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FEATURED Q&A

Has Brazil Taken the Right Approach to Education Reforms?

Q Brazil's Congress in May passed a National Education Plan, approved by President Dilma Rousseff in its entirety in late June, which sets forth 20 goals that the country aims to achieve over the next decade. Among them are increasing spending on education to 10 percent of GDP, making basic education universal, ensuring all teachers have university degrees and increasing the percentage of students in higher education and post-graduate programs. How ambitious is Brazil's plan, and does it set the right goals? How successful do you expect the plan to be, and could it serve as a model for other countries in the region?

A Oscar Hipólito, chief academic officer at Laureate International Universities in Brazil: "The ambitions of the National Education Plan can be measured by the political struggle that preceded its approval in Congress. Nevertheless, the projected goals are mostly pertinent and certainly feasible, if the federal government is willing to back the plan in all of its implications. The first challenge will be to coordinate the efforts of the public education network; balancing regulatory activity, quality assessment and, especially, funding. Though the vast majority of higher education students are in private institutions, exactly the opposite happens in basic education, controlled and largely financed by states and municipalities. To increase the percentage of students in higher education is intrinsically dependent on universal school attendance for young people, with a corresponding improvement in basic education quality. On this one assumption depend all the others, in particular increasing the number of students aged between 15 and 17 years in high school. Moreover, the goals related to higher education will increase pressure to employ distance learning courses, with the consequent removal of the limitations imposed by the current government funding mechanism. It is

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Juan Carlos Varela Sworn in as Panama's President

Juan Carlos Varela was sworn in as Panama's president on Tuesday. In his first official act, Varela signed an executive order establishing emergency price controls nationwide on 22 food products. See story on page 2.

Photo: Government of Panama.

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NEWS BRIEFS

Jamaica Plans to Sell $800 Million in Bonds: Report

Jamaica is planning to sell $800 million of U.S.-dollar bonds in its first overseas sale since 2011, Bloomberg News reported Tuesday, citing a person familiar with the offering. **BNP Paribas** and **Citigroup** are reportedly managing the offering. Jamaica has struggled with debt and restructured $9 billion of local bonds last year. Prime Minister Portia Simpson-Miller's government has negotiated a series of deep economic reforms with the International Monetary Fund.

Colombian Rebels Kidnap Geologist Ahead of "Armed Strike"

Colombia's ELN guerrillas have kidnapped a geologist from the University of Caldas in the northern department of Cesar, EFE reported Tuesday. The rebel group this week announced an "armed strike" in northern provinces of the country on July 3-6 to mark its 50th anniversary, pledging to shut down transport and commerce in areas near the border with Venezuela. Colombia's vice president, Angelino Garzón, told reporters Tuesday that the ELN's recent rise in violence has been an attempt to sabotage peace talks with the FARC.

Caricom Leaders Criticize Dominican Republic at Summit

Caribbean heads of state gathered in Antigua Tuesday for the 35th summit of the Caribbean Community, the *Miami Herald* reported. The prime minister of St. Vincent and the Grenadines, Ralph Gonsalves, criticized the Dominican Republic on the opening day of the event, saying its recently approved naturalization law does not go far enough to reinstate citizenship, especially to those of Haitian descent.

Political News

Varela Sworn in as Panama's President, Sets New Price Controls

Juan Carlos Varela was sworn in as Panama's president on Tuesday. In his first official act after the inauguration, President Varela fulfilled one of his major campaign pledges and signed an executive order establishing emergency price controls nationwide on 22 products in the basic food basket "so that thousands of Panamanian families can buy [food] at fair prices and improve their quality of life," Varela said, according to a statement on the government's Web site. In his inauguration speech, Varela offered an amnesty until August 1 to "more than 200 criminal gangs" operating in the country, BBC News reported, urging them to "sever links with organized crime and join civic life." Varela also targeted corruption in his speech, saying nobody will be "above the law" in his administration. In foreign policy, Varela's inauguration had an immediate effect upon relations with nearby Venezuela, which on Tuesday restored full diplomatic ties with Panama, President Nicolás Maduro, who did not attend the inauguration, said in a televised speech, Reuters reported. Maduro broke off formal relations with the Central American country in March, accusing Panama's conservative government, led by Ricardo Martinelli, of joining the United States in an "open conspiracy" against him. [Editor's note: See Q&A on Varela's challenges in yesterday's *Advisor.*]

