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PD-AAB-684-A1

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT

12 p.

OFFICE OF THE AREA AUDITOR GENERAL  
LATIN AMERICA (SOUTH)

REPORT ON EXAMINATION  
OF  
PROJECT AGREEMENT No. 512-11-640-037.3  
ELEMENTARY EDUCATION TRAINING AND CURRICULUM IMPROVEMENT  
IN THE NORTHEAST (PERNAMBUCO) - BRAZIL  
FOR THE PERIOD  
JULY 1, 1965 THROUGH FEBRUARY 28, 1970

AUDIT REPORT No. 58/70 - COPY No. 12

DATE ISSUED: MAY 21, 1970

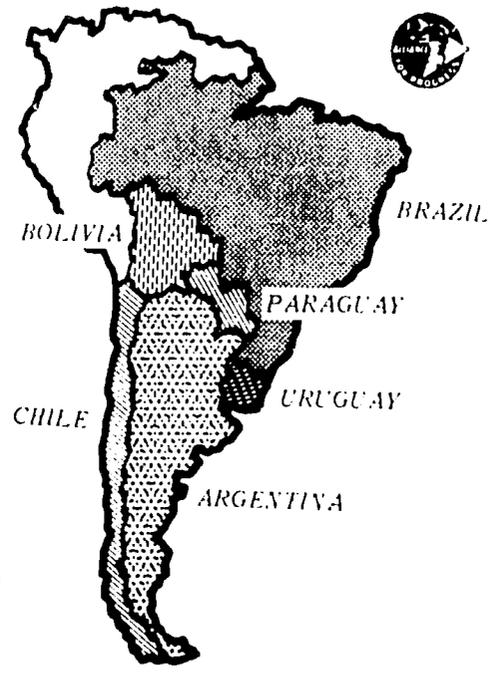


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REPORT ON EXAMINATION  
OF  
PROJECT AGREEMENT No. 512-11-640-037.3  
ELEMENTARY EDUCATION TRAINING AND CURRICULUM IMPROVEMENT  
IN THE NORTHEAST (Pernambuco) - BRAZIL

SECTION I - SCOPE OF EXAMINATION

We have examined the project "Elementary Education Training and Curriculum Improvement in the Northeast (Pernambuco)". This is our final review of this project and covered the period from July 1, 1965 through February 28, 1970.

The primary objectives of our examination were to (a) review project implementation and management, (b) verify deposit of funding commitments, (c) examine the propriety of funds expended, (d) perform end-use observations of project activities and procurement utilization, and (e) determine the degree of compliance with AID policies, regulations, and procedures. Our examination was made on a selective basis and accordingly included such tests of project records, documentation, administrative controls and such other audit practices as we considered necessary in the circumstances. Comments on this examination have been limited to a presentation of the salient details and those findings requiring corrective action only.

Before issuance, this report was reviewed with the appropriate USAID/B officials and their comments were given due consideration.

## SECTION II - BACKGROUND INFORMATION

Available statistical data indicated that the State of Pernambuco had, in 1960, a school-age population (7 to 14 years) of 840,000 children but only 314,000 or 37.1 per cent were enrolled in elementary schools. Additionally, a large part of the adult population was illiterate. It was thus concluded that the high rate of illiteracy was mainly due to a lack of adequately trained teachers, equipment, teaching materials and classrooms.

As a consequence, a project agreement, committing Cr\$8.6 million, was signed on December 24, 1964 between USAID/B, the Superintendencia do Desenvolvimento do Nordeste (SUDENE), the State of Pernambuco (State) and the Ministry of Education and Culture (MEC), for the purpose of improving and expanding the basic educational system in the State of Pernambuco.

According to the project agreement the objectives were outlined as follows:

1. Construction of 660 classrooms, 9 Supervision Centers and 2 Training Centers.
2. Renovation and Enlargement of 3 normal schools, one of them (Floresta) to be used also as a training center.
3. Equipment for the classrooms, supervisory and training centers and the State Secretariat of Education and Cultural Affairs (SENEC).
4. Improve the quality of instruction by training teachers and supervisors and by purchasing books and other instructional materials.
5. Literacy Program for Adolescents and Adults - Increase literacy classes to a minimum of 25,000 adolescents and adults, provide instruction material for these classes, and train teachers for this purpose.
6. Administration - Establish within the State Secretariat of Education a commission specifically established for the administration of the project.

