

UNCLASSIFIED

Country Development Strategy Statement

FY 1986

JORDAN



January 1984

Agency for International Development
Washington, D.C. 20523

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I. MACROECONOMIC UPDATE

A. Economic Overview

Jordan's rate of economic growth has continued to slow under the impact of adverse external developments. Real GDP increased at a rate of about 10 percent during 1975-80, by 7.5 percent in 1981, 5.5 percent in 1982, and by an estimated 3 to 3.5 percent in 1983. The reduced rate of growth can be attributed to a decline in the world economy, recession in the Arab countries and the Gulf war between Iran and Iraq which, in turn, have produced a deterioration in the same economic factors that were chiefly responsible for Jordan's earlier rapid growth. The factors in question are exports, which experienced reduced growth in 1982, then declined sharply in 1983; Arab aid, which has declined precipitously during the past two years; and wage earner remittances, which have continued to rise but far less rapidly than in previous years. These developments have compelled a cutback of imports and the foregoing, or postponement, of many planned investments by the GOJ under the country's Economic Development Plan for 1981-85. Still, Jordan's recent growth performance and the government's prudent economic management compare favorably with that of other non-oil producing LDCs, as does the country's per capita GDP (East Bank of the Jordan River only) of \$1,616 in 1982. Furthermore, the accommodation to slower growth has been accomplished without the financial trauma witnessed elsewhere. Inflation has remained moderate, even declining, and the country's external debt remains low by developing country standards.

B. Sectoral Developments

The growth slowdown in 1982 and 1983 has been most notable in industrial production, hurt by stagnant or (in 1983) declining exports, -- particularly to Iraq, Jordan's main trading partner -- and the service industries, variously affected by the recession in Arab countries.

The index of industrial production, which had increased by 13 percent in 1981, was up only 4.6 percent to 1982 and 4.8 percent during January-October 1983. Stagnant demand for phosphates which account for one third of Jordan's exports has been a key factor. Construction activity has remained in the doldrums for the second straight year.

The services sector, comprising government, transportation, communications, trade, banking and other private services, accounts for two thirds of GDP. The sector did fairly well in 1982 owing partly to special factors such as expansion of the national airline and the National Maritime Company, and the expansion of telephone and telex services, but has slowed markedly in 1983. The slowdown in foreign trade, a sharp curtailment of government spending, and a fall-off in tourism appear to have been the principal factors.

Thanks to plentiful rainfall, agriculture enjoyed a good year in 1983. Wheat production nearly doubled to approximately 100,000 tons, and vegetable output increased moderately despite marketing difficulties associated with the decline in external trade. Agriculture, however,

accounts for only 7 percent of GDP, and the good results in this area could not offset the slowdown elsewhere. Furthermore, lack of significant rain in winter of 83-84, plus other water problems, bodes ill for Jordanian agriculture in 1984.

Reflecting the economic slowdown and reduced job opportunities in the neighboring oil-producing states, there have been increasing indications of potential unemployment problems emerging. The Civil Services Commission reports a sharp rise in the number of persons seeking government jobs, and unemployment is said to be particularly affecting the skilled and semi-skilled, especially recent graduates. The number of Jordanians working abroad was estimated at 320,000 in 1983. Little or no increase in this level is expected, and some are predicting a decline. Jordan has also been an importer of labor, especially low skilled Egyptian labor. At least 130,000 foreign workers are currently estimated to be in Jordan, the majority from Egypt.

C. Balance of Payments

Given its narrow export base, and notwithstanding a very rapid growth in exports since the mid-1970s, Jordan regularly experiences a large trade deficit which is only partly offset by the remittances of wage earners abroad. The remaining current account deficit is financed by foreign aid inflows, most of it from friendly Arab states. Within this pattern, Jordan was able to expand its imports by 25 percent per

annum (in current dollar terms) during 1976-81 even as its official foreign exchange reserves more than doubled to some \$1.3 billion. As noted in the Overview Section, these favorable trends have been considerably slowed if not reversed.

(1) Foreign trade: Exports have been adversely affected by recession in the Arab countries, and by the virtual demise of the Iraq market which as recently as 1982 accounted for 36 percent of Jordan's domestic exports. Exports to Iraq, valued at \$180 million in 1982, fell to an estimated \$54 million in 1983. Total exports, including re-exports, rose by 9 percent in 1982, then declined by 21 percent during January-July 1983. Imports, up only 2 percent in 1982, declined by 7 percent during January-July of 1983. Assuming these trends were maintained throughout 1983, the trade deficit for the year was roughly unchanged from the \$2,490 million deficit recorded in 1982.

An encouraging recent development was the discovery of indications of lower-sulphur oil in Jordan's eastern desert, although determination of quantity has not yet been made. The country presently imports all of its oil needs. Oil imports in 1982, all from Saudi Arabia at world market prices, amounted to \$649 million or 20 per cent of total imports.

(2) Arab Aid: Arab aid accounts for by far the greater part of official aid flows to Jordan. Most of the Arab aid is supplied under the Baghdad payments agreement of 1978 whereby a number of Arab states agreed

to provide Jordan with \$1,250 million annually over a 10-year period. In fact, the peak year for payments under the agreement was 1980 when Jordan received \$1.2 billion. Saudi Arabia and Kuwait continue to live up to their Baghdad payments, but others have reduced their pledges or suspended them altogether. Iraq, a formerly generous donor, missed its last payment in 1982 and made no payments in 1983. Accordingly, total Baghdad payments fell to \$954 million in 1982, and further to \$554 million in 1983. Since about 65 percent of Baghdad payments are for civilian purposes, the cutback has a direct economic development, as well as balance of payments, impact. In absorbing the reduction in anticipated Arab assistance, the GOJ has reduced planned expenditures rather than increasing the budget deficit.

(3) Remittances: Wage earner remittances have held up well considering the effects of recession and regional instability. Though not showing the rapid growth of recent years, net remittances through official channels rose from \$875 million in 1981 to \$907 million in 1982, and approached \$1 billion in 1983. Given the precipitous declines in Arab aid and to a lesser extent, exports, the continued strength of remittances has clearly been crucial in enabling the maintenance of imports at close to previous years' levels.

(4) Reserves and external debt: Foreign exchange reserves of the Central Bank and commercial banks combined were approximately \$1.8 billion (with gold holdings of \$216 million valued at \$200 an ounce) at the end of 1982. With the help of a \$225 million Eurodollar loan floated

in February 1983, overall reserves declined by only \$14 million in the nine months to end-September 1983. Thus, the balance of payments squeeze has been reflected primarily in a curtailment of imports rather than in a rundown of reserves, in accordance with the government's generally conservative approach.

Outstanding public and publicly guaranteed medium and long-term civil debt amounted to \$2.4 billion at the end of 1982. Debt service payment were 26.7 percent of merchandise exports but only 6.3 percent of goods and services exports combined. It should be mentioned, however, that while Jordan's debt service ratio is low by LDC standards the debt service ratio does not include an unknown amount of loans for military equipment and oil purchases. All in all, Jordan's credit standing remains excellent.

