0	1,137.0	1,107.0	9.0	7.0	3.0	11.0	30.0
1968	1,210.0	46.0	1,256.0	1,240.0	-	2.0	4.0	10.0	16.0

Source: General Budget of the Nation, 1961-1968  
 Agreements and Reports of the Organizations Cited Above.

Prepared by: Department of Educational Planning

STUDENTS ENROLLED BY PRIMARY SCHOOL GRADES  
IN URBAN AND RURAL AREAS

Year 1967



Source: Statistics Department

PRIMARY EDUCATION

ESTIMATE OF RETENTION AND SCHOOL SYSTEM OUTPUT

1956 - 67

Years	G R A D E S						6th Grade Graduates
	1st	2nd	3rd	4th	5th	6th	
1956	117.150						
1957	(100.0%)	64.749					
1958		(55.3%)					
1959			45.538				
1960			(38.9%)	31.665			
1961				(27.0%)	21.655		
					(18.5%)	15.467	9.144
						(13.2%)	(7.6%)
1962	116.101						
1963	(100.0%)	78.943					
1964		(68.0%)					
1965			58.105				
1966			(50.0%)	43.054			
1967				(37.1%)	31.438		
					(27.1%)	24.227	20.206
						(20.9%)	(17.4%)

Source: Prepared by the Office of Technical Orientation and Planning  
Ministry of Education and Worship

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**SECONDARY EDUCATION**  
**ENROLLED AND GRADUATING STUDENTS FROM BASIC CYCLE**  
 (Grades 7, 8, and 9)  
1960 - 1968

**Table No. 1**

Year	Enrolled Students	Graduating Students	Index		Graduates as Percentage of Enrollment
			Enrolled Students	Graduates	
1960	16,411	3651	100,0	100,0	22.2
1961	17,528	3710	106,8	101,6	21.1
1962	18,964	4070	115,6	111,5	21.5
1963	19,475	4215	118,8	115,4	21.6
1964	23,380	4700	142,5	128,7	20.1
1965	24,205	4930	147,5	135,0	20.4
1966	26,620	5680	162,2	155,6	21.3
1967	29,075	6100	177,2	167,1	21.0
1968	32,635	7033	198,9	192,6	21.6

**Source:** Department of Educational Planning  
 Ministry of Education and Worship

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SECONDARY EDUCATION

ENROLLED AND GRADUATING STUDENTS FROM NORMAL SCHOOL SPECIALTY

(Grades 10, 11 & 12)

1962 - 1968

Table No. 2

Year	Enrolled Students	Graduates	Index		Graduates as Percentage of Enrollment
			Enrolled Students	Graduates	
1962	2804	858	100,0	100,0	30,6
1963	2740	894	97,7	104,2	32,6
1964	2953	804	105,3	93,7	27,2
1965	3285	910	117,2	106,1	27,7
1966	3826	974	136,4	113,5	25,5
1967	4049	1100	144,4	128,2	27,2
1968	4022	1161	143,4	135,3	28,9

Source: Department of Educational Planning  
Ministry of Education and Worship

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SECONDARY EDUCATION

ENROLLED AND GRADUATING STUDENTS FROM THE LETTERS AND SCIENCES SPECIALTY

(Grades 10, 11 & 12)

1962 - 1968

Table No. 3

Year	Enrolled Students	Graduates	Index		Graduates as Percentage of Enrollment
			Enrolled Students	Graduates	
1962	4267	952	100,0	100,0	22,3
1963	4610	935	108,0	98,2	20,3
1964	5383	1195	126,2	125,5	22,2
1965	6209	1367	145,5	143,6	22,0
1966	6243	1404	152,3	147,5	22,5
1967	7147	1585	167,5	166,5	22,2
1968	8061	1787	188,9	187,7	22,2

Source: Department of Educational Planning  
Ministry of Education and Worship

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Exhibit I-4  
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SECONDARY EDUCATION

ENROLLED AND GRADUATING STUDENTS FROM COMMERCIAL SPECIALTY

(Grades 10, 11, & 12)

1962 - 1968

Table No. 4

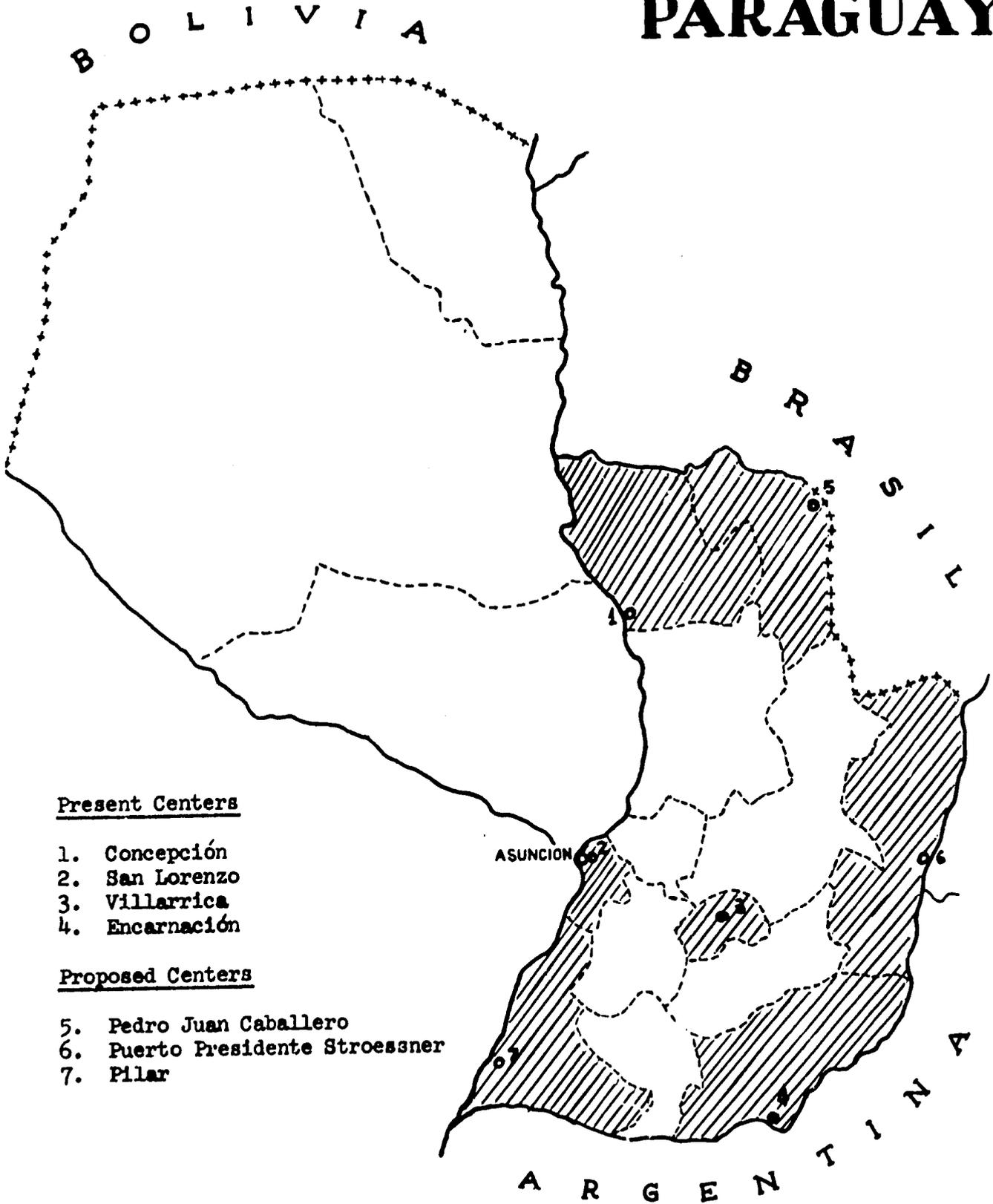
Year	Enrolled Students	Graduates	Index		Graduates as Percentage of Enrollment
			Enrolled Students	Graduates	
1962	1,242	204	100,0	100,0	16,4
1963	1,345	223	108,3	109,3	16,6
1964	1,689	306	136,0	150,0	18,1
1965	1,703	318	137,1	155,9	18,7
1966	1,806	338	145,1	165,7	18,7
1967	2,164	357	174,2	175,0	16,5
1968	2,524	428	203,2	209,8	17,0