### SECTION III - SUMMARY OF MAJOR FINDINGS

Our examination disclosed that project objectives, except for construction goals, were generally realized. More significantly, our end-use observations disclosed that an adequate school maintenance program is practically non-existent, this being due to lack of funds. Such end-use visits also revealed that one school, which had been approved and accepted nearly two years ago, is still without electricity required to operate a medical-dental unit and to pump water for sanitation purposes.

The report accordingly contains two recommendations regarding these latter problems.

### SECTION IV - FOLLOW-UP ON PRIOR AUDITS

Project No. 512-11-640-037.3 is the ultimate product of a series of prior numbers and titles which were concerned principally with school construction in the Northeast. As such, various segments, or sub-projects, were the subject of earlier audits. Twelve such audits were conducted of this project number in Brazil. One of these twelve audit reports refers to the Pernambuco Education project and covered the period June 20, 1962 through June 30, 1965. The audit report (No. 9/66 dated January 17, 1966) contained six recommendations. None of these recommendations, however, applied to the present project per se since that report covered more than one activity within the project number.

### SECTION V - FINDINGS AND RECOMMENDATIONS

#### A. PROJECT IMPLEMENTATION AND MANAGEMENT

Under the earlier audit report on school construction in the State of Pernambuco a number of serious deficiencies were noted, e.g., lack of planning, ineffective implementation, possible fraud, etc. However,

this prior report somewhat unclearly intertwines this and an earlier project. Thus, while our prior audit report cites an array of problems, many of which were extremely serious, such was generally not found to be the case in this project. By and large, we found that the objectives of this project were achieved (see Exhibit A for a summary of construction). The explanation for the seemingly contradictory situation is perhaps found in the political and economic circumstances of the pre and post revolutionary periods. In any case, our current review disclosed project implementation and management to be generally satisfactory. Exhibit B summarizes the application of the Cr\$8.6 million provided to this project.

We did, however, note two problems that require Mission attention. The pertinent details are as follows:

1. Inadequate Maintenance

Under the project agreement the State agreed to maintain and repair all equipment and construction. However, we were informed by State education officials that at the present time the maintenance program is not adequate due to lack of funds. Not surprisingly, therefore, all schools which we visited evidenced inadequate maintenance, e.g., short circuits in the electrical system, poor drainage, cracked and broken playground walls, as well as being in need of normal painting and patching.

Our prior report similarly noted the lack of proper maintenance. It was accordingly recommended in that report that the Mission, jointly with the cooperating entities, evaluate the total maintenance problem to assure protection of the investment in schools already constructed.

We have been advised that a maintenance program has been established in the northeast. It appears, though, that little can be done regarding the implementation of the maintenance program until such time as a sufficient level of funds is provided for this purpose. Therefore, we feel that if additional school construction should be contemplated by the Mission, for example under the proposed \$20 million educational sector loan, such construction will only accentuate the present problem unless adequate measures such as increased funding are taken to ensure that all buildings will be properly maintained.

#### RECOMMENDATION No. 1

That the USAID/B duly consider the existing inadequacy of school maintenance prior to the commitment of further funds for school construction in the State which would include such measures as increased funding.

#### 2. Non-Utilization of Equipment

We made end-use observations of 5 schools and 1 supervisory and training center for the purpose of verifying construction, utilization, and maintenance. All schools visited seemed to have been well planned and constructed but, as stated, were found to be poorly maintained. Most of the schools are operating in three shifts, with total enrollment varying from 1,100 to 390.