D. Monetary and Fiscal Policy

In contrast to the situation most commonly witnessed in LDCs beset by balance of payments difficulties, the burden of adjustment to tightened circumstances in Jordan has been borne mainly by the public sector. Central Bank credit policy has in fact not been restrictive. Bank loans to the private sector rose by 16.7 percent during January-October 1983, somewhat less than the 22.7 percent increase for the corresponding period of 1982. The lower rate of increase can be attributed to reduced demand for credit rather than credit restraint as such.

Budgetary policy, on the other hand, has been highly restrictive. Government expenditures in 1983 appear to have declined slightly from the 1982 level to some \$1,934 million. Furthermore, in an effort to offset declining budgetary support from the Arab states, the GOJ took a number of measures to increase domestic revenues including increases in import duties on luxury items, improvements in customs valuation procedures, introduction of a capital gains tax on real estate sales, and expansion of the system of self-assessment for personal income taxes. Domestic revenues accordingly expanded by some 20 percent in 1983. Foreign borrowings also rose, notably the aforementioned \$225 million Eurodollar loan. As a result of these efforts, and despite a \$123 million drop in Arab support payments, the budget deficit was reduced, from JD 33.8 million (U.S. \$91 million) in 1982 to JD 17.7 million (U.S. \$48 million) in 1983. At the 1983 level, the deficit was a remarkably low 2.3 percent of expenditures.

The 1984 budget, just promulgated, calls for an 8.2 percent increase in expenditures and includes subsidy reductions in the areas of food and fuel. The fuel subsidy is to come down to \$15 million from the budgeted level of \$48 million in 1984. The budget assumes an increase in Arab support for development purposes to \$493 million which compares with the \$350 million in such support received in 1983. To the extent this proves optimistic, either expenditures will again be scaled back from the budget estimate, or the deficit will exceed projections. On the record, the likelihood is for a curtailment of expenditures.

Reflecting both the economic slowdown and the government's policy of budgetary restraint, price inflation declined during 1983. The Central Bank's cost of living index rose by approximately 6 percent compared to a 7.4 percent in 1982. The Jordanian dinar, which is pegged to the SDR, declined by 5.0 percent during 1983.

E. Impact of Slowdown on Jordan's Development Plan

Jordan's 1981-85 National Economic Development Plan called for an 11 percent rate of growth in GDP and \$10 billion of public and private investment expenditures. Thus far, three years into the Plan period, GDP growth has amounted to only half of the Plan assumption. Few, if any, of the original investment goals will be met. The National Planning Council's 1983 budget, for example, was set at \$234 million in 1982, but was reduced to \$146 million in late 1983. Reportedly, shortfalls from investment targets have occurred in all sectors except energy with cutbacks most pronounced in industry, mining and agriculture. However, overall priorities for public sector investment in the plan as to sectors of emphasis - - water, transportation, electricity - - remain valid. (Note, however, that capital defense expenditures are channeled through a separate defense fund financed by external aid sources; the progress of these expenditures is not known).

F. Mission Comment on GOJ Economic Management

The GOJ's demonstrated willingness to curtail budgetary spending and lower Plan investment targets at a time of stringency in its external accounts and its concomitant desire to maintain a stable financial structure is all to its credit. Its approach compares most favorably with that of many financially strapped LDCs which have preferred to spend beyond their means, meanwhile calling for "bail-out" aid. In short, Jordan remains deserving of U.S. assistance on economic policy grounds and is well positioned to make good use of the aid it receives. Moreover, as a friend of the United States, Jordan also will be looking to the U.S., especially during this period of economic slowdown, for continued and effective economic support.

II. SUMMARY OF MISSION STRATEGY

A. Principal Sectors of Assistance

Jordan's current economic environment, as discussed in Part I of this update, reinforces the appropriateness of the Mission's objectives as stated in the approved FY 1984 CDSS and its subsequent update. Accordingly, the below listed objectives, with only minor modification, will continue to be pursued: (1) To help Jordan sustain the social and economic progress of recent years, despite the economic downturn and continuing regional instability, by strengthening the capacity and outreach of key sectoral institutions and by reducing regional

disparities; (2) To strengthen the generation of domestic revenues through technical advice and training in such areas as tax administration, utility management and financial markets and the growth of the productive sectors by identifying and supporting opportunities for export expansion and import substitution; (3) to assist the public and private sectors in improving Jordan's technical, managerial, and institutional capabilities for coping with the country's more complex economic and social structure through such means as training, data analysis, and automation.

During the past decade Jordan's economy grew at a rapid pace. Exogenous factors such as private capital inflows, remittances and financial assistance from foreign governments contributed to this growth. As a result, Jordan now has achieved a middle income country status. The key factor behind this achievement is the proven ability of the GOJ to establish and implement sound economic policies and, at the same time, effectively manage its portfolio of development projects. Its current economic standing within the region continues to serve as an example of prudent management of resources even in spite of the economic slowdown and political uncertainty. The Mission, in full concurrence with the World Bank, believes there are few, if any, significant price policy reforms that need to be undertaken at this time. Although subsidies do exist on bread flour and some petroleum products, they are slowly being reduced. For example, fuel subsidies are to be reduced from the originally budgeted \$48 million to \$15 million in 1984. In addition to sound economic policies and economic management, Jordan has in place

many of the core institutional capabilities for planning, facilitating and/or delivering economic and social services and programs. Some of these institutions are of relatively recent creation, and are faced with continuing and important challenges. Their further institutional development is, however, dependent upon access to technology and technical support. The newly created Water Authority is an example of one such institution.

Lastly, while Jordan has achieved middle income status, its economy remains characterized by limited arable land, water and natural resources. Jordan's past success and its future growth and development lies in its human resources and in making maximum use of the remaining limited but diverse resources available, be they in mining, manufacturing, agriculture or services.

AID assistance can best be utilized by assisting the GOJ to meet the challenge and requirements of an increasing complex and modernizing society by building upon and reinforcing proven development capabilities and existing institutions.

The priority sectors for USAID assistance as described in the approved CDSS are water, population/health, agriculture, and education/training. These sectors will continue to receive priority attention. In this regard, the amount of monetary and/or personnel resources applied to any one sector should not be considered as the marker for the importance the Mission places on that particular sector.

For example, the population sector has, over the years, received the least amount of funding from bilateral resources yet it remains a key area of USAID involvement, reflective of limited opportunities for investment and programs in light of current government attitudes and conditions. Should government attitudes become more conducive to an active bilateral population program during the CDSS period, it would receive high priority for Mission funding and the budget presented herein would be adjusted accordingly.

The addition of a limited and experimental undertaking in the energy sector has the potential of making a major contribution to meeting Jordan's energy requirements. In the industrial sector we are currently providing limited support to the Amman Financial Market and have been requested by the GOJ to assist in the establishment of an Industrial Research and Promotion Center which will be designed to promote private investment and industrial exports. In the private sector a survey of potential development opportunities was funded by the Mission in 1982. The GOJ followed-up on all recommendations made in the survey.

A comparison of the priority areas for US assistance as set forth in this CDSS with the development problems identified in the NE Bureau strategy shows a strong harmony of interests. In addition to the sectors identified above, the Bureau strategy places heavy emphasis on the problems associated with the urbanization process and encourages Missions to focus on interventions in urban areas. The Mission intends over the coming months to look more intensively and systematically at the

urban sector with the purpose of identifying activities for additional AID support. The Mission, however, offers the following preliminary observations.

