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Attached is a summary of the GERAN project, Special Group for the Northeast Sugar Agro-Industry, prepared by Mr. Francis R. Campbell, Program Officer, prior to his departure on July 10, 1972 for reassignment in the Dominican Republic.

DA SILVEIRA

Attachment a/s

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MEMORANDUM

Mr. George S. Quick, Acting Deputy Associate
Director, USAID/NEAO/Recife

July 7, 1972 ✓

Francis R. Campbell, Program Officer *FR*

The Short Troubled Life of GERAN

(Both you and Mr. Green requested that I write a summary of the GERAN project before I left post. I hope the following will prove useful.)

On November 1, 1971, the President of Brazil signed a Decree abolishing GERAN--The Special Group for the Northeast Sugar Agro-Industry. As government agencies go, it had a relatively short life, having been created only in August 1966 for the threefold purpose of modernizing the Northeast sugar industry, diversifying the agriculture of the sugar zone and modifying its agrarian structure through human resource development and land reform. With GERAN's demise, the USAID project "Rural Rehabilitation and Reform (512-11-130-249.4)" was also effectively terminated.

Early History

GERAN had its origins in the deep problems experienced in the sugar zone in the early 1960's because of declining sugar prices, deteriorating social conditions and dependence on an inefficient mono-culture. In search of a solution to the sugar zone's problems, the Brazilian Government established an Inter-Ministerial Working Group for Sugar (CTIA). USAID/B/NE worked closely with elements of the CTIA, principally the Superintendency for the Northeast Development (SUDENE) and the Northeast Sugar Foundation. (Most of the USAID assistance was informal except for AID Contract csd-842 with Hawaiian Agronomics International which surveyed the needs of a modern sugar industry in the Northeast.) One of the recommendations of the CTIA was that a special agency be established to coordinate development resources and activities in the sugar zone. The recommendation was accepted and the Decree establishing GERAN was signed on August 8, 1966.

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As created, GERAN was to coordinate the work in the sugar zone of the Sugar and Alcohol Institute (IAA), the Brazilian Institute of Agrarian Reform, the National Institute for Agrarian Development (these last two were later merged into INCRA-National Institute for Colonization and Agrarian Reform), SUDENE and the Bank of Brazil. GERAN's own resources were to come from stipulated amounts from the budgets of the agencies it coordinated and, most importantly, a percentage of the tax levied on all sugar produced for the domestic market. GERAN was to have its own staff headed by a Secretary General. Policy, objectives, programs and budgets, however, were to be determined by a Deliberative Council composed of the agencies to be coordinated and headed, ex officio, by the President of the IAA.

The President of the Deliberative Council and the Secretary General did not agree on GERAN's role or the programs it was to carry out. As the Deliberative Council held the power, few of the Secretary-General's programs were approved. The Secretary-General resigned in August 1967, one year after GERAN had been created, stating that its organizational structure was too weak for it to carry out its objectives. The Superintendent of SUDENE agreed with him and refused to nominate a new candidate for the position (the nomination being his duty by law) until new legislation was enacted. The new legislation was passed in December 1968.

In the 18 months between the Secretary-General's resignation and the new legislation, GERAN was comotose. Only a handful of staff remained but even they had little to do. GERAN and its objectives did have support, however, and several prominent figures publicly asked the government when GERAN would be allowed to function; among the figures were the Superintendent of SUDENE, the Governor of Pernambuco, the President of the Pernambuco Sugar Syndicate and the Christian Women's League.

New Legislation and IA-5

The new legislation did strengthen GERAN: The Secretary-General (now to be called the Executive Secretary) became the central figure in the organization; a special fund was established which eliminated fiscal year budget limitations; recognition was given to some implementation responsibilities for GERAN, objectives were more clearly defined and the approach to balanced development was strengthened, and; major credit operations of official banks to the sugar industry had to be approved by GERAN. Only later did we realize that there were significant (not necessarily deliberate) flaws in the legislation. These flaws may have been exacerbated by a political event which had nothing to do with GERAN-- the promulgation of Institutional Act Number 5 (IA-5).

IA-5, in addition to closing the National Congress and denying political rights to many extremists and critics of the government, also devolved vast legislative power to the executive branch. These powers were used, early in January 1969, to revise several monetary and fiscal laws. The purpose of the revisions were, perhaps, justifiable but the effect was to draw away--so it was believed--financing from the development effort in the Northeast. The Government's actions were vehemently criticized by the Minister of Interior, General Albuquerque Lima, who resigned shortly thereafter. His resignation was followed by those of the SUDENE Superintendent, the Deputy Superintendent and the newly-appointed Executive Secretary of GERAN (the former two were equally as critical as the Minister but were less publicized). It was at this point that the Federal Government seems to have decided (consciously or not) that it would no longer permit semi-autonomous regional agencies with strong, independent leadership such as SUDENE had enjoyed up to that time. GERAN also felt the effects of this change although it (and USAID) did not realize at the time that the change had taken place.