Source: Department of Educational Planning  
Ministry of Education and Worship

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PRESENT AND PROPOSED REGIONAL EDUCATION CENTERS

# PARAGUAY



Present Centers

1. Concepción
2. San Lorenzo
3. Villarrica
4. Encarnación

Proposed Centers

5. Pedro Juan Caballero
6. Puerto Presidente Stroessner
7. Pilar

**PARAGUAY: PROFILE OF THE WORKING FORCE**

(Composition by Levels of Education)

By Percentages

Levels of Education	Professional Category	Professionals & Technicians	Administrators & Managers	Clerical Employees & Sales Clerks	Laborers & Artisans	Domestic Personnel	Total
<u>University Education</u>		<u>21.8</u>	<u>18.9</u>	<u>4.0</u>	<u>0.1</u>	<u>0.7</u>	<u>1.4</u>
Complete <u>1/</u>		14.9	8.2	0.5	-	0.3	0.7
Incomplete <u>2/</u>		6.9	10.7	3.5	0.1	0.4	0.7
<u>Medium Level Education</u>		<u>53.7</u>	<u>50.1</u>	<u>34.7</u>	<u>4.4</u>	<u>10.2</u>	<u>9.8</u>
<u>General Secondary</u>		<u>51.2</u>	<u>48.9</u>	<u>33.9</u>	<u>4.2</u>	<u>9.9</u>	<u>9.5</u>
Complete <u>3/</u>		19.4	20.9	10.6	0.3	1.6	2.2
Incomplete <u>4/</u>		31.8	28.0	23.3	3.9	8.3	7.3
Others <u>5/</u>		2.5	1.2	0.8	0.2	0.3	0.3
<u>Primary Education</u>		<u>24.5</u>	<u>31.0</u>	<u>61.3</u>	<u>95.5</u>	<u>89.1</u>	<u>88.8</u>
Complete <u>6/</u>		11.5	11.1	12.4	7.2	12.7	8.5
Incomplete <u>7/</u>		8.5	13.7	27.2	38.8	41.3	36.8
Less than 3 years or without instruction <u>8/</u>		4.5	6.2	21.7	49.5	35.1	43.5
<b>Total</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

1/ 6th Grade passed.    2/ 1st to 5th Grade.    3/ 12th Grade passed.    4/ 7th to 11th Grade.    5/ Technical, professional, vocational, agricultural education, etc.

6/ 6th Grade passed.    7/ 3rd, 4th, 5th Grades passed.    8/ 1st & 2nd Grades passed or without any instruction.

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GLOBAL COST ESTIMATES

SUPERIOR INSTITUTE OF EDUCATION

<u>BLOCK</u>	<u>AREA (m<sup>2</sup>)</u>
2 blocks (Basic)	1,378.00
1 block (Special Education)	746.55
Special classrooms	912.00
Vocational orientation shop	276.00
Canteen	312.00
Home Economics	312.00
Library	364.00
Administrative Offices	861.00
2 blocks (Normal)	1,234.80
Administrative Offices (Normal)	198.00
Administrative Office (Physical education)	198.00
Residence	64.00
Total	<u>6,856.35 m<sup>2</sup></u>

BLOCKS	6,856.35 m <sup>2</sup>	-	6,800	₱46,623,184
Auditorium	490.60		15,000	7,359,000
Modern gymnasium (covered)	996.75		10,000	9,967,750
Connecting passages	1,280.00		5,000	6,400,000
Furniture	---		---	10,552,490
Exterior pavements - patio				
exterior lights - parking area				
- gutters and drainage -				
sewage system	---		---	<u>7,297,576</u>
				₱88,200,000

Equivalent to \$700,000

(\$1.00 equals to ₱126.00)

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COST ANALYSIS - ONE TYPICAL BUILDING  
SUPERIOR INSTITUTE OF EDUCATION

<u>Description</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Total \$s.</u>
1. Clearing and preparation of site	--	--	95.184
2. Footing	97,80M3	2.100	205.380
3. Foundation wall 0.45	87,00M2	700	60.900
4. Reinforced concrete foundation wall plate	18,20M3	8.000	145.600
5. Horizontal insulation	233,00ML	95	22.135
6. Column (4" pipe)	18	6.800	122.400
7. Filling and compaction	103,00M3	250	25.750
8. Wall 0.30 plain brick	543,43M2	520	282.583
9. Wall 0.30 plastered brick	318,91M2	400	127.564
10. Wall 0.15 plastered brick	30,00M2	350	10.500
11. Reinforced concrete tie beam	15.10M3	8.200	123,820
12. Tile floor	699,00M2	500	344.500
13. Base board, tile	379,35ML	150	56.902
14. Roof joints with tensile rod	17	3.000	51.000
15. Tile roof and sheating	827,00M2	850	702.950
16. Reinforced concrete floor slab	22,40M3	8.500	190.400
17. Water proofing, floor slab	165,00M2	550	90.750
18. Wall paster	1.241,25M2	100	124.125
19. Floor slab finish coat	165,00M2	200	33.000
20. Window, metal frame with glass	128,37M2	2.500	320.925
21. Door, wood frame	23,76M2	2.400	57.024
22. Plain door, wood frame	11,20M2	1.800	20.160
23. Wall lime paint	1.241,25M2	40	49.650
24. Roof paint	827,00M2	100	82.700
25. Metal frame paint	256,74M2	50	12.837
26. Door paint	69,92M2	120	8.390
27. Brick painted with linseed oil	543,43M2	120	65.211
28. Floor slab paint	165,00M2	60	9.900
29. Column paint	17	200	3.400
30. Column footing	3,40M3	8.500	28.900
31. Masonry grills	33,00M2	1.000	33.000
32. Blackboard	6	5.000	30.000
33. Electric wiring	86	2.000	172.000
34. Electrical fixtures	54	4.000	216.000
35. Plumbing	--	--	390.000
36. Gutters and down spouts.	21,00ML	1.500	31.500
			<u>\$s.4.347.040</u>

Equivalent to \$34,500

Construction cost per square meter: \$s.6.309,20

Cost per classroom: \$s.724.506,66

PRIMARY SCHOOL

1.	Construction cost per square meter	₱ 5,210.10
2.	Furniture cost per square meter	<u>630.40</u>
	Total cost per m <sup>2</sup>	<u>₱ 5,840.50</u>
3.	Cost of 1 classroom	₱468,331.00
4.	Cost of furniture per classroom	<u>56,666.00</u>
	Total cost, 1 classroom	<u>₱524,997.00</u>

AVERAGE COST PER SCHOOL

- a. Central School: ₱4,214,977
- b. Satellite School: ₱2,333,208

CENTRAL SCHOOL COST

1.	Block (1): 2 classrooms 1 work shop administrative office entrance	¢1,730,000
2.	Block (2): 1 work shop 2 classrooms kitchen	¢1,670,000
3.	Toilet type A (6 compartments)	¢ 209,977
4.	Exterior equipment	¢ 25,000
5.	Entrance and connecting passages	¢ 20,000
6.	Well and pump	¢ 50,000
7.	Furniture	<u>¢ 510,000</u>
	TOTAL	¢4,214,977

Equivalent to \$33,452.19

(\$1.00 equals to ¢126.00)

Note: These costs are based in the minimum prices of Asuncion.