Economic News

Remittances to Mexico Rise Most Since 2006

Mexico's central bank said Tuesday that workers' remittances sent home from abroad rose 4.6 percent in May to total $2.14 billion, *El Financiero* reported. From January to May this year, the amount of remittances sent to Mexico recorded the highest growth for the same period since 2006, increasing 7.9 percent this year, according to the report. When measured in local currency, a key factor in remittances flows because the exchange rate affects purchasing power, remittances rose 13.6 percent in the first five months of this year compared to 2013. "Workers' remittances have been growing since the second half of 2013 but in absolute terms are still relatively low," **Goldman Sachs** said in a research note circulated Tuesday. Remittances have totaled $22.6 billion through May on a 12-month basis, down from $26.1 billion at end 2007, before the Great Recession. "We expect workers' remittances to firm gradually throughout 2014 given the brighter outlook for growth and employment in the United States," economist Alberto Ramos wrote. The Inter-American Development Bank said last month that migrants remitted $61.25 billion to Latin America and the Caribbean in 2013, EFE reported. Money transfers to Central America and the Caribbean increased last year, while flows to Mexico and South America declined, resulting in flat growth for the region overall.

Migrants remitted $61.25 billion to Latin America and the Caribbean in 2013.

Latin American Countries Better Prepared for El Niño: Moody's

Latin American countries that were at risk in the past of negative effects of the El Niño weather pattern are in better shape now to deal with the fallout of dramatically shifting climate conditions expected this year, **Moody's Investors Service** said Tuesday. "Brazil, Colombia, Panama, Peru, Chile, Paraguay and Uruguay have strengthened their fiscal positions during the past decade," analyst Gersan Zurita said in a new report. "Access to rainy day funds and to both bi-lateral and multi-lateral credit should help nations confront infrastructure repairs and other emergency costs related to El Niño," Zurita wrote. Peru, which is the world's largest

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producer of fishmeal and fish oil, will be the most negatively impacted, according to the report, as higher ocean temperatures substantially decrease anchovy stocks. Warmer temperatures will also reduce Peru's avocado crop. Peru's production ministry on Tuesday said it had allocated a contingency fund of 3.1 billion soles ($1.1 billion) to address fallout from the El Niño weather pattern, state news agency Andina reported. Minister Piero Ghezzi said the effects of El Niño on his country's fisheries is especially important.

Ghezzi

File Photo: Government of Peru.

Speaking at an event at the Peruvian Sea Institute, or Imarpe, Ghezzi recommended small- and medium-scale fishery businesses to "maintain calm and to be prepared for difficult scenarios by taking into account a moderate outlook" for climate conditions, according to the report. Drought conditions in other parts of the region could affect wheat, maize and rice production. According to Moody's, Brazil's sugar and ethanol industry could see volumes decline beyond the 3 percent decline already forecast by UNICA, the Brazilian sugarcane industry association, Moody's said. On the other hand, soy production in southern Brazil and northern Argentina will likely increase in 2015 due to the weather changes. A strong El Niño event could also replenish Brazil's water reservoirs, depleted in recent years, that feed the hydroelectric plants.

Company News

Brazil's President, Petrobras CEO Defend Deal Amid Criticism

The president of Brazil stood by the CEO of state oil company **Petrobras** on Tuesday, making a joint appearance to defend a deal last week that sidestepped an auction to give Petrobras drilling rights, *The Wall Street Journal* reported. Petrobras chief executive Maria das Graças Foster and President Dilma Rousseff defended the $6.8 billion deal, saying it will help the company reach its production goals. The agreement, which was described in the media last week as unexpected, gives Petrobras rights to exploit an additional 10 billion to 15 billion barrels of offshore oil reserves. The company has set a target to produce 4.2 million barrels of oil a day by 2020. Rousseff, who had been Brazil's energy minister under her mentor Luiz Inácio Lula da Silva before becoming president, said the decision to award the oil concession to Petrobras without an auction underscores the government's confidence in the company's ability to develop Brazil's ultra-deepwater "pre-salt" oil reserves, according to the report. Despite initial excitement over the discovery of Brazil's pre-salt oil fields, production has not met the expectations of some in the industry over the past four years, which analysts have attributed to overly optimistic production targets, insufficient investment and new safety regulations. Production is expected to increase sharply after 2016, although recent regulations have limited the ability of foreign companies to bid on pre-salt fields. [Editor's note: View the webcast of the Dialogue's event last week on Petrobras and Brazil's energy outlook.]

Featured Q&A

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unlikely that the present model will be able to place 33 percent of young people between 18 and 24 years in higher education without resorting to distance learning. Thus, extending public funding for this type of graduation is an indispensable measure. The maintenance of federal funding programs like PROUNI and FIES inside the budgetary allocation of 10 percent of GDP was undeniable progress toward viability of the plan, since private education is an indispensable ally for the achievement of higher education targets. This plan certainly could serve as a model for other countries in the region. However, the transposition of the central ideas to other countries can be problematic, not only because of local asymmetries in education statistics and policies, but also the available resources to implement the goals. If 10 percent of Brazilian GDP corresponds to a considerable figure—roughly $225 billion, enough to fund and implement such lofty goals—the reality in other countries may require different solutions that involve greater or lesser commitment of state action in the process."