With over 70% of Jordan's population living in urban areas (defined in the World Bank's Jordan Urban Sector Review as localities of 5000 inhabitants or more) the urban populace is obviously of considerable interest to AID. Indeed, this is not a new focus for USAID. Past AID efforts in Jordan have made a strong and significant contribution to the quality of life in urban areas. This is exemplified by the fact that from FY 1981-1984 the monetary value of projects implemented in the water sector alone and directed to purely urban areas totalled 60% of the Mission's OYB. The ongoing Water Systems and Services Management project (278-0259) accounted for approximately one half of the Mission's OYBs in both FY 1983 and FY 1984 and is directed at improving water and wastewater systems in ten secondary cities throughout Jordan as well as improving water sector institutions and developing elements of the private sector to better execute physical investments. The USAID portfolio also includes water and wastewater projects for the major cities of Amman, Zarqa-Ruseifa, Aqaba and Irbid. Additionally, AID has made sizable investments in basic education and in primary health care.

As suggested above, AID's prior urban investments have been directed primarily at improving the urban quality of life. More recently, the Mission has begun to consider other urban needs. In this regard, the Mission is currently financing approximately seven person

years of technical assistance to the Municipality of Amman in the area of urban transportation. We are supporting the training programs of the Amman Financial Market as a key institution in private resource mobilization and investment for industries located primarily in or near urban areas. We have provided a consultant to the Housing Bank to explore the feasibility of a secondary mortgage market which if established, could channel funds for middle and lower-middle class housing.

Jordan in the past decade has been a full-employment economy. While some unemployment is now being anecdotically reported, it appears that job shortages are limited to specific classes of university graduates. Nevertheless, with the population growth rate continuing at the current high level and the uncertainty of future demand for Jordanian workers in the Gulf States, the subject of future employment generation is being given greater attention.

The "services sector" is certainly one area to be looked at in this regard. The services sector already accounts for roughly two-thirds of GDP and approximately the same percentage of employment. However, while in national accounts it is convenient to aggregate certain activities and to label them as part of the services sector, in actuality the sector is fragmented and diverse. The principal component in Jordan is government services, including military, which accounts for two-thirds of the employment of the sector. The other major elements are transportation, communications, commerce and trade, banking, tourism, and

other private services. Transportation and tourism presently are experiencing idle capacity. The communications sector is largely in government hands. The trade sector is made up of a wide variety of firms, the great majority of them small and privately owned, engaged in wholesale and retail activities. Thus we have concluded that the services sector does not offer opportunities for AID intervention involving significant amounts of AID funds. The Mission has offered assistance in agricultural marketing, and export promotion is one of the objectives of the proposed industrial research center, but both of these are modest undertakings in terms of funding.

B. Major Development Problems to be Addressed.

1. Water:

Inadequate water is the single most important constraint to Jordan's economic and social development. Demand continues to increase for domestic, agricultural and industrial uses. The rapid rate of urbanization and population growth are eroding the overall beneficial impact of programs directed at meeting water demand.

Inadequate water supplies and poor quality water are major constraints to improved public health. Average per capita water consumption is 40-50 liters per day, far short of the 80 liters recommended by WHO as the minimum for maintaining good health. Agriculture is the largest water consumer but agricultural growth is

still severely limited by water scarcity. While industrial demand is relatively smaller, many manufacturing concerns are heavily dependent on water and future industrial development will need to be non-water intensive. As the rate of growth of new on-farm employment opportunities decreases, and the demand for workers in the Gulf states stabilizes or decreases, Jordan will become more dependent on the industrial and services sectors for employment. Without adequate water, the industrial and service sectors growth will be constrained, reducing both employment and foreign exchange earning opportunities.

Water resource identification and use information is not yet adequate to permit effective water use planning and management. Present delivery systems are insufficient to satisfy demand, and wastewater collection and treatment systems fall far short of that required to meet minimal health and environmental needs. Better management of existing water and wastewater systems is badly needed and capabilities of Jordanian engineering and construction firms working on water projects also need to be improved.

In a measure of major institutional reform, the GOJ, in January 1984, established a National Water Authority to address the complex problems of water on a national, coordinated basis. The Mission, through its policy dialogue at various levels, has continually pursued the establishment of the Authority and although the Mission cannot assume full credit for its establishment, our efforts over the years contributed to the policymakers' favorable decision. The creation of such an

Authority was a primary development goal directly related to policy reform. Our new goal, now and in the immediate future, is to ensure that the newly established Authority becomes fully operational and effective. Technical assistance, if required, will be made available from the existing water sector projects and TSFS.

2. Health/Population:

The health of Jordanians, even in urban areas where 70 percent of the population lives, is below acceptable standards due to illnesses rooted in poor sanitation practices and climatic conditions conducive to the spread of disease. For example, enteric diseases such as typhoid, paratyphoid, salmonellosis, hepatitis, and dysentery are seasonally endemic. Most are related to contaminated water use, poor environmental sanitation or unhygienic food-handling practices. At the same time, Jordan's middle income status and highly urbanized population have brought a second generation of health care problems. These include the need for improving traumatic health care, accident prevention and health care financing. Prior GOJ health investment has emphasized the expansion of health facilities, per se, which has led to an improved system of curative medicine, but at the expense of preventive health care programs. Consequently, the Ministry of Health, although institutionally fairly responsive as a curative medical provider, has just recently begun to assume the role of public health educator. The recent establishment of a health planning unit in the Ministry holds promise for a more appropriate health services delivery program in the future. Significant

progress in developing this health planning unit is a direct result of AID's efforts to improve the effectiveness of the Ministry and exemplifies AID's efforts in institutional development.

The seriousness of Jordan's health problems are compounded by the fact that it has one of the highest population growth rates in the world, with the Jordanian Department of Statistics estimating (1983) the natural increase at 3.5 percent. This growth, viewed in the absence of an official government policy to reduce the rate, represents a major constraint to Jordan's development. Highest mortality rates are found in children and the child-bearers: infant mortality fluctuates around 75 per thousand births, with diarrheal disease the chief contributing cause; 43 percent of all deaths annually (1981) occur in children under five; and the death rate for Jordanian women of reproductive age (15-49 years) is four times greater than that for the same group in the U.S. (Source: USAID Health Strategy Paper). In great part, the high maternal mortality and morbidity reported is directly related to the high parity, with a completed fertility rate of 8.4 children estimated for 1981 (Source: Jordan Demographic Survey).

Unfortunately, the reluctance on the part of the GOJ to recognize publically the health and social benefits of child spacing and to initiate appropriate program actions continues. For example, although the MOH has an agreement with the UNFPA to provide family planning in its MCH centers, the lack of statistics on family planning symbolizes the low level of attention it receives in the public sector.

The result has been that the private sector has had to fill the service vacuum created and attempt to satisfy the demand of those couples who desire to control or terminate their fertility. The IPPF affiliate, the Jordan Family Planning and Protection Association, has thus far operated at a low level of efficiency. However, JFPPA has the potential for expanding its service delivery, and will do so if the new Johns Hopkins University information and communication project, funded by USAID, is successful in increasing and channeling demand. Commercial pharmacies and private physicians, on the other hand, have been as active as could be expected, given the existing political attitude about contraception.