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SATELITE SCHOOL COST

1.	Block (1)	
	2 classrooms	
	1 work shop	
	administrative office	
	entrance	
	kitchen	¢1,872,000
2.	Toilet type B	95,408
3.	Exterior equipment	20,000
4.	Entrance	15,000
5.	Well and pump	50,000
6.	Furniture	<u>280,800</u>
	TOTAL	¢2,333,208

Equivalent to \$18,509.57

(\$1.00 equals to ¢126.00)

Note: These costs are based in the minimum prices of Asuncion.

PRIMARY SCHOOLS COST ANALYSIS

BLOCK No.1 COST

<u>Description</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Total ₡s.</u>
1. Clearing and preparation of site	--	--	10.292
2. Footing	62,70 M3	2.100	131.670
3. Foundation wall 0.45	40,00 M2	700	28.000
4. Foundation wall 0.30	34,86 M2	500	17.430
5. Foundation wall 0.60	2,52 M2	850	2.142
6. Reinforced concrete foundation wall plate	11,00 M3	8.000	88.000
7. Horizontal insulation	132,30 ML	95	12.568
8. Filling and compaction	79,50 M3	250	19.875
9. Wall 0.30 plain brick	214,93 M2	520	111.763
10. Wall 0.30	99,00 M2	400	39.600
11. Wall 0.15	121,96 M2	350	42.686
12. Plastered pilasters	36	600	21.600
13. Reinforced concrete tie beam	3,50 M3	8.200	28.700
14. Plain brick pilasters 0.30x0.45	14	1.500	21.000
15. Tile floor	407,00 M2	500	203.500
16. Base board, tile	232,20 ML	150	34.830
17. Roof joints with tensile rod	12	3.000	36.000
18. Tile roof and sheathing	557,20 M2	850	476.620
19. Wall plaster	625,38 M2	100	62.538
20. Window, metal frame with glass	64,80 M2	2.500	162.000
21. Door, wood frame	15,75 M2	2.800	44.100
22. Wall lime paint	625,38 M2	40	25.015
23. Roof paint	557,20 M2	100	55.720
24. Metal framepaint	129,60 M2	50	6.480
25. Door paint	31,50 M2	120	3.780
26. Brick painted with linseed oil	267,43 M2	120	32.091
27. Blackboards	4	3.000	12.000
			<u>₡s. 1.730.000</u>

Equivalent to \$13,730

Cost per square meter of construction: ₡s.4.250,60

Cost per classroom: ₡s.346.000

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BLOCK No.2 COST

<u>Description</u>	<u>Quantity</u>	<u>Unit Price</u>	<u>Total ₡s.</u>
1. Clearing and preparation of site	--	--	11.999
2. Footing	59,05 M3	2.100	123.900
3. Foundation wall 0.45	37,00 M2	700	25.900
4. Foundation wall 0.30	14,10 M2	500	7.050
5. Foundation wall 0.60	2,16 M2	850	1.836
6. Reinforced concrete foundation wall plate	9,99 M3	8.000	79.920
7. Horizontal insulation	123,40 ML	95	11.723
8. Filling and compaction	77,90 M3	250	19.475
9. Wall 0.30 plain brick	178,30 M2	520	92.716
10. Wall 0.30	131,92 M2	400	52.768
11. Wall 0.15	74,10 M2	350	25.935
12. Plastered pilasters	42	600	25.200
13. Reinforced concrete tie beam	3,39 M3	8.200	27.798
14. Plain brick pilasters 0.30x0.45	12	1.500	18.000
15. Tile floor	401,80 M2	500	200.900
16. Base board, tile	210,00 ML	150	31.500
17. Roof joints with tensile rod	16	3.000	48.000
18. Tile roof and sheathing	535,00 M2	850	454.750
19. Wall plaster	685,10 M2	100	68.810
20. Window, metal frame with glass	69,60 M2	2.500	174.000
21. Door, wood frame	13,50 M2	2.800	37.800
22. Wall lime paint	688,10 M2	40	27.524
23. Roof paint	535,00 M2	100	53.500
24. Metal frame paint	139,20 M2	50	6.960
25. Door paint	27,00 M2	120	3.240
26. Brick painted with linseed oil	223,30 M2	120	26.796
27. Blackboards	4	3.000	12.000

₡s. 1.670.000

Equivalent to \$13,254

Cost per square meter of construction: ₡s.4.154,22

Cost per classroom: ₡s.303.636

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ESTIMATED COST

REGIONAL EDUCATION CENTERS: PUERTO PRESIDENTE STROESSNER  
AND PEDRO JUAN CABALLERO

BLOCK	Area (m <sup>2</sup> )	Unit Cost	Total ₡
1. Basic Cycle	678	7,000	4,746,000
2. High School	678	7,000	4,746,000
3. Primary	678	7,000	4,746,000
4. Special classrooms	642	7,000	4,494,000
5. Residence	80	7,000	560,000
6. Shops	543	7,000	3,801,000
7. Normal School unit	459	7,000	3,213,000
8. Library	434	7,000	3,038,000
9. Kindergarten	260	7,000	1,820,000
10. Administrative Offices	1,440	7,000	10,080,000
11. Dining-room	387	7,000	2,709,000
12. Connecting passages	638	5,000	3,190,000
13. Agro-industrial shops	---	---	1,500,000
14. Furniture	---	---	7,296,450
15. Water lines, sewage, toilets, etc.	---	---	<u>4,900,000</u>

₡60,839,450

Regional Education Center of Puerto Presidente Stroessner: \$480,000

Regional Education Center of Pedro Juan Caballero: (₡61,614,000  
including the sum of ₡774,550, on account of  
extra charges) \$489,000

(\$1.00 equals to ₡126.00)

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ESTIMATED COST  
PILAR REGIONAL EDUCATION CENTER

<u>BLOCKS</u>	<u>Area (m<sup>2</sup>)</u>	<u>Unit Price</u>	<u>Total ₱</u>
1. Administrative Offices:			
2nd floor	559.00	10,000	5,590,000
1st floor	559.00	10,000	5,590,000
2. Special classrooms:			
2nd floor	462.00	10,000	4,620,000
1st floor	462.00	10,000	4,620,000
3. Normal School unit	539.00	8,000	4,312,000
4. Dining-room	156.00	8,000	1,248,000
5. Residence	80.00	8,000	640,000
6. Entrance	108.00	5,000	540,000
7. Toilets	---	---	700,000
8. Recondition - old building	---	---	500,000
9. General Improvements	---	---	1,500,000
10. Agro-Industrial shops	---	---	1,800,000
11. Vocational shop	---	---	1,500,000
			<u>33,160,000</u>
Furniture			6,000,000
Exterior equipment			<u>26,000</u>
			<u>₱39,186,000</u>

Equivalent to \$311,000

(\$1.00 equals to ₱126.00)

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EQUIPMENT COSTS \*

1. Superior Institute

Laboratory Sciences	11,500
Home Economics	3,030
Audio Visual	4,565
Library	16,425
Shop	5,755
Social Studies	850
Physical Education	3,700
Snack Bar	5,200
Office Equipment & Supplies	8,875
<b>Total</b>	<b><u>\$59,900</u></b>

2. Regional Centers

	<u>PJC</u>	<u>PPS</u>	<u>PILAR</u>	<u>TOTAL</u>
Furniture (included as construction cost)	---	---	---	---
Office equipment	5,000	5,000	5,000	15,000
Laboratory, electricity	---	---	4,000	4,000
Laboratory, sciences	5,500	5,500	---	11,000
Library (excludes books)	15,000	15,000	15,000	45,000
Office supplies	1,000	1,000	1,000	3,000
Audio-visual	1,500	1,500	1,500	4,500
Home Economics-Health	2,000	2,000	2,000	6,000
Agriculture-shop	30,000	30,000	1,500	61,500
	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$30,000</u>	<u>\$150,000</u>

3. Primary Schools

Office equipment & supplies	<u>\$10,200</u>
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\* Furniture (desks, blackboards, etc.) are considered construction costs and, therefore, are not included in this listing.