New Leadership

The new Executive Secretary of GERAN, Colonel Ivan Rui Andrade de Oliveira, was sworn in in mid-February, 1969. Straight from active military duty, Col. Ivan Rui was autocratic and somewhat rigid but obviously anxious to make GERAN a success. He was faced with immediate problems of building up his staff and financial resources--neither of which were small problems since the Federal Government had placed a ban on new hirings for all agencies and GERAN did not have a budgetary line item in the federal budget (as pointed out earlier, GERAN was dependent on contributions from the budgets of agencies whose work it was to coordinate). Col. Ivan Rui managed to arrange loans of personnel from SUDENE, the Sugar and Alcohol Institute, the Land Reform Institute, the Bank of Brazil, the Army, the Pernambuco State Government and State Police, and even the City Government of Recife to staff his agency. He also managed to get a sufficient financial commitment from his contributing agencies to allow him to prepare a first year budget of CR\$30.7 million.

GERAN's next problem was to develop programs and entice sugar millers to submit projects for approval, financing and implementation. In the interregnum from August 1967 to February 1969, GERAN had done very little program development and some of what it had done was immediately discarded by the new Executive Secretary. GERAN quickly pulled together some generalized, global-type programs and began to seek authorization and additional resources from the GOB to carry out these programs. It encountered two immediate difficulties:

a) The GOB had been active on the legislative side of land reform and had recently approved Institutional Act Number 9 and Decree 554 (both of April 1969) and had formed a Special Group for Land Reform (GERA) charged with determining land reform priorities. The GERA had defined the priority area for land reform in the Northeast Sugar Zone to be only in the State of Pernambuco-- although it conceded that Alagôas might be eligible in specific instances. This immediately conflicted with GERAN's ideas that it had authority anywhere that sugar was grown in the Northeast and also affected adversely GERAN's global programs which were based on that thesis.

b) Generalized statements of intention to carry out programs no longer carried much weight with GOB development and planning agencies--at least where their own money was involved. A GERAN global plan to build workers housing, for example, probably raised questions such as, "where", "who owns the land", "where do you get your figures", "what type of construction", etc., very few of which GERAN was prepared at that time to answer.

On the project side, GERAN fared much better. By July 1969 over 50 percent of the sugar mills in the Northeast (including all the mills in the State of Alagôas) had indicated to GERAN that they planned to submit projects for modernization, diversification and land reform. One Pernambuco usina (sugar mill) had already dusted off a project it had prepared before GERAN collapsed in 1967 and formally submitted it for GERAN's consideration. GERAN appeared to be in business.

Operational Problems

Some disquieting signs began to appear, however. The funds GERAN was supposed to receive from its supporting agencies were slow in coming. GERAN had not been given any expropriating authority and was having problems in working out a modus operandi with INCRA, the only Brazilian agency which did. Finally, the first project submitted was not entirely to GERAN's liking but it entered into a long dialogue with the company submitting it (Usina Cucau) in an attempt to elicit corrections because it did not want to reject the first proposal it had received after more than two years. GERAN did reject the second "integrated" proposal it received because it did not meet the standards it had set up.

Although there was some give-and-take on issues from time-to-time, GERAN did attempt to keep to the standards and the objectives it had established for itself. In this regard, the Executive Secretary himself appeared to be more rigorous than many of his staff. He courted the sugar class to submit proposals but insisted that land reform had to be part of their projects, he made contacts at every level and he waged a vigorous publicity campaign. In short, he tried to control the GERAN process to his idea of what it should have been. His ideas may have been clouded by his own political ambitions (he apparently wanted very much to be Governor of Pernambuco) but his ambitions seemed to be based on making a success of GERAN in all its objectives.

The Executive Secretary's political ambitions put him in direct conflict with (at least) two other candidates who were strong contenders for the Pernambuco Governorship and who had some influence on Col. Rui's organization: Gen. Costa Cavalcanti, Minister of Interior and direct supervisor of GERAN, and; José Moura Cavalcanti, ARENA President for Recife and subsequently President of INCRA, the agency GERAN had to depend upon to expropriate land for its integrated projects. The fact that the President of Brazil chose yet another candidate for the Governorship did not necessarily lessen the rivalry.

At this point, GERAN had approved its first project but could not get it off the ground because it had no authority to expropriate land and apparently could not convince INCRA to do it for them. Eventually this was resolved through a Presidential determination that INCRA should expropriate the necessary land but that GERAN would reimburse INCRA for the compensation to the owners required by law. This resolved the immediate issue but raised the question of whether such extraordinary means would have to be used each time GERAN approved a project. The question was never answered because before GERAN approved other projects involving land reform, (and it apparently had two projects ready for Deliberative Council approval) it was abolished by Presidential Decree.