Mission efforts to promote the establishment of a clearly defined and publicly supported population policy are on-going. The establishment of such a policy was included for the first time as one of the objectives of the GOJ Five Year Plan (1981-1985). There is little evidence however, that a policy actually is being formulated at this time, but the Mission continues to engage Jordanians on the family planning issue whenever appropriate opportunities arise. A continued strategy of utilizing intermediaries through central funding and TSFS will be pursued. Based upon the current social and political environment, we believe this strategy remains valid. The Mission also is exploring support for revitalizing the National Population Commission, which has been inactive since 1979, as an important step in pursuing population policy.

3. Agriculture

Jordan has a rapidly increasing population and limited land and water resources for agricultural production. Jordan produces less than 50% of its food requirements and is heavily dependent on imported agricultural commodities which amounted to about \$455 million in 1982. In an attempt to increase agricultural production, the GOJ, has given high priority to intensive irrigated production, especially in the Jordan Valley. Much less emphasis has been directed to potentially productive rainfed areas (highlands), which has resulted in dissatisfaction among many traditional and lower income social groups and a decline in agricultural investment in the highlands. In fact, both financial and manpower resources were "directed" from general agricultural development to an intensive irrigation effort in the Valley.

As a result of the emphasis on developing the Jordan Valley, Jordan has been able to increase its production and exports of fruits and vegetables. These products provided about 60% of the \$195 million of total agricultural exports in 1982. However, as production in the Valley has become more concentrated, a number of serious second-generation problems have developed. Insect and disease problems have grown substantially, increasing the cost of production. The lack of available research and information has resulted in farmers often using inappropriate farming practices. And as production has expanded, the marketing of high value (and high cost) perishable crops, particularly in the Gulf region, has become more difficult.

Many of the agricultural products imported by Jordan are the same as those produced in the highlands - cereals, pulses, livestock products, and tree fruits. The low agricultural production in the highlands is the result of a lack of research on crops and livestock, failure to extend information that is available, inadequate or inappropriate machinery and equipment, improper farming practices and timely availability of credit for smaller farmers. Even when these inputs are available, many farmers are still reluctant to take the risk associated with their adoption because the improved technology - while risk reducing over time - has not been fully demonstrated. Finally, improper farming practices, especially the tilling of steep slopes, have contributed to ecological problems such as erosion of hillsides and siltation of streams and reservoirs which negatively affect irrigated production.

Improved production in the highlands can contribute significantly to improving Jordan's trade position; to making Jordan more secure in food supply; to helping stabilize ecological deterioration; and to helping establish a more productive and stable socio-economic environment by increasing employment and income generating opportunities for a significant number of people. On the other hand, the sizeable investments in the Valley must continue to be assisted through improved research and extension to maintain the agricultural productivity in that critical area of the country.

The benefits that improved agricultural production can provide to Jordan are judged significant. Accordingly, the GOJ has placed a high priority on providing the support required to increase agricultural production, especially in the neglected rainfed areas.

Among the proposals in the Five Year Plan for improving productivity in both the rainfed and irrigated areas is a National Center for Agricultural Research which will integrate/coordinate agricultural research activities now being undertaken by several institutions. The Highlands project represents a potentially important opportunity for the GOJ to achieve this institutional reform objective. Annex A, AMMAN 1230, provides a more detailed rationale for our involvement in the highlands.

4. Energy

Jordan is almost entirely dependent on imported oil to meet its energy requirements. Oil represents more than 20% of Jordanian imports and is a significant factor in its growing trade deficit. Jordan's known indigenous traditional energy resources consist of relatively large deposits of oil shale, some tar sands, a small hydropower potential, and a few low temperature geothermal sources, none of which have been commercially exploited. No commercially exploitable coal, lignite, uranium or oil and gas reserves have been proven. Jordan's endowment of renewable energy is primarily solar and wind energy.

Renewable energy activities come under the purview of the Royal Scientific Society (RSS), a semi-autonomous organization established in 1970 which has developed a reputation as a solid applied research organization devoted to finding practical solutions to many of Jordan's development challenges. The RSS Solar Energy Department is currently working on a proposal for the development of solar ponds at the Dead Sea for eventual thermal and/or electrical power generation, although the technical and economic feasibility for such an undertaking has not yet been demonstrated. The World Bank, in collaboration with USAID and other donors, has designed an Energy Development Project for Jordan based on a recent energy sector analysis. This project will create and support an Energy Planning Unit within the GOJ, with the responsibility for formulating a long-term development plan for the energy sector which would set national objectives and provide a framework for achieving them. There is a pressing need for Jordan to formulate such a long-term plan and coordinate it among the several institutions involved in the sector, to outline consistent policies for energy pricing, conservation and demand management, and to strengthen its capabilities in energy project identification, preparation and implementation. The World Bank's staff appraisal report describes the problems confronting Jordan's energy sector in further detail.

5. Education/Training

The salaries remitted by Jordanian technicians and managers working in the neighboring Gulf states and Saudi Arabia play a vital role in the Jordanian economy. However, in order to meet the demand for Jordanian skilled and unskilled labor, both in Jordan and in the region, a continuing manpower training program is required. Although the past decade has witnessed an increase in technical training centers, not enough has been done to develop the managerial talent required in such areas as public and business administration, banking and marketing, with a consequence that many organizations in Jordan lack the managerial expertise required to operate at a maximum efficiency. Of particular concern is the need for problem-specific, short-term training programs for senior executives in Jordan's public and private sectors.

With regard to higher education, Jordan's training and educational institutions, both public and private, are increasing in capacity, numbers and types, and the demand for trained qualified personnel by public and private sector institutions is still not being met. For academic training beyond secondary schools, private community colleges are growing. The major universities, the University of Jordan (in Amman) and Yarmouk University (in Irbid), are expanding their capacities and fields of education, and there is a newly established but not yet operating university to train personnel in Jordan's security forces.

Notwithstanding the Government's efforts, the existing training facilities cannot meet the demands of government or private industry for trained, skilled or managerial personnel. This limited capacity has caused in the majority of all Jordanian students seeking a university level education to obtain it abroad. The institutional capacity is not sufficient to permit training of all qualified applicants, and the numbers trained cannot meet the need created by Jordan's continued economic growth nor the demand for trained personnel in the Gulf region where qualified Jordanians receive premium pay and remit their savings to Jordan.

6. Industry

By far the greatest, single increase between 1978 and 1982 (roughly a 13 fold increase) in Jordanian commodity exports to Arab Common Market countries was in "miscellaneous manufactured items" which included furniture, clothes, suitcases/bags and shoes. This demonstrates Jordanian interest and initiative in recognizing and moving to take advantage of opportunities, but it does not mean the sector can continue healthy growth without additional support.

The range of activities in the Jordanian industrial and manufacturing sector, as in agriculture, is restricted by the lack of natural resources, including adequate water supplies. The sector also suffers from the small size of the indigenous market, a lack of standards to assure quality products, and a dearth of resident middle management

personnel as well as resident technicians capable of supportive industrial research and technological adaptation. Investment funds seem to be forthcoming for low-risk, high return projects, but scarce for other promising opportunities with high and medium start-up costs and somewhat less early rates of return. The government at times has had to take a co-financing position in order to encourage private capital into a venture. Jordan has a young, but active capital market that deals primarily in equities. This institution must be nurtured so it can play an even greater role in private capital mobilization.