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4.	<u>Peace Corps Support</u>	
	Vehicles, 6	24,800
	Tools, supplies	<u>5,200</u>
		<u>\$30,000</u>
5.	<u>Operations and Planning</u>	
	Office equipment	7,500
	Verifier & Key punch (with service contract)	<u>7,500</u>
		<u>\$15,000</u>
	GRAND TOTAL	<u>\$265,000</u>

PHYSICAL PLANT FOR REGIONAL CENTERS IN PUERTO PRESIDENTE STROESSNER  
AND PEDRO JUAN CABALLERO

Description of Physical Plant

Primary: 7 classrooms (one-preschool), director's office, a teachers' office room, a small storage area, bathroom.

Basic Cycle: 6 classrooms, director's office, one teachers' office room, a small storage area, bathroom.

Second Cycle, except poly-technical and agriculture: 5 classrooms, director's office, a teachers' office room, a small storage area, bathroom.

Second Cycle, Polytechnical and Agriculture: shop, (with tool cribs), bathroom and shower, tractor and large tool area, 2 classrooms, small office for director.

Normal: 2 classrooms, director's office, 1 small teachers' office, 1 room for teaching aids and coordination.

All the regular classrooms should be large enough for about 40 students.

General (joint use):

Library - large enough to serve entire school; area schools.

Director's office - with small area attached for secretary.

Zone Supervisor's offices - 3 small offices with some waiting room area.

Canteen - small, no seating needed.

Administrative room - general storage, storage of audio-visual equipment, secretarial work area.

Home economics - one large room.

Natural Science facilities - one classroom. One general basic laboratory for all the natural sciences.

Art - one classroom.

Student services - 2 small rooms for "asistente social" and "orientador"; 2 small rooms for doctor and dentist. One waiting room with access to all above rooms.

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Gym-auditorium designed to seat 500. The gym should also be a stage which can be used for music, theater, and speaking purposes, and serve as a community center.

Well, water distribution and sewage disposal system for the center.

#### Discussion of Physical Plant

The physical plant at the existing regional centers is judged to be satisfactory. Therefore, the same basic facilities are being proposed for the new centers. The major changes adopted are the following:

(1) A teachers' office room has been added at each level (primary, basic, etc.) Since the regional centers employ a majority of their teachers on a full-time basis, it is necessary to provide a place for them to work and keep their materials when they are not actually in classroom. Traditionally, with most teachers employed part-time, teachers have arrived only for the time they actually teach and then they leave the premises. This is a part of the effort to professionalize teaching in Paraguay.

(2) A zone supervisor's office has been added with two adjacent offices. The Ministry wishes to provide the physical facilities necessary to expand the effectiveness of the centers in their zones of influence. The goal is to institutionalize the role of the centers in their geographic areas. In the short-run, Peace Corps technical assistants will use the offices also.

(3) Storage space will be increased. Present centers are barely adequate in storage space for their own needs. As these centers expand their outreach, they will need more space for storing teaching aids used in area schools (on a rotating basis). With an expanded budget for equipment and maintenance, the storage needs of the centers themselves will expand also.

(4) Canteen - The existing centers have all added a small canteen after initial construction. Since the expenditure is small and since revenue generated seems to exceed total costs, including construction and equipment, it seems sensible to build this into the original plans.

The Ministry and USAID agree that construction should be of local material to the maximum extent feasible. Experience in existing centers demonstrates that foreign parts or replacements are often difficult to secure. The result of this is often the existence of malfunctioning equipment or facilities due to lack of minor parts. Alternatively items are occasionally replaced at high cost when they should be repaired if parts were available.

PHYSICAL FACILITIES FOR COLONIZATION AREA GRADE SCHOOLS

Central Schools:

6 classrooms with movable portions so that larger rooms suitable for meetings and multigrade activities can be formed.

Home economics room.

Shop.

Small first aid and health room.

Small office and small room for teaching materials.

Kitchen.

Storage room.

Bathroom facilities, rudimentary showers, drinking water.

Interior patio area (open air) for group meetings.

Living quarters for teachers - small dining room, kitchen, bedrooms, bath.

Land will be sufficient for elementary agriculture instruction and for a physical education area. The general construction guideline is simplicity and service ability.

Satellite Schools:

Classrooms.

Shop for manual arts.

Home economics room.

Director's office.

"Rustic" kitchen.

Drinking water.

Open air patio.

SUPERIOR INSTITUTE OF EDUCATION (SIE)  
PHYSICAL PLANT AND ATTACHED NORMAL SCHOOL

Teaching Facilities, SIE and Normal:

- 3 math rooms
- 3 science laboratory rooms
- 3 language and social study rooms
- 1 arts and design room
- 2 home economics rooms
- 10 regular classrooms for 40 students
- 1 block of 10 seminar rooms for 20 students each (with  
moveable walls, convertible into larger rooms)
- 1 audio-visual room
- 2 teaching shops (didactic materials)
- 1 pedagogic methods room

Administration Facilities, SIE and Normal:

- General Director's Office
- SIE Director's Office
- Normal Director's Office
- 3 Secretary's Offices
- Teachers Meeting Room

Service and Other Facilities:

Library

Auditorium (convertible to classrooms when not in use as auditorium)

Gymnasium

Cafeteria and Canteen

3 Storage rooms (1 large, 2 small)

2 Teacher's office rooms (with small cubicles)

4 Small predical and social service offices with one waiting  
room attached

1 Small service shop - janitor's room

Bathroom facilities

Criteria To be Used by the Architect/Engineer in Site Inspection

1. Title must be held by the appropriate agency of the Paraguayan Government.
2. The site should be functionally suitable to the purposes of the project.
3. The land should be reasonably flat, so as to avoid excessive terracing or dirt removal.
4. There should be no open sewers, cesspools, ditches, garbage dumps or incinerators on or near the site.
5. The site should be adequately accessible for the transportation of materials and construction equipment and be located so as to be easily accessible to school children.
6. The soil bearing value should be satisfactorily determined and suitable for building foundations without unreasonable expense.
7. There should be no serious rock conditions which would require expensive removal.
8. The nature and extent of filled areas, if any shall have been identified.
9. Encroachments of every character including buildings, fences and hedges should be clearly shown.
10. There should be no sub-surface obstructions, such as tanks, foundations or buildings, or if present, they should be clearly identified.
11. The site should have sufficient slope to drain properly.
12. The site should be free from swamps, freshets and exposure to floods, erosion or other natural hazards.
13. The building to be constructed should be properly oriented to climatic conditions.

14. The site should have access to a suitable water supply. If either a piped water supply or a deep well are not available at a reasonable distance from the site, the feasibility of drilling a deep well on the site or providing satisfactory water by other means, should be determined.
15. There should be no sources of excessive noise, such as railroads, switching yards, foundries or industry near the site.
16. The site should be within a reasonable distance of the school population.

## ANNUAL REVIEW CHECK LIST

1. Project Progress and Problems
  - a. SIE and Normal School - on schedule? within budget? quality of construction? equipment and books arrive on time? etc.
  - b. Regional Centers - on schedule? within budget? quality of construction? equipment and books arrive on time? etc.
  - c. Primary Schools - criteria for selection adequate? basic designs working satisfactorily? establish relation between central and satellite schools? within budget? UNICEF equipment arriving satisfactorily? need to reduce number of schools to construct? quality of construction? etc.
  - d. Teacher Training - number planned actually trained? adequacy of scholarships? logistical problems? adjustment of priorities for training? new specialties required? availability of UNICEF scholarships?
  - e. Textbooks and Didactic Material - production on schedule? adequacy of distribution system? percentage recovery on sale and rentals? development of new texts? arrival of books, charts, maps, workbooks? training of teachers in use of textbooks?
  - f. Equipment - suitability of items selected (cost, durability, replacement)? ordering phased with construction schedule? shipment problems, etc?
  - g. Technical Assistance - quality of assistance? coordination of AID-UNESCO-PCV assistance? need for additional assistance? probable IBRD funded assistance?
  - h. Operations and Planning - Ministry Employees vs. outside hire? costs? quality? need for more or less people? problems of coordinating MOE administration? problems in obtaining policy decisions? development of IBRD loan? coordination of AID, IDB, IBRD, UN efforts?
  - i. Analysis of Maintenance - adequacy of plans? financing?
2. Education Plan Objectives
  - a. Progress in reorganization of Ministry - consolidation of offices? improved statistics, accounting, and budgeting? creation of planned General Directions? coordination with other GOP Ministries, decentralization of functions to regional centers?
  - b. Matriculation - progress in meeting goals for increased enrollment and new construction of primary and secondary level? statistics on drop-outs? number of complete vs. incomplete primary schools?