Early USAID Help

As pointed out earlier, the USAID involvement with GERAN started with its conception as a specialized agency for sugar zone problems. Except for the contract with Hawaiian Agronomics, most of the early USAID assistance was informal. With the institutionalization of GERAN, however, USAID expectation began to run a little higher and it was assumed that most of the efforts of USAID's Northeast Agricultural Office would be devoted to GERAN and its

objectives. Consequently, most of USAID's Brazilian and American agricultural staff in the Northeast were charged against the Rural Rehabilitation and Reform project; the same is true of many participant training and special technical assistance activities in the agricultural sector. This helps explain, in part, why expenditures against the project were high when in fact there were few project agreements for technical assistance activities.

Shortly after the establishment of GERAN in 1966, USAID began discussions with SUDENE on the programming of PL-480 counterpart funds to help finance some of GERAN's initial activities. Under discussion were a CR\$5 million "Umbrella Agreement" and CR\$2.2 million to fund an aerial-photogrammetric survey of the Northeast sugar zone. Plans for allocating the CR\$5 million were dropped, however, when the Secretary General resigned in August 1967. Although there were many delays with the aerial-photography project, it was finally started and almost complete when GERAN was abolished. (SUDENE is now responsible for seeing that work on the project is completed.)

GERAN/USAID Problems in Program Development

When new legislation affecting GERAN had been passed and its reorganization begun, USAID suggested to SUDENE'S Superintendent and to the new Executive Secretary of GERAN that a Working Group be formed from personnel of the three organizations in order to develop technical and financial assistance programs for presentation to USAID and other external assistance agencies. No response from GERAN or SUDENE was ever received nor were we ever informed of a coordinating office within GERAN (except for the Executive Secretary himself). Members of the USAID Working Group attempted to open dialogues with their presumed counterparts in GERAN but found informal contacts difficult because the Executive Secretary had to approve beforehand all meetings with "other" agencies. GERAN's Executive Secretary was willing, however, to meet with the American Consul General/USAID Associate Director at any time. This meant that correspondence and issues that were normally take care of at lower levels were treated at the highest levels in both organizations. (This was not desirable from USAID's point of view but it was the only channel open to us for a long while.)

USAID's interest in GERAN stemmed, of course, from our judgement of it as a vehicle of opportunity for economic development and social change in the sugar zone. Given the relative ease of sugar industry and agricultural modernization as compared to land reform and social change, we were concerned that the two efforts of GERAN should proceed in parallel. We therefor hoped to collaborate with GERAN in the early stages of development planning and analysis. GERAN, however, thought that USAID's role would be as a financial and technical assistance resource which would ask no questions about program objectives, project design, or order of priorities. Its tendency was to work its program out completely and present it to the "collaborating" organization. It did this with SUDENE and INCRA as well as USAID. As many times as we described USAID's procedures and restrictions to GERAN's staff, it never brought us in the early planning stage of projects for which they wanted our help. One of its early letters to us (June 1966) asked that USAID help finance a ten-year housing and related community-services construction project which would cost on the order of CR\$28 million per year; the letter also stated that GERAN had CR\$1.5 million to apply to the project in 1969. Very little data were offered to support the request and no offer was made to supply any additional information. The USAID reply stated that if GERAN could convince the GOB to grant an allocation from PL 480 counterpart funds, USAID would concur. Evidently, GERAN was asked the same kind of questions we were asking and did not get the allocation from the GOB.

USAID Assistance

Despite these problems GERAN and USAID were able to agree on an initial program of technical assistance which consisted of: a three-man development planning team (Clapp and Mayne); an agricultural vocational education expert (R. Julian, University of Arizona); and the short-term services of an IACS/PASA technician to assist in establishing work flow procedures. We had lengthy discussions with GERAN on loan possibilities but it could never come up with enough hard data for us to consider an IRR.

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The technical assistance we committed ourselves to developed some problems. First the PIO/T for the Clapp and Mayne services arrived in Washington in September 1969 and the award of the contract was made in December. Negotiations between AID/W and the contractor dragged on interminably. At one point AID/W insisted we had to obligate an additional \$6 thousand. After lengthy discussions, with the Mission disagreeing on the need for this additional money, we finally obligated it. When the contract was at last signed, it was September 1970. It did not contain even all the money from the original obligation. The Clapp and Mayne team arrived in Recife in September 1970, fifteen months after the ProAg with GERAN had been signed. Our intent in providing this technical assistance was to help GERAN with its early development planning and in establishing sound programming and analytical procedures. But by the time the team arrived, GERAN had completed its reorganization and wasn't about to start shifting again. It is not certain that the Clapp and Mayne team would have had any luck even had it arrived expeditiously since the IACS/PASA technician was trying to do some of the same things and only incurred the wrath of the Executive Secretary.