The result is a broad, disparate sector, lacking the vertical and horizontal integration necessary for healthy growth and highly subject to regional instability as well as international competition and economic fluctuations. The industrial and mining sector is nonetheless, at least for the moment, still growing (17% of GDP) albeit at a slower rate, because of the availability of past high worker remittances for investment, high tariff walls, windfall opportunities in the international markets, e.g., the recently high but now waning Iraqi demands (exports to Iraq increased 5 1/2 fold between 1978 and 1982). The difficulties of traditional Lebanese suppliers, and the business acumen of a small number of Jordanian private entrepreneurs willing to take advantage of present market conditions have also contributed to the growth of local manufacturing. Mining and capital intensive industry benefitted from large public sector investments in potash, phosphate, fertilizer and cement. Expansion of the sector through greater, supportive scientific endeavor, technological innovation and extension,

more efficient assistance in the bureaucratic arena for potential investors, easier access to risk capital, and better product and services promotion is needed to strengthen Jordan's industrial base, mobilize capital, and attract skilled technicians and middle management personnel now employed elsewhere. Such efforts would go a long way toward stimulating self-sustaining growth in a solid, integrated Jordanian industrial sector which includes non-water intensive light industry capable of employing and retaining significantly more skilled Jordanians.

From the available material, covering the years 1972 and 1979, it appears that industrial productivity (output per worker) is at a higher level and rising faster than productivity in other sectors of the economy. This can be seen in the following table based on World Bank material covering national accounts and the labor force:

PRODUCTIVITY BY SECTOR

(IN 1975 DINARS)

SECTOR (% OF TOTAL LABOR FORCE IN 1979)	1972	1979	% RATE OF INC. 1972-79
INDUSTRY (28)	895	1,128	3.36
SERVICE (62)	604	597	- .16
IND & SERVICES	648	713	1.37
AGRICULTURAL (10)	<u>625</u>	<u>615</u>	<u>- .23</u>
T O T A L	980	1,029	1.38

The tentative nature of the data needs to be stressed. Further, productivity growth in industry has undoubtedly slowed since 1979, probably more so than in agriculture. Still, the difference in productivity growth between industry and agriculture, or even between industry and services combined and agriculture, are large enough to suggest this as a possible "pull" factor in the general trend toward urbanization in Jordan. Indeed, employment in agriculture is estimated to have declined by some 21 percent during 1972-79.

C. Major Programatic Elements of Mission's Strategy.

1. Background

The resource allocation table on page 38 provides a breakdown of the major elements of the Mission's program for 1984-1986. The rationale explaining how these projects relate to Mission strategy is presented in the discussions of each of the specific projects below. In all cases the major elements of the strategy attempt to emphasize meeting equitably the basic requirements of the population and strengthening the institutional capabilities of the COJ.

We are cognizant of the Bureau's objective as described in its strategy, that AID missions undertake development activities in no more than four of the identified problem areas or sectors. However, for a number of reasons we feel this narrow focus is not appropriate to Jordan

at this time. Because of the structure and needs of Jordan's development efforts and the relative strength of most Jordanian development oriented institutions, a broader range of support and assistance from AID is called for and can be readily and productively absorbed. Looking at the period 1984-1987 AID's involvement will include significant support to the water, education/training, agriculture, and health/population sectors and lesser, but important support to the energy and industrial sectors. As in the past, TSFS and DAT activities will continue to provide support for a cross section of the development sectors.

In line with suggestions made in the Bureau strategy concerning program selectivity, the Mission has already moved in that direction: capital infrastructure projects as purely resource transfers are no longer a part of the Mission strategy; the PL 480 Title II program has been terminated; the Mission has concentrated on adaptive research; and activities within the health sector will have a stronger population component. Although no discrete WID projects are planned, WID elements are carefully considered in the design of all new projects. At the invitation of the Mission two WID experts visited Jordan to review how women can benefit more and play a more active role during the implementation of three projects currently under design.

2. Current and Planned Programmed Activities

a. The urban water sector has received the largest share (approximately 60%) of AID's resources over the past five years. In FY

1983 and FY 1984 alone, 65% of available resources were devoted to development/improvement of various facets of the water sector. The cornerstone of the Mission program is the Water Systems and Services Management project which was incrementally funded in FY 1983 and FY 1984. This project was designed with the Administrator's four pillars clearly in mind. Although still in the early stages of implementation there has been significant progress in linking private sector firms in Jordan with the U.S. private sector. Institutional development and development of the private sector are key components of this project.

Our strategy will continue to emphasize activities in the water sector. Of paramount importance has been the promulgation of a law establishing a National Water Authority. This had been a primary focus of the Mission's policy dialogue for an extended period and a stated policy goal. Efforts within the water sector relating to the viable management and operation of the Water Authority are now receiving and will continue to receive priority attention by the Mission. Assistance to the new Authority will be primarily focused on its institutional development through the transfer of technology with US experts playing the key role. Infrastructure assistance is not foreseen at this time but if such assistance is requested it will be considered only if it could lead to additional policy reform and improvements within the water sector. In addition, the provision of any major infrastructure assistance would include large private sector/technology transfer components modeled after the Water Systems and Services Management project.

The Mission's water sector portfolio currently consists of seven projects with LOP AID-inputs totalling \$111 million. In conjunction with the National Planning Council, the Mission has initiated consideration of two new water sector activities for the 1986-89 planning period. A new \$20.0 million project initiative in 1986 will provide water to selected satellite towns in Jordan. The project, to be incrementally funded over a two to three year period, will develop a systematic, prioritized approach to providing potable water to unserved communities and to expand and improve existing networks in other communities.

A second project would build upon the on-going Groundwater Resources Investigation project of north Jordan. The purpose of the project is to accelerate the investigation nationwide of the availability of groundwater resources. Groundwater information is critical for future development planning and is beyond the current capacity of Jordanian institutions to gather and analyze on a timely basis. Plans are to design and implement this second phase in the out years (1987-89), pending the availability of funds.

b. Population/Health as a principal sector of assistance receives continuing attention from USAID/Jordan management. Although there is no major bilateral support within the population sector at this time, centrally-funded assistance from PVOs and contractors serving as intermediaries continues. Efforts will intensify in an attempt to encourage the GOJ to meet its own objective, stated in the current Five

Year Plan, of establishing a population policy. Just as the establishment of a National Water Authority was thought to be an improbability a short time ago, the goal of establishing a credible population policy may be achievable, in spite of political and social constraints. The Mission continuously and vigorously is exploring new avenues to heighten the awareness of the demographic problem confronting Jordan. Currently, for example, the Mission is promoting the revitalization of the National Population Commission, which has been inoperative since 1979. Should our policy dialogue be successful, we would offer support to the GOJ through a bilateral project with the Population Commission as the implementing agency. Until recently, it was believed that direct support of such an activity would probably not take place prior to FY 1987. Current discussions reveal that the Chairman and Secretary General of the Commission are seeking to reconstitute the membership and to reconvene the commission in the near future. If such an event occurs, opportunities for a bilateral relationship in population may appear sooner than expected.