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- c. Other primary measures - curriculum reform? relation of central and satellite schools? decentralization of supervisory responsibilities? number of trained teachers in rural areas? relationship between primary schools and regional centers? flexible promotion in first grades? progress on bilingual problem?
- d. Secondary - progress in meeting goals for secondary enrollments and construction? basic cycle facilities? conversion of normal schools to secondary? curriculum revision progress? introduction of elective courses? relation to IBRD and IDB programs?
- e. Career system - success and problems in adopting system? pay scales? incentives for training course attendance? method for weeding out unqualified?
- f. Financial - availability of counterpart funds? adequacy of GOP educational budget? (in absolute terms and as percent of national budget) distribution between operating and capital costs? adequate funds for maintenance? planning?

PARAGUAY'S EXTERNAL DEBT, FOREIGN RESERVES,  
AND DEBT REPAYMENT CAPACITY

Summary, Conclusions, and Recommendations

Although the structure of Paraguay's external debt is quite favorable, Paraguay has difficulty in quickly absorbing foreign capital. For the foreseeable future, Paraguay should be able to earn without great difficulty the foreign exchange needed to make hard currency debt-service payments. Given the competing uses of funds, including counterpart funds, it is anticipated that debt-service payments will put considerable pressure on the GOP budget. Actions necessary to reduce the debt-servicing burden include longer terms on new loans, actions to increase domestic revenue and export promotion. The international reserve position has improved recently and the prospects for growth over the near future are encouraging.

Paraguay's debt-service payments in hard currency will probably not exceed 27% of export proceeds by 1974. Although somewhat higher than present ratios, meeting debt-service requirements should not be a serious problem in the foreseeable future. In Paraguay, meeting debt-service payments has priority over other uses of foreign exchange. The disturbing trend, however, is that debt-servicing will probably continue to grow faster than exports. If present trends in contracting new debt continue and if exports do not grow sufficiently, serious problems could develop in the late 1970's. With an eye toward avoiding these problems, new loans should be granted under as favorable terms as possible--especially those loans for projects with long payout terms i.e. roads, education, PL 480, etc. Loans for directly productive activities which generate the funds for debt servicing could be continued at normal terms and conditions. In light of this, the U.S. should be prepared to extend the most favorable terms possible on future loans not associated with directly productive activities.

Discussion

Authorized debt at the end of 1969 reached \$243.8 million. However, since \$100.2 million had not been utilized and \$20.9 million had been repaid, the total for which Paraguay was "liable" is reduced to \$122.6 million.

TABLE I

NET DEBT POSITION OF PARAGUAY AS OF DEC. 31, 1969  
(Thousands of \$)

Amount Authorized <u>a/</u>	\$243,814.9
Less: Principal Paid	<u>20,918.0</u>
Amount Outstanding	222,896.9
Less: Amount Unutilized	<u>100,239.2</u>
Amount Repayable on 12/31/69	\$122,657.7

a/ Excludes Suppliers Credits

Source: Program Office, USAID/Paraguay

Concerning the growth of external debt, Table II presents amounts loaned by years and the percent disbursed by the end of 1969. For example, by December 1969 only 53.4% of the loans made in 1967 had been utilized. The slow utilization of available resources is due to several factors including lead time required for bidding, lack of project planning, implementation time requirements, and shortage of counterpart funds or GOP actions. Regardless of the reasons, Paraguay's ability to quickly absorb capital is limited.

TABLE II

LOAN UTILIZATION AS OF DEC. 31, 1969  
OF LOANS AUTHORIZED IN SELECT YEARS

(Thousands of \$)

	<u>Authorized <u>a/</u></u> <u>Amount</u>	<u>Utilized as of</u> <u>12/31/69</u>	<u>Percentage</u> <u>Utilized</u>
1955-1960	16,673.6	16,673.6	100.0
1961	20,686.5	20,686.5	100.0
1962	231.2	231.2	100.0
1963	18,443.8	18,153.7	98.4
1964	29,927.2	27,646.9	92.4
1965	20,030.5	16,971.0	84.7
1966	17,327.1	14,489.6	83.6
1967	42,350.0	22,608.4	53.4
1968	7,000.0	2,525.4	36.1
1969	<u>71,145.0</u>	<u>3,589.4</u>	<u>5.0</u>
1955-1969	243,814.9	143,575.7	58.9

a/ Excludes suppliers credits  
Source: Program Office, USAID/Paraguay

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Concerning the source of external loans, Table III indicates that IDB is the largest supplier followed by AID a/ and private lenders. The predominance of IDB is even more striking when one remembers that AID loans stretch back to 1955 while those of IDB did not begin until 1961. Viewed differently, of the \$120.5 million authorized in the 1967-69 period, IDB accounted for \$63.5 million or 53%. Considering the entire 1955-69 period, IDB accounts for 40% of Paraguay's authorized foreign loans.

a/ In what follows, the term "AID" means AID and predecessor agencies and AID-administered loans i.e. Commodity Credit Corporation (PL480).

TABLE III

KNOWN ACTIVE LOANS BY LENDERS AS OF DEC. 31, 1969

(Thousands of \$)

<u>No.</u>	<u>Lender</u>	<u>Authorized Amount</u>
25	AID & Predecessor Agencies	59,540.5
21	IDB	97,753.1
8	Foreign Governments	21,758.9
4	IDA	21,400.0
4	IBRD	11,350.0
8	Private <u>a/</u>	25,623.9
2	Ex-Im	6,388.5
		<hr/> 243,814.9

a/ Excludes suppliers credits

Source: Program Office, USAID/Paraguay

With respect to the purpose of foreign loans, highways, utilities, and transportation equipment have received about 54% of the funds while the fields of education and health have received less than 2%. The agriculture and livestock sectors account for a substantial portion of foreign loans (18%) but due to rapid population increases, the effect on increasing exports has been limited.

Although debt-service payments have risen rapidly since 1965, Paraguay has not experienced undue difficulty in meeting them. Table IV, supplied by the IMF, indicates that debt-service payments grew from around 10% of export earnings in the 1965-1966 period to about 26% in the 1969-1970 period.

TABLE IV

RELATIONSHIP BETWEEN FOREIGN DEBT-SERVICE PAYMENTS <sup>1/</sup>  
AND NATIONAL ACCOUNTS AGGREGATES (1%)

Payments as % of:	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u> <sup>P</sup>
Exports Receipts	10.4	9.5	14.0	17.8	25.4	26.8 <sup>2/</sup>
GDP	1.4	1.1	1.5	1.8	2.4	2.6

1/ Denominated in both local currency and foreign exchange.

2/ It should be noted that this is based on a low export projection. If 1970 exports reach \$57 million, this ratio would fall to about 24%.

Source: IMF Title XIV Consultation Report, Part II.

As pointed out by the IMF, "two factors explain the rising debt-service burden. First of all, the projects financed with external loans were mainly of a basic infrastructure type, including roads, power plants, airport construction, and colonization projects. Such projects have an impact on exports only in the long run. Secondly, a large number of loans contracted in the late 1950's and early 1960's had long grace periods, many of which terminated during the past two years or are due to terminate in the near future. The unusually rapid increase in the debt-service relative to export earnings in the past several years has not resulted from a deterioration in the structure of Paraguay's external debt. On the contrary, from 1965 to 1968, the share of the foreign debt outstanding with initial maturities of ten years and over rose from 88% to 92%. In 1969, a small shift did occur in the distribution toward debt with initial maturities to one year and less than ten years, but the shift was too small to account for any significant part of the rising debt-service burden".