> "This plan certainly could serve as a model for other countries in the region."
>
> — ***Oscar Hipólito***

Simon Schwartzman, senior researcher at the Instituto de Estudos do Trabalho e Sociedade in Rio de Janeiro: "I am very skeptical about these kind of plans, which are done through broad consultation and mobilization of all interest groups, and the result is a very large wish list disconnected from proper consideration of what is feasible and how to go about it. None of such plans in the past have been implemented, and I believe that it will be the same with this one. The most controversial part of the plan is the target of 10 percent of GPD spent on education, given the known problem of a budget deficit in the country today. However, in fact, we are already close to that, with expenditures of 6.4 percent of GDP on education from the public sector in 2012, and about 2 percent from the private sector, perhaps more. Notwithstanding, the quality of education in Brazil has remained equally bad in the last several years particularly in secondary education, where expendi-

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Featured Q&A

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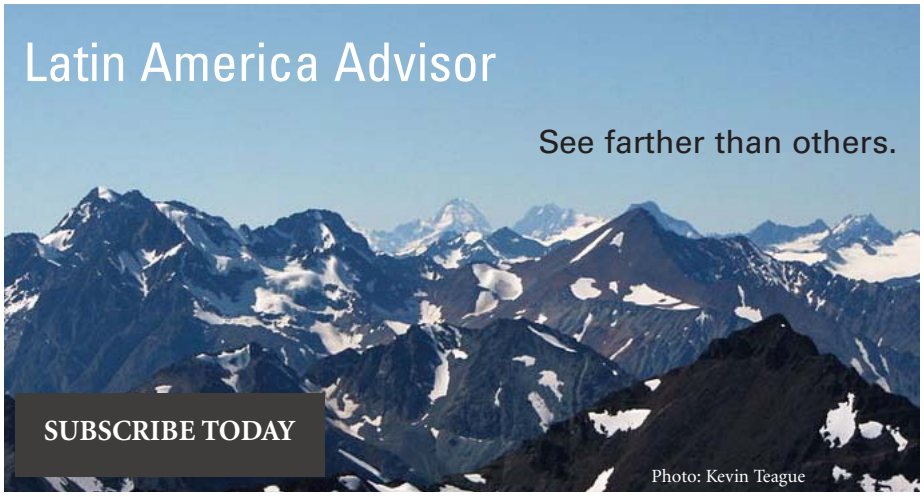
tures went from 0.5 to 1 percent of GDP between 2000 and 2012. We can always use more money in education, but the main problem in Brazil now is how to use it well, and the plan does not tell us that."

Emily Gustafsson-Wright, guest scholar at the Center for Universal Education at the Brookings Institution and Barbara Bruns, lead education economist at the World Bank: "Brazil's National Education Plan is indeed ambitious. With 20 targets ranging from universalizing access to early childhood education by 2016 to expanding enrollments at the post-graduate level, the federal government has set its sights high in an effort to address the issues of low PISA scores and large inequalities in educational access and quality in terms of geography, race and income. This is not the first time that the Brazilian government has proposed audacious education goals, however. In 1998, it adopted a radical reform of education financing (FUNDEF and later FUNDEB) to equalize spending per student, and the record shows impressive progress resulted. In 2005, it set the target of raising learning outcomes to OECD levels by 2021 and put in place a high-quality national assessment system to monitor and publicize the progress of every state, municipality and school in the country. But this time, a disconcerting factor is the outsized emphasis on spending more rather than spending better. A target to increase public education spending to 10 percent of GDP within a decade is beyond what any developed or developing country has found sustainable: the OECD average of 5.8 percent and Brazil's current average of 5.7 percent are little more than half that. Where that money will come from, at least in part, was confirmed by President Dilma Rousseff when she signed a law that earmarks 75 percent of oil royalties for education. How it will be distributed and spent effectively is less clear. Global education data show no automatic correlation between public education spending and education results: Singapore and Japan spend less than 4 percent of GDP on public education and rank highly on PISA, and Finland, spending 6.8 percent of GDP, the lowest of the Nordic countries, far outperforms its neighbors. Brazil is a hotbed of education innovation at the state and municipal levels and is making steady progress nationally on access, attainment and learning. But faster progress will come not from spending more but from learning more—through careful tracking of incremental funding and results—about which programs and strategies produce the biggest learning gains per unit of spending."

Editor's note: Subscribers can submit their own questions to be considered for the Advisor's *Q&A section to editor Gene Kuleta at gkuleta@thedialogue.org.*



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