When GERAN received its first Usina Project, USAID asked if we could assist with the analysis. By purchase order we hired Agro-Tech Associates of Hawaii to analyze the proposal for USAID and GERAN. GERAN was very pleased with the analysis--mostly because its staff had found many of the failings cited by Agro-Tech. Nevertheless, GERAN was impressed and asked us to provide the services of one of the Agro-Tech technicians on a full-time basis. We concurred.

Of the USAID provided technical assistance, the Agro-Tech and University of Arizona technicians were able to exercise some influence within GERAN. The Clapp and Mayne people had great difficulty in having their suggestions listened to. However, by the time GERAN was ready to implement its first land reform project it began to see some of the difficulties it was bringing upon itself. At this point, one of the Clapp and Mayne technicians succeeded in inducing GERAN to adopt some of the points that USAID had been urging upon them since 1969. At this stage of the game, GERAN had grown considerably in size and the Executive Secretary no longer exercised such rigid control over contacts at the technical level. While we were realistic, we were beginning to hope that some of the organization's difficulties were beginning to bottom out and that we might have a chance to work with them in some specific areas in the future. The Minister of Interior's announcement of GERAN's extinction put an end to all that.

Concluding Thoughts

1. The question arose several times in the course of GERAN's history of "why a specialized agency" and "why was USAID so anxious to help it?" Without going deeply into the background of the sugar zone problems (for which see Recife Clas TOAID A-84, June 2, 1971), the fact is that for many years SUDENE had little or no development projects in the sugar zone because it was more concerned with the drought area. SUDENE also evidently feared that if the specialized agencies (the Sugar and Alcohol Institute-IAA-for sugar modernization and the Brazilian Institute for Agrarian Reform-IBRA-for land reform) were allowed to work on development projects in the sugar zone, the rates of progress in the two different problem areas would benefit the sugar class and worsen social conditions for laborers. Therefore, GERAN as a specialized agency was set up to coordinate the differing activities in the area. USAID's interest was in working in a key development problem area and GERAN was the only organization which had a specific mandate to work in that same area. Under these circumstances, USAID need not be apologetic about the assistance it gave.

2. There were several basic flaws in GERAN which, although noted at the time, were not fully appreciated by USAID.

a) The Brazilian legislation on land reform appears sufficient but a real commitment to redistribution (as opposed to colonization) that did not exist outside of GERAN.

b) GERAN was dependent upon indirect government financing and lacked expropriating authority.

Despite these failings, GERAN was able (largely due to the tenacity of its Executive Secretary) to implement one project and had several others ready to go. Nevertheless, the GERAN experience indicates that land reform cannot be carried out without a strong government determination to do so and that such determination has to be evaluated on the basis of action and not legislation or policy statements.

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Pg 10 ANNEX: Sources of Information Relating to GERAN

ANNEX

SOURCES OF INFORMATION RELATIVE TO GERAN

1. "Brazil's Program for the Sugar Zone of Northeast Brazil" Recife TOAID A-17, July 12, 1966
2. "Brazil's Program for the Sugar Zone of Northeast Brazil" Recife TOAID A-25, July 25, 1966
3. "Sugar Zone Modernization & Diversification--GERAN" A. L. D. Country Assistance Program Book --FY 1968 Brazil (Part II, Page 93)
4. "Ex-Executive Secretary's Statements Before Congress on the Purpose of GERAN" Recife (CONGEN) A-25, September 13, 1967.
5. "Prospects for and Problems of U.S. Technical Assistance to GERAN", by D. A. Fitzgerald under Contract AID-12-562.
6. "Reactivation of GERAN Urged on Several Fronts" Recife Report No. 6, March 8, 1968.
7. "SUDENE Restates Interest in AID Financial Assistance to GERAN", Recife (CONGEN) A-85, October 9, 1968.
8. "GERAN As It Now Stands", Recife TOAID A-122, September 15, 1969.
9. "Non-Capital Project Paper (PROP) - Rural Rehabilitation and Reform (512-11-130-249.4)", Rio TOAID A-726, July 26, 1970.
10. "NE Sugar Zone Modernization:GERAN Approves its First Project", Recife (CONGEN) A-4, January 21, 1970.
11. Recife (CONGEN) A-20, June 15, 1971, (Reports on Inauguration of GERAN's First Land Reform Project).
12. Recife (CONGEN) A-62, November 4, 1971 (Reports on Decree Abolishing GERAN).
13. Project Appraisal Report --"Rural Rehabilitation and Reform", USAID/Brazil, December 21, 1971.

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