Direct support for health activities is envisaged only in relation with meeting the goals and objectives related to reducing the population growth rate and improving the primary health care of urban residents. A project, Urban Health Care, is in the conceptualization stage now and could be ready for obligation as early as 1986, pending funding availability. This new activity would focus on the most susceptible, high risk groups, reproductive age women and children under five, who make up approximately 43 percent of the population.

c. Assistance to the agricultural sector is being carried out under three projects, Jordan Valley Farmers Association and Water Management Technology, which are nearing completion, and the Jordan Valley Agricultural Services Project (JVASP). The Title XII supported JVASP project, through its adaptive/applied research components, contains strong technology transfer emphasis, providing farmers with new and improved management and cultural practices which should increase overall production in the Valley. The initial evaluation indicates the project is moving well towards its objectives and, with only minor adjustments, will proceed along the lines of its original design. The establishment of a viable and lasting extension/research organization that will continue to ensure increased production is a continuing long term goal.

A major development effort in the agricultural sector, Highland Agriculture Development, is planned to commence in FY 1985. As noted in Section II B, the lack of water is one of the main constraints to realizing the full development of Jordan's agricultural potential. The Groundwater Resources Investigation project is one example of our efforts to overcome this constraint. To realize full agricultural potential there are additional measures that can be taken in conjunction with, and parallel to, the efforts being undertaken in the water sector. The development of the highland areas is one such measure. With the "agricultural deficit" accounting for an estimated 20% of the total trade deficit, exploitation of the highland areas is a worthy target for development, especially when conservative estimates state that agricultural production on most of Jordan's 450,000 hectares of arable land used for dryland farming can be increased by as much as 50% by

introducing new and improved cultural and managerial practices. This will also improve the standard of living of the poorer and relatively neglected highland farmer, add to Jordan's food security and help reduce the rate of highland environmental damage.

A limited \$ 3.0 million effort entitled Rural Community Development is planned for FY 1985. The project will be designed to stimulate and assist public and private sector efforts to generate income in rural communities in two micro-regions while focusing on the retention of capital and productive manpower in these areas. Specific income generating activities will be identified through detailed social and economic studies of the micro regions. Favorable results of this project will aid a less concentrated distribution of private sector growth, slow movement to urban areas, contribute to improving labor productivity, and stimulate institutional capabilities within the GOJ in delivering needed services.

d. In the energy sector FY 1986 should see the beginning of a limited but potentially important, effort in energy-solar pond research. By taking advantage of the presence of evaporation ponds constructed under the Potash Project, and the abundant salt and radiant energy available in Jordan at the Dead Sea, up-to-date state of the art technology will be transferred from the US in an attempt to harness solar energy for commercial electricity generation. Through the Technical Services and Feasibility Studies project, the Mission will also provide support, in conjunction with the World Bank energy sector program, in planning, conservation and renewable energy development.

e. Education/Training is an important component of our development strategy. In past years AID efforts in the education/training sector included considerable funding for infrastructure. For example, under the Village Development I, II and III and School Construction I and II projects 98 schools were constructed. AID also provided funding for the construction of a Vocational Training Center to accommodate 300 students. Such infrastructure activities are excluded from our future program. AID's education/training role as now perceived will reinforce, supplement and support other development activities. Most of the Mission's projects have training components, directed to the project's primary objective. In addition, the Mission's FY 1986 portfolio will include the fourth in a series of several participant training projects (DAT III was split year funded in FY 1983 and FY 1984). Although benefitting primarily public sector participants, elements of the private sector also can receive training under the project in a broad range of fields, in support of GOJ development efforts. Over time, it is the objective of training projects to strengthen existing institutions in Jordan. Based on previous training projects and combined with the performance of officials who were participants under the projects, institutional development is progressing. It is envisaged that by FY 1986 additional funding will be required for a DAT IV project.

Five million dollars will be obligated for the Advanced Management Institute (AMI) project in FY 1984. The project would help

fill an important gap in managerial skills training by establishing a training institute, geared to fast track mid and senior level personnel, The institute would draw its clients from the private and public sectors. As the AMI establishes its reputation as Jordan's premier senior level management institute, its mandate could be expanded to serve the region, thereby adding to Jordan's status as a focus of development in the Arab world while promoting Jordanian expertise and business opportunities throughout the region.

Funding for the establishment of a Jordanian-American Scholarship Fund is budgeted for FY 1985, pending GOJ endorsement of the project concept. If implemented, it is anticipated additional funding may be required in subsequent years and the extent and amount will be determined as the project is designed. The project would strengthen Jordan's pool of well trained manpower in critical development areas, foster continuing close professional relationships between Jordanians and Americans, and institutionalize a permanent system for facilitating the education and training of enterprising and deserving Jordanians in the United States. The project would complement and/or supplement the regular U.S. supported development training programs. Under the project the U.S. Government, through A.I.D., will contribute to a Jordanian - American Scholarship Fund (JASF) to finance scholarships for Jordanians in selected academic fields related to national development. Training will initially focus at the undergraduate level, but may be broadened to include other professional fields of endeavor. The current proposal is that U.S. funds will be used to finance tuition and books only, while the

student and/or Government of Jordan will be responsible for maintenance. Satisfaction of the tuition costs could be a straight grant or some form of subsidized loan; for example, students could be expected to pay something back to the Fund under a loan agreement. Any such returning student payments will be deposited in the Fund for reuse under the same provisions as for the original funds, except that monitorship thereof on the part of either the U.S. or Jordanian government may be voluntarily limited to an occasional audit. Either government may contribute more to the Fund, at any time and it is further hoped that others will see fit to contribute as well.

RESOURCE ALLOCATION
(\$ 000)

P R O J E C T	1 9 8 4			1 9 8 5			1 9 8 6*		
	LOAN	GRANT	TOTAL	LOAN	GRANT	TOTAL	LOAN	GRANT	TOTAL
Income Tax Assistance		1,000	1,000						
Development Administration Training III		2,000	2,000						
Water Systems and Services Management	7,000	1,000	8,000						
TSFS IV		4,000	4,000	-	1,000	1,000			
Executive Management Institute		5,000	5,000						
Rural Community Development				2,000	1,000	3,000			
US/Jordanian Scholarship Fund					5,000	5,000			
Highland Agricultural Development				6,000	5,000	11,000	9,000	-	9,000
Development Administration Training IV								2,000	2,000
TSFS V								2,000	2,000
Energy-Solar Ponds								2,000	2,000
Suburban Water Supply								4,000	4,000
Urban Health Development									
Center For Industrial Development									
Groundwater Resources Investigation II							16,000		16,000
T O T A L	7,000	13,000	20,000	8,000	12,000	20,000			

*FY 1986 projects are listed in priority order. Those projects not funded in FY 1986 will be funded in the outyears.