With respect to terms and conditions of the loan to Paraguay, IDA offers the most favorable terms followed by AID. Foreign government and commercial type loans typically have higher interest rates and shorter terms.

Concerning the trend of future payments, the IMF's projections of amortization payments on loans as of December 31, 1969 indicates rather steady annual requirements of between \$10.2 and \$10.8 millions from 1970 to 1974 (see column 2 of Table V). Interest payments from the Central Bank are set out in column 2 but do not consider the interest payments on recent loans that either had not been approved by the COP Congress or for other reasons had not been included on the Central Bank list. Such loans amount to about \$45.9 million (i.e. Trans-Chaco, World Bank Cattle Loan, recent PL 480, etc.). If one assumes this amount will be evenly utilized over the 1970-74 period, the interest payments (assuming 4% on disbursed balance) would be as shown in column 3. Amortization payments will be assumed only on the PL 480 loan,

or about \$100,000 per year.

At the present time, international lenders are considering various new projects. It now appears that IDB will soon sign a \$20 million plus agricultural sector loan; AID is considering loans that could reach \$7 million in 1972 and probably will have annual PL 480 loans. It can also be assured that other governments and private lenders will continue to be active. Although amounts to be loaned are unknown, for purposes of Table V, it has been assumed that new loans will have grace periods, that they will be utilized at the rate of \$10 million per year starting in 1971 and that interest will be charged at 4% on the outstanding balance. These amounts are shown in column 4 of Table V.

TABLE V  
PROJECTED AMORTIZATION & INTEREST PAYMENTS - 1970-74  
(Millions of \$)

<u>Year</u>	<u>Amortization a/</u>	<u>Interest b/</u>	<u>Other interest Payments c/</u>	<u>Interest on new loan d/</u>	<u>Total</u>
1970	10.73	4.83	.47	--	16.03
1971	10.45	5.77	.84	.40	17.46
1972	10.60	5.47	1.20	.80	18.07
1973	10.82	5.14	1.57	1.20	18.73
1974	10.22	4.68	1.94	1.60	18.44

a/ From IMF Title XIV Consultation Report, Table M, Page 72. Represents amortization payments on debt as of 12-31-69. Central Bank data on amortization thought to be understated.

b/ From Central Bank, represents interest payments on debt as of 12-31-69. Includes recorded suppliers' credits.

c/ This represents interest and principal payments on those loans not shown on the Central Bank table. See text.

d/ See text.

Hence, by 1972 one can expect debt repayments of about \$18 million. If we can assume that export earnings will increase 5% per year from the projected 1970 level of \$57 million, (i.e. 1974 exports of \$69.0 million) this would put 1974 debt-service requirements at 26.7% of exports.

A factor reducing the pressure which debt-service payments will put on the balance of payments is the practice of international lenders permitting repayment in local currency. In the IMF's calculations used above, currency of repayment is not a crucial consideration. The IMF defines debt in terms of residents and non-residents. Since non-residents can convert local currency to hard currency, all payments are considered by the IMF to be potential claims on export earnings. If one assumes that international lenders will not convert local currency payments (i.e. by making local currency loans or use repayments for meeting local currency expenses) the pressure on the balance of payments will be reduced. Table VI presents estimated local currency repayments. These payments are deducted from the total payments estimated in Table V and presented in Table VII.

TABLE VI

ESTIMATED LOCAL CURRENCY REPAYMENTS <sup>b/</sup>  
BY LENDER 1970-74, BY AGENCY  
(Thousands of \$)

<u>Lender</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
AID	1,270.6	1,290.6	1,314.6	1,346.1	1,379.1
IDB <sup>c/</sup>	2,642.4	3,041.1	3,375.2	3,515.7	3,689.3
Other <sup>a/</sup>	--	--	--	--	--
	<u>3,913.0</u>	<u>4,331.7</u>	<u>4,689.8</u>	<u>4,861.8</u>	<u>5,068.4</u>

<sup>a/</sup> AID and IDB are the only agencies permitting repayment in local currency.

<sup>b/</sup> Principal and interest.

<sup>c/</sup> Due to lack of firm data, the local currency repayments on the Trans-Chaco loan and the proposed \$20 million agricultural package are not considered.

Source: USAID calculations using Central Bank loan table corrected for more recent considerations.

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TABLE VII

DEBT-SERVICE PAYMENTS 1970-74  
(Thousands of \$)

	<u>Total</u>	<u>Local Currency</u>	<u>Hard Currency</u>
1970	16,030.0	3,913.0	12,117.0
1971	17,460.0	4,331.7	13,128.3
1972	18,070.0	4,689.8	13,380.2
1973	18,730.0	4,861.8	13,868.2
1974	18,440.0	5,068.4	13,371.6

If only the hard currency figures are considered, the 1974 foreign currency debt-service burden assuming a 5% export growth between 1970 and 1974, will be 19.4%.

Although local currency repayments may reduce balance of payments pressure, it does not reduce the need to raise local currency. For the GOP, this will be a problem; for the independent agencies, less of a problem (except BNF) since they have their own sources of revenue. The following table gives a distribution of local currency repayments by agency. Notice that by 1974 about 71% of the local currency repayment will be due from the following list of agencies. For the GOP, which accounts for the remainder of the local currency loans, this means that 1974 local currency requirements will approach \$1.48 million, up from the estimated \$1.12 million in 1968.

TABLE VIII

LOCAL CURRENCY DEBT-SERVICE REQUIREMENTS  
FOR SELECT AGENCIES  
(Thousands of \$ equivalents)

<u>Agency</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
ANDE	1,501.8	1,581.4	2,066.3	2,020.1	1,942.2
CORPOSANA	72.3	72.3	72.3	295.6	512.9
BNF	838.4	1,038.3	894.8	797.4	775.9
ANTELCO	70.0	70.0	70.0	70.0	70.0
Private	<u>255.8</u>	<u>298.8</u>	<u>295.3</u>	<u>302.2</u>	<u>287.3</u>
Total	2,738.3	3,060.8	3,398.7	3,485.3	3,588.3

Source: USAID calculations.

In summary, local currency repayments reduces the debt-service ratio to a more manageable level and presents less of a threat to the balance of payments. It does not, however, relieve the borrowers from raising local currency.

In conclusion, it does not appear that hard currency debt service on registered loans will be a problem over the 1970--74 period since the ratio is not significantly higher than present ratios. This conclusion should be tempered when one considers unrecorded debt and suppliers credits.

Suppliers Credits: At the end of 1969 authorized suppliers credits stood at \$21.9 million a/. Of this amount, about \$15 million had been utilized. Due to the short-term nature of suppliers credits, \$6.7 million in principal had been repaid by the same date. Hence, at the end of 1969, outstanding suppliers credits stood at \$15.2 million. Using average repayment terms of 7 years for suppliers credits (assuming that additional credits will be assumed as old ones are repaid) will require annual principal payments of \$2.1 million and (assuming 8% interest) annual interest payments of \$1.2 million or total annual interest payments of \$3.3 million b/.

Unrecorded Debt: As more fully set out in State 101 of August 12, 1969, there is reason to believe that interest and principal payments effected under the guise of repatriation of capital and profits could reach \$2 million annually. Assuming annual repayments of 10% of borrowing, this would represent unrecorded loans of \$20 million or an amount equal to recorded suppliers credits. Assuming this figure to be accurate and adding these payments to suppliers credits and recorded debt produces the following table:

a/ See Part II of USAID's list of External Loans. Unrecorded suppliers credits are considered in the following section.

b/ There is probably some double counting with respect to interest payments on suppliers credits. The interest payments shown on Table V, column 2, include interest payments on suppliers credits whose authorized value is about \$15 million.