We noted that the Grupo Escolar Professora Henrieta Oliveira, in Jaboaão, has been in operation for nearly two years. Yet, it has never been provided with a transformer which is necessary before a tie-in can be made to the power line that crosses the front of the school. As a

result, such AID-financed and electrically operated items as the water pump and dental equipment have never been utilized. Thus, while the items stand idle, the school is without proper sanitation and dental care facilities. We therefore suggest that the Mission either arrange with SUDENE and the State of Pernambuco for the acquisition of a transformer or transfer of the equipment to another school where it can be effectively utilized. This situation would also suggest that the Mission ensure itself that all equipment is being utilized before it closes out its monitoring responsibility on this project.

RECOMMENDATION No. 2

That the USAID/B (1) request SUDENE and the State to obtain a transformer or transfer the non-utilized equipment to another location, and (2) ensure that all equipment is being adequately utilized.

EXHIBIT A

CONSTRUCTION GOALS AND ACCOMPLISHMENTS

<u>Construction</u> Description	<u>Buildings</u>		<u>No. of Classrooms</u>	
	Planned	Constructed	Planned	Constructed
Schools:				
1 Classroom	6	6	6	6
2 "	17	9	34	18
3 "	54	31	162	93
4 "	24	17	96	68
5 "	48	31	240	155
6 "	1	5	6	30
7 "	-	1	-	7
8 "	1	1	8	8
Increase Classrooms Old Schools	-	-	108	-
Joint Supervisory and Training Centers:				
Nazaré and Garanhuns	2	2	-	-
Floresta	1	1	-	-
Supervisory and Curriculum Centers:				
Recife	1	1	-	-
Caruarú	1	1	-	-
Others	4	4	-	-
<b>TOTAL</b>	<b>160</b>	<b>110</b>	<b>660</b>	<b>385</b>

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EXHIBIT B

PROJECT No. 512-11-640-037.3  
ELEMENTARY EDUCATION TRAINING AND CURRICULUM IMPROVEMENT (EE)  
SOURCE AND APPLICATION OF FUNDS

<u>CONTRIBUTIONS</u>	<u>PLEGGED AND PROVIDED</u>
USAID/B	Cr\$8,000,000
State of Pernambuco	500,000
SUDENE	<u>100,000</u>
TOTAL	<u>Cr\$8,600,000</u> =====
<u>FUNDS APPLIED</u>	
Construction	Cr\$6,400,000 <sup>1/</sup>
Equipment	1,000,000
Literacy Training	600,000
Administration	500,000
Well drilling	<u>100,000</u>
TOTAL	<u>Cr\$8,600,000</u> =====

1/ Our analysis of the project records disclosed that a change in the construction specifications resulted in reducing the number of classrooms constructed from a planned total of 660 to 385. On the other hand, the planned number of Teacher Training and Supervisory Centers were constructed. No exceptions were taken in regard to these and other costs that were examined.

SUMMARY OF RECOMMENDATIONS

<u>Number</u>		<u>Page</u>
1	That the USAID/B duly consider the existing inadequacy of school maintenance prior to the commitment of further funds for school construction in the State which would include such measures as increased funding.	5
2	That the USAID/B (1) request SUDENE and the State to obtain a transformer or transfer the non-utilized equipment to another location, and (2) ensure that all equipment is being adequately utilized.	6

EXHIBIT D

DISTRIBUTION OF  
REPORT ON EXAMINATION  
No. 58/70

	<u>COPY No.</u>
Mr. Robert J. Pallantyne, Act'g. Director, United States Agency for International Development Mission to Brazil	1 - 10
State Department - The Honorable Scott Heuer, Jr., Inspec- tor General of Foreign Assistance (IGA)	11
State Department - Mr. Robert W. Dean, Country Director - Office of Brazil Affairs (ARA/BR)	12
AID/W - Executive Director (ARA-LA/MGT/EX)	13 - 14
AID/W - Office of Audit (AG/AUD)	15 - 16
AID/W - Special Assistant for Program Management (PMCA)	17 - 18
USAID/Panama - Inspector in Charge, Inspections and Investigations Staff, A.I.D. (IIS)	19
Office of the Area Auditor General, Latin America South (AAG - IA/S)	20 - 24

NOTE: All audit work papers are attached to Copy No. 20 which is on  
file in the Office of the Area Auditor General - AAG (IA/S).