RESOURCE ALLOCATION
(\$ 000)

S E C T O R	1 9 8 7	1 9 8 8	1 9 8 9
WATER	10,000	10,000	10,000
HEALTH/POPULATION	5,000	5,000	
INDUSTRY		5,000	5,000
EDUCATION/TRAINING	3,000		3,000
OTHER			
TSFS	2,000		2,000
TOTAL	20,000	20,000	20,000

UNCLASSIFIED
AID 02/02/84
DIR:WGBOLLINGER
PO:TRISHOI:JS
1.PRM:DLEATY, 2.DD:GGOWER
AID-2 AMB DCM, CHRON

AMEMBASSY AMMAN
SECSTATE WASHDC

AIDAC

E.O. 12356: N/A
SUBJECT: PROPOSED HIGHLAND AGRICULTURAL DEVELOPMENT
PROJECT 278-0264

REF: (A) 83 STATE 367534, (B) AMMAN 00455

1. THIS CABLE RESPONDS TO REF (A) PARA 2 WHICH REQUESTED AN AMPLIFIED CDSS DISCUSSION REGARDING THE STRATEGIC FRAMEWORK AND RATIONALE FOR A MAJOR NEW USAID INTERVENTION IN HIGHLAND AGRICULTURAL DEVELOPMENT. IT SETS FORTH THE POLICY FRAMEWORK FOR THE PROPOSED PROJECT AND DISCUSSES POSSIBLE ALTERNATIVE INVESTMENTS IN THE INDUSTRY AND SERVICES SECTORS. WE CONCLUDE THAT THERE IS A COMPELLING RATIONALE FOR AN AID INVESTMENT IN HIGHLAND AGRICULTURE.

2. POLICY FRAMEWORK: AID'S FOOD AND AGRICULTURAL POLICY, BUREAU REGIONAL STRATEGY, MISSION CDSS AND CURRENT JORDAN FIVE YEAR PLAN ALL IDENTIFY HIGHLAND AGRICULTURE AS A PRIORITY AREA. THUS, THERE IS A CLEAR HARMONY BETWEEN AID'S CURRENT POLICY EMPHASIS AND THE PROPOSED PROJECT. ADDITIONALLY, THE PROJECT WILL INCORPORATE ELEMENTS OF EACH OF THE ADMINISTRATOR'S FOUR PILLARS -- INSTITUTION BUILDING, TECHNOLOGY TRANSFER, PRIVATE SECTOR DEVELOPMENT AND POLICY DIALOGUE.

A. AID FOOD AND AGRICULTURAL POLICY -- AGENCY POLICY STATES QUOTE THE OBJECTIVE(S) OF U.S. FOOD AND AGRICULTURAL ASSISTANCE ARE TO ENABLE COUNTRIES TO BECOME SELF RELIANT IN FOOD, ASSURE FOOD SECURITY TO

THEIR POPULATION AND CONTRIBUTE TO BROAD-BASED ECONOMIC GROWTH UNQUOTE. THESE OBJECTIVES ENTAIL INCREASED FOOD AVAILABILITY (PRODUCTION) AND IMPROVED FOOD CONSUMPTION (INCREASED INCOMES AND DISTRIBUTION). THE AID POLICY DOCUMENT FURTHER IDENTIFIES THE FOLLOWING MEANS FOR ACHIEVING AID OBJECTIVES: IMPROVED COUNTRY POLICIES; HUMAN RESOURCES AND INSTITUTIONAL CAPABILITIES DEVELOPMENT; AND EXPANDED ROLE OF THE PRIVATE SECTOR. THE PROPOSED HIGHLAND AGRICULTURE PROJECT IS FULLY RESPONSIVE TO AID'S AGRICULTURAL POLICY STATEMENT.

B. NE BUREAU STRATEGY -- THE STRATEGY STATES QUOTE THE RAINFED AREAS (OF THE REGION) WILL STILL NEED THE GREATEST EMPHASIS ON INCREASING THE EFFICIENCY OF THEIR PRODUCTION VIA INCREASED YIELDS FROM EXISTING CROPS; THIS INCLUDES SIGNIFICANT AREAS OF MOROCCO, YEMEN, JORDAN... UNQUOTE. IT FURTHER STATES THAT OVER THE NEXT DECADE INCREASED ATTENTION WILL BE GIVEN TO LESS PRODUCTIVE RAINFED AREAS WHERE THE POTENTIAL EXISTS FOR SUBSTANTIAL INCREASES IN CEREAL GRAIN, LEGUME AND FORAGE PRODUCTION. AID'S FOCUS, THE STRATEGY STATES, WILL BE ON COUNTRIES' STRATEGIES, POLICIES, AND STRENGTHENING PUBLIC AND PRIVATE SECTOR INSTITUTIONAL INVOLVEMENT IN THE RESEARCH AND DIFFUSION OF TECHNICAL INPUTS AND AGRONOMIC PRACTICES; AND ADOPTION OF TECHNOLOGIES. THE PROPOSED PROJECT IS FULLY CONSISTENT WITH THE BUREAU STRATEGY.

C. MISSION CDSS -- JORDAN'S CDSS AND PREVIOUS MISSION PLANNING DOCUMENTS HAVE CONSISTENTLY HIGHLIGHTED THE IMPORTANCE TO JORDAN OF DEVELOPING ITS AGRICULTURAL POTENTIAL. DURING MUCH OF THE PAST DECADE OR MORE THE EMPHASIS IN THIS REGARD WAS ON THE JORDAN VALLEY, WHERE THE ECONOMIC RETURNS ON INVESTMENT WERE THEN GREATEST. AID HAS, IN THE PAST, MADE SOME INVESTMENTS IN HIGHLAND AGRICULTURE, THOUGH RECENT INVOLVEMENT HAS BEEN DE MINIMUS. LAST YEAR'S CDSS UPDATE SIGNALLED, (1) USAID'S VIEW THAT HIGHLAND AGRICULTURAL DEVELOPMENT WARRANTED INCREASED ATTENTION BASED ON ECONOMIC RETURN CRITERIA AND GOJ PRIORITIES; AND (2) OUR INTENTION TO DEVELOP A PROJECT IN THIS AREA. HOWEVER, AS AID/W NOTED, AT THE NEAC REVIEW, A FULL UPDATE AND RATIONALE WAS NOT GIVEN AT THAT TIME. THIS CABLE PRESENTS THAT DETAILED RATIONALE.

D. JORDAN'S FIVE YEAR DEVELOPMENT PLAN -- THE PLAN STRESSES THE NEED FOR BALANCED DEVELOPMENT GEOGRAPHICALLY AND SECTORALLY, AS WELL AS THE NEED TO SATISFY MINIMUM FOOD SECURITY OBJECTIVES. IT REPEATEDLY EMPHASIZES THE HIGHLANDS AND THE NEED TO INCREASE PRODUCTION THROUGH THE APPLICATION OF NEW TECHNOLOGIES. THESE PRIORITIES HAVE BEEN CONFIRMED ON NUMEROUS OCCASIONS LATELY BY THE CABINET AND LEGISLATURE.

3. INDUSTRY AND SERVICES SECTORS: REF A ASKS FOR A RATIONALE SUPPORTING AN INVESTMENT IN HIGHLAND AGRICULTURE OVER A SIMILAR LEVEL OF INVESTMENT IN OTHER SECTORS WHICH ACCOUNT FOR LARGER SHARES OF EMPLOYMENT AND GDP. ALTERNATIVE AREAS FOR ASSISTANCE ARE THE INDUSTRY SECTOR AND WHAT IS COMMONLY REFERRED TO AS THE SERVICES SECTOR.