TABLE IX  
ESTIMATED DEBT-SERVICE REQUIREMENTS  
(Millions of \$)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Payments on Recorded Debt <sup>a/</sup>	12.1	13.1	13.4	13.9	13.4
Payments on Suppliers					
Credits <sup>b/</sup>	3.3	3.3	3.3	3.3	3.3
Payments on Unrecorded					
Debt <sup>b/</sup>	2.0	2.0	2.0	2.0	2.0
TOTAL	<u>17.4</u>	<u>18.4</u>	<u>18.7</u>	<u>19.2</u>	<u>18.7</u>
Total Payment as:					
% of exports (assuming 5% growth) <sup>c/</sup>	30.5	30.7	29.8	29.2	27.1

<sup>a/</sup> Amount payable in Hard Currency - from Table VII

<sup>b/</sup> Assumed all payable in Hard Currency

<sup>c/</sup> \$57.0 million in 1970 rising to \$69.0 million in 1974

Reserves: After reaching precariously low levels toward the end of 1969, Paraguay's international reserves recovered rapidly during the first quarter of 1970 (Table X). Several factors were involved including higher prices for major export products and the distribution of the IMF's special drawing rights.

As more fully set out in TOAID A-113 of April 3, 1970, the prospects for continued improvement are good. Briefly, the demand for sawn lumber is expected to continue increasing as is the demand for cotton and tobacco. Present high prices for tung and continued growth in tourism will also be important factors in improving the 1970 reserves position. These factors are expected to produce an increase in exports earnings to \$60 million, or an increase of about \$5 million in 1970 (i.e. an increase of almost 10% over the 1969 level). Table XI presents latest balance of payments projections.

Prospects for improved reserves are encouraging for the foreseeable future. Looking beyond 1970 there are also some encouraging factors. Paraguay will soon start exporting electric power, and by 1972 will be earning \$2.5 million annually. Cement exports are expected to become important while the market for tung should be stabilized. More importantly, tourist-related foreign exchange earnings are anticipated to grow rapidly and become more available for import financing and debt servicing. Imports will continue to grow, but at rates somewhat lower than previously. All in all, the prospects for strengthening of reserves are encouraging and it is not thought that the balance of payments will become a serious problem in the near future.

TABLE X

PARAGUAY

INTERNATIONAL RESERVES  
(Thousands of \$)

	Dec 31 1967	Dec 31 1968	Dec 31 1969	Apr 30 1970
Assets	8,529	8,490	6,593	8,035
Liabilities	-837	-1,590	-1,191	-1,510
Sub-Total	7,692	6,900	5,402	6,525
IMF position	3,750	3,750	3,750	6,270 <sup>a/</sup>
Sub-Total	11,442	10,650	9,152	12,795
Commercial Banks (net)	-7,543	-7,833	-7,841	-7,489 <sup>b/</sup>
Net Reserve Position	<u>3,899</u>	<u>2,817</u>	<u>1,311</u>	<u>5,306</u>

a/ Includes Special Drawing Rights of \$2.52 million.

b/ Figure for end of March.  
End of April data for commercial banks not yet available.

Source: Central Bank of Paraguay

TABLE XI

PARAGUAY

BALANCE OF PAYMENTS  
(Thousands of \$)

<u>Current Account:</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
Exports	60.8	53.6	50.4	50.0	55.1	60.0
Imports	-53.0	-59.6	-61.5	-69.3	-74.6	-75.0
Net Services	-15.5	-12.0	-13.4	-11.4	-10.2	-11.0
Transfers	3.6	4.4	5.0	4.6	5.5	4.5
	—	—	—	—	—	—
<u>Balance on Current Acct.</u>	-4.1	-13.6	-19.5	-26.1	-24.2	-21.5
<u>Balance on Capital Acct.</u>	12.4	17.3	22.4	26.6	35.4	33.0
<u>Errors and Omissions</u>	-5.4	-6.7	-8.1	-2.7	-14.3	-7.5
<u>Reserve Movements</u> (- = increase)	-3.0	3.0	5.2	2.2	3.1	-4.0

Source: 1966-1969 Data: Central Bank, revision dated May 4, 1970.  
Figures for 1969 are preliminary.

1970 Data: USAID estimates; see TOAID A-113 of April 3, 1970.

TRANSLATION

Ministry of Education and Worship

Asuncion, June 4, 1970

N.No. 239

Mr. Peter M. Cody  
Director, USAID/Paraguay  
Asuncion, Paraguay

Dear Mr. Cody:

The purpose of this letter is to submit for the consideration of the Agency for International Development a formal request for financial assistance for the educational development and improvement program of the Government of Paraguay. This is the program which we have had under intensive discussions with the USAID over the past six months, and which we presented to Assistant Secretary of State Meyer during his recent visit.

As you know, the Government of Paraguay has prepared a Plan for the development and reform of its educational system during the period 1969-1980. This plan calls for a large investment by the Government of Paraguay and the cooperation of international agencies. In addition to this loan request being made to the Agency for International Development, we have initiated discussions with the World Bank, aimed primarily at secondary and technical education, which will be carefully coordinated with the loan now being requested, as will technical assistance being received from UNESCO, UNICEF, and the Organization of American States.

Specifically, we are requesting the assistance of the Agency for International Development in the construction and equipping of 20 Central Schools and 100 Sub-Central Schools for Primary Education, preferably in the zones with influence from Regional Centers; two new Regional Educational Centers in Pedro Juan Caballero and Puerto Presidente Stroessner; the improvement of facilities in Pilar to create a new Regional Center; and improvement of existing centers; and the construction and equipping of the Superior Institute of Education and a Normal School. These programs, plus technical assistance, textbooks, and laboratory equipment, and in-service training programs, will make it possible to accelerate the reforms already underway.

As part of the efforts in the improvement of the educational system of the country, the Ministry of Education plans to accomplish the following reforms which will substantially improve the quality of Paraguayan education:

1. Gradually increase the percentage of the national budget devoted to education. In addition \$113,400,000 of PL 480 funds will be made available in direct support of the project.
2. Adopt revised curricula at all levels of education.
3. Limit normal school training to the post-secondary school level, and limit the supply of normal school graduates to the numbers which can be absorbed by the school system.
4. Adopt new regulations for the employment, promotion, salaries and in-service training of teachers throughout the school system.
5. To the extent feasible, gradually decentralize educational and administrative responsibilities to the Regional Education Centers.
6. Make it possible for all primary school students, especially in rural areas, to have basic and supplementary textbooks and establish rotating fund for continued production.
7. Accomplish a reorganization of the Ministry of Education which will greatly improve the ability to plan, budget, and account for the use of funds. In particular, an office will be established with responsibility for administering this and the proposed IBRD loan.

The cost of this program over a three year period is \$6,000,000, of which the loan would furnish \$4,200,000 and the Government of Paraguay \$1,800,000 from a combination of regular budget and PL 480 funds. I have discussed questions of financing with the Minister of Finance and he has agreed not only that the Government of Paraguay will provide the \$1,800,000 required, but also that he will initiate in CY 1971 a program which will increase the percentage of the Central Government Budget devoted to education during the period of the Plan, thus ensuring adequate maintenance of buildings and equipment, salaries and other needed requirements for the continued improvement of the educational system.

In summary, the Government of Paraguay has assigned a top priority to the education sector in its public investment program and is prepared to initiate the program immediately. It is an ambitious program in terms of the funds required, but is modest in the light of Paraguay's pressing educational needs. We are hopeful that, with the assistance of international financing, we will be able to successfully implant our program and make a substantial contribution to Paraguay's economic and social development.

s/ RAUL PEÑA  
MINISTER

TRANSLATION

MINISTRY OF FINANCE  
No. 199

Asuncion, June 4, 1970

Mr. Peter M. Cody  
Director  
U.S. AID Mission to Paraguay  
Asuncion, Paraguay

Dear Mr. Cody:

I have the pleasure of writing you in support of the Minister's of Education letter No. 239, of this same date.

In his letter the Minister requests a loan of \$4,200,000 (FOUR MILLION TWO HUNDRED THOUSAND DOLLARS) from the Agency for International Development, in support of the Ministry's educational reform program.

As you are aware, the Government of Paraguay gives educational improvement top priority within its development plans, as reflected in its presentation and discussions with CIAP and, recently, with Assistant Secretary of State Meyer.

As an endorsement of this loan, the Government of Paraguay pledges the guarani equivalent of \$1,800,000 (ONE MILLION EIGHT HUNDRED THOUSAND DOLLARS) during 1971, 1972, and 1973, plus such additional funds as may be required to ensure successful completion of construction included within the loan project. The source of these funds will be a combination of PL 480 proceeds, to the extent they are available, and regular budgetary funds.

Given the priority which my government places on education, it is our intention to increase annually, as much as possible, the percentage of the national budget devoted to education, within the next ten years. With this increase, we believe a substantial improvement in the quality of the Paraguayan education will be made possible.

May I take this opportunity to ratify the aforementioned concepts and at the same time, express you my highest regard and esteem.

/s/

CESAR BARRIENTOS  
GENERAL D.I.M.  
MINISTER

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CUERPO DE PAZ  
ASUNCION - PARAGUAY

UNCLASSIFIED  
AID-DLC/P-914  
Annex IV  
Casilla de Correo No. 402  
Exhibit C, Page 1 of 1

AVENIDA ESPAÑA 341  
(entre Estados Unidos y Brasil)  
Teléf. 24 775

June 4, 1970

Mr. Peter M. Co~~y~~  
Director, U.S./A.I.D.  
U.S. Embassy  
Asunción, Paraguay

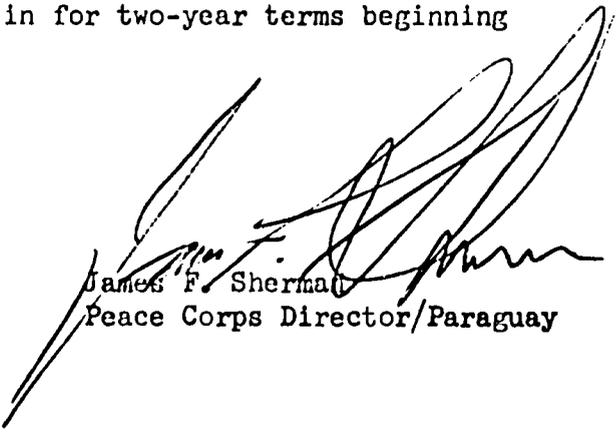
Dear Mr. Co~~y~~:

The Peace Corps plans to place 14 additional volunteers in the 4 existing and 3 proposed Regional Centers. These volunteers will provide technical assistance to the Centers and the schools in the centering communities in the following curriculum areas: Ag.-shop, sciences, mathematics, home economics and health. It is our understanding that the major task of the volunteers will be instruction of teachers and development of the teaching program in the Centers and in the Center's zone of influence.

A 15th volunteer will be placed in the Regional Center Office of the Ministry of Education to co-ordinate this program and to help this Office develop its program of assistance to the schools in the Center's zone of influence.

It is our understanding that A.I.D. will provide, under the loan, vehicles for each Center for use in visiting schools in each area and provide a small amount of appropriate supplies to each student for use in this program. Maintenance and repair of these vehicles will be paid for by the Ministry from the regular budget funds or by funds from the loan project. We also understand that the Ministry of Education will provide a qualified full-time counterpart for each volunteer, with the further understanding that this counterpart will remain after the volunteer terminates his service.

Volunteers will be phased in for two-year terms beginning approximately January, 1971.

  
James F. Sherman  
Peace Corps Director/Paraguay

LOAN AUTHORIZATION (DRAFT)

Provided from: Alliance for Progress Funds  
PARAGUAY: Educational Development Program

Pursuant to the authority vested in the Deputy U.S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan ("Loan") pursuant to Part I, Chapter 2, Title VI, Alliance for Progress to the Government of Paraguay ("Borrower"), of not to exceed four million two hundred thousand United States dollar (\$4,200,000) to assist in financing foreign exchange and local currency costs of equipment, material and services necessary for the conduct of the Borrower's Educational Development Program. The Program shall provide for revision of curricula in public schools, improvement in the employment conditions and supply of teachers, increased and improved educational opportunities (particularly in rural areas), a greater role in Regional Education Centers of educational developments within their zones of influence, and a larger share for educational purposes within the national budget. Up to \$225,000 of the loan shall be available for technical assistance to the Borrower, and up to \$3,500,000 for local currency costs. This loan shall be subject to the following terms and conditions:

1. Interest and Terms of Repayment

Borrower shall repay the loan to AID in United States dollars within forty (40) years from the date of the first disbursement under the loan, including a grace period not to exceed ten (10) years. Borrower shall pay to AID in United States dollars on the disbursed balance of the loan interest at the rate of 2% (two percent) per annum during the grace period and 3% (three percent) per annum thereafter.

2. Other Terms and Conditions

- (a) Prior to the execution of the Loan Agreement, Borrower shall be current in all debts owed by it to AID or predecessor agencies.

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- (b) All goods and services financed by the loan for the Project shall have their source and origin in the United States or the nations of the Western Hemisphere south of the United States, with the exception of Cuba. Ocean shipping financed with loan funds shall be procured from the United States and marine insurance financed under the loan shall be placed with a company authorized to do marine insurance business in any State of the United States.
- (c) Prior to and as a condition to the disbursement of Loan funds to finance any particular construction contract, Borrower shall, in form and substance satisfactory to AID, furnish USAID:
1. Evidence that all necessary rights to the land have been obtained.
  2. Final engineering designs and specifications for the specific school; and
  3. An executed contract with a qualified construction firm satisfactory to AID and the Borrower.
- (d) Prior to and as a condition for the first disbursement under the loan, the Borrower shall appoint a Project Administrator who will have the authority and responsibility to coordinate all aspects of the project, including both construction and qualitative improvements within the primary and secondary school system.
- (e) Prior to and as a condition for the first disbursement under the loan, the Borrower shall covenant to provide \$1,800,000 during calendar years 1971, 1972 and 1973 in support of this project, and a schedule, satisfactory to AID, for its contributions. In addition, the Borrower shall pledge its best efforts and intent to increase the percentage of the national budget devoted to education.
- (f) Prior to and as a condition for the first disbursement under the loan, the Borrower shall, in form and substance satisfactory to AID, contract for a period of up to three years with an independent consultant engineering firm or individual authority to approve final engineering designs and specifications, recommend construction contract awards, supervise construction, and certify AID disbursement requests, for a period of up to three years.

- (g) Prior to and as a condition precedent to the first disbursement for the first year's construction under the loan, the Borrower shall, in form and substance satisfactory to AID, contract for long term technical assistance of educational administration and curriculum development for periods of up to two years, and such short term assistance as may be necessary to begin implementation of the loan.
- (h) The Ministry of Education shall declare in writing its responsibility and intent to implement as promptly as feasible the following measures included within its Educational Development Plan:
1. Planned organizational changes within the Ministry of Education;
  2. Establishment of a career teaching service, which will provide remunerations as an incentive for participation in in-service training, which will make possible the gradual elimination of unqualified teachers and the elimination of surplus graduates from normal schools;
  3. Education reforms for the primary and secondary schools, including curriculum reform;
  4. Adoption of a plan for the delegation of educational and administrative responsibilities to the Regional Centers and a plan to increase the role of the Centers in the improvement of other primary and secondary schools within their zones of influence;
  5. Adoption of an adequate maintenance plan for all schools financed under this loan.

3. The Loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

\_\_\_\_\_  
Deputy U. S. Coordinator

\_\_\_\_\_  
Date

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