A. INDUSTRY SECTOR -- THE INDUSTRY SECTOR, I.E. MANUFACTURING AND MINING, REPRESENTS ABOUT 17 PERCENT OF GDP AND IS GROWING. MOST OF JORDAN'S SMALL TO MEDIUM SCALE INDUSTRIAL ENTERPRISES ARE IN THE HANDS OF PRIVATE INVESTORS. THE IBRD HAS CARRIED OUT A STUDY ON THE INDUSTRY SECTOR OF JORDAN AND, IN 1982, AID SPONSORED A PRIVATE SECTOR TEAM TO REVIEW THE SECTOR AND RECOMMEND PROJECT IDEAS. THE TEAM CONCLUDED THE SECTOR IS HEALTHY AND CAPITAL IS NOT A MAJOR CONSTRAINT, THAT ANY AID SUPPORT WOULD BE AT THE MARGIN AND THAT A MAJOR SECTORAL EMPHASIS, AT THAT TIME, WAS NOT JUSTIFIED. THE AID TEAM DID, HOWEVER, MAKE SEVERAL RECOMMENDATIONS WHICH WE HAVE PURSUED, E.G., TECHNICAL AND TRAINING ASSISTANCE TO THE AMMAN FINANCIAL MARKET AND AN FY 84 PROJECT TO ESTABLISH AN ADVANCED MANAGEMENT INSTITUTE. AID, IN THE PAST, HAS BEEN INSTRUMENTAL IN INITIATING SUCH NEW INDUSTRIES AS ARAB POTASH. WE BELIEVE THE CONCLUSIONS OF THE AID PRIVATE SECTOR TEAM AS TO THE MARGINAL NEED/OPPORTUNITY FOR AID INVOLVEMENT REMAIN VALID. NEVERTHELESS, WE CONTINUE TO LOOK FOR INVESTMENT OPPORTUNITIES IN THE SECTOR CONSISTENT WITH AID POLICIES AND HAVE TENTATIVELY IDENTIFIED INDUSTRIAL RESEARCH AND DEVELOPMENT, TECHNOLOGY AND MARKET PROMOTION AS POTENTIAL INVESTMENT AREAS. MOREOVER, IF THESE AREAS CAN BE DEVELOPED INTO A PROJECT, IT WILL TAKE TIME AND THE AID FINANCING REQUIREMENT IS NOT

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EXPECTED TO BE LARGE.

B. SERVICES SECTOR (INCLUDING CONSTRUCTION) -- THIS SECTOR ACCOUNTS FOR 76 PERCENT OF GDP. THE RATIO HAS BEEN RELATIVELY CONSTANT FOR MANY YEARS. THE SECTOR IS COMPOSED OF A VAST NUMBER OF SUBSECTORS, E.G., GOVERNMENT INCLUDING THE MILITARY, HEALTH SERVICES, CONSTRUCTION, TOURISM, EDUCATION, WATER SUPPLY, COMMERCE, AND TRANSPORTATION SERVICES. AID IS ALREADY ASSISTING IN MANY OF THESE AREAS WITH PROJECTS IN WATER SUPPLY, HEALTH, EDUCATION AND ASSISTANCE TO THE JORDAN FINANCIAL COMMUNITY. IF WE LOOK AT THE PRIVATE SIDE OF THE SERVICES SECTOR, CONSTRUCTION HAS REPRESENTED THE LARGEST SEGMENT. WHILE IT IS SLOWING DOWN, FINANCIALLY IT IS STILL DOING WELL. AS FOR HOUSING FINANCE, WE SPONSORED A CONSULTANT THROUGH THE AID HOUSING OFFICE LATE LAST YEAR TO LOOK INTO PROJECT OPPORTUNITIES. HE IDENTIFIED A POSSIBLE HIG PROJECT AS WELL AS SOME CONSULTANT SERVICES IN THE SECONDARY MORTGAGE AREA. HIGH U.S. INTEREST RATES CAUSED THE GOJ TO ABANDON THE HIG OPPORTUNITY; HOWEVER, WE ARE STILL PURSUING THE SECONDARY MORTGAGE PROPOSAL. IN TOURISM, JORDAN HAS OVER-BUILT, AND IN FACT HAS IDLE CAPACITY. UNTIL REGIONAL POLITICAL PROBLEMS SUBSIDE, TOURISM IS EXPECTED TO REMAIN BELOW PREVIOUS PEAKS. OTHER MAJOR SEGMENTS OF THE PRIVATE SERVICES SECTOR ARE SMALL VENDORS, TAXI OPERATORS AND THE LIKE. IT WOULD BE VERY DIFFICULT TO STRUCTURE AN AID PROJECT TO INCREASE THEIR JOB OPPORTUNITIES OR IMPROVE THEIR PRODUCTIVITY. IN SHORT, AID IS ALREADY INVOLVED IN MANY AREAS OF THE SERVICES SECTOR, AND WE CONTINUE TO LOOK FOR ASSISTANCE OPPORTUNITIES ESPECIALLY IN THE PRIVATE SERVICES SECTOR.

4. AGRICULTURE SECTOR:

A. BACKGROUND -- JORDAN HAS A RAPIDLY INCREASING POPULATION AND LIMITED ARABLE LAND AND WATER RESOURCES. AGRICULTURAL PRODUCTION IN JORDAN (EAST BANK) IS MAINLY IN THE JORDAN VALLEY AND THE HIGHLANDS. THE HIGHLANDS REPRESENTS SOME 90 PERCENT OF JORDAN'S LAND CURRENTLY IN AGRICULTURE AND THE VALLEY 10 PERCENT. AGRICULTURE ACCOUNTS FOR ABOUT 7 PERCENT OF GDP AND IS DECLINING IN RELATIVE TERMS. AS A PERCENT OF GDP, THIS DECLINE CANNOT BE ARRESTED.

BUT IN ABSOLUTE TERMS PRODUCTION CAN BE SIGNIFICANTLY INCREASED. IN 1982, JORDAN PRODUCED APPROXIMATELY DOLS 235 MILLION OF AGRICULTURAL COMMODITIES AND EXPORTED ABOUT DOLS 195 MILLION (ABOUT 25 PERCENT OF TOTAL EXPORTS). TOTAL AGRICULTURAL IMPORTS WERE ABOUT DOLS 455 MILLION, MAKING THE TOTAL CONSUMPTION ABOUT DOLS 495 MILLION. IN ONE SENSE, JORDAN PRODUCED 47 PERCENT OF ITS FOOD REQUIREMENTS, IN ANOTHER, IT IMPORTED 92 PERCENT OF ITS REQUIREMENTS, GIVEN TRADE. THE ABOVE FIGURES SHOW SEVERAL THINGS: (1) JORDAN'S LARGE DEPENDENCE UPON FOOD IMPORTS; (2) THE IMPORTANCE OF AGRICULTURAL EXPORTS AS A FOREIGN EXCHANGE EARNER; AND (3) THE NEED TO INCREASE PRODUCTION WHEREVER IT IS ECONOMICALLY FEASIBLE EITHER TO SUBSTITUTE FOR IMPORTS OR TO INCREASE EXPORTS.

IN THE 1970'S EMPHASIS WAS PLACED ON THE JORDAN VALLEY AND PRODUCTION INCREASES WERE SIGNIFICANT, ESPECIALLY FOR FRUIT AND VEGETABLE EXPORTS. PRODUCTION IN THE VALLEY CANNOT BE INCREASED MUCH FURTHER WITH PRESENT WATER AVAILABILITIES. APPLIED RESEARCH AND EXPORT MARKETING EFFORTS MUST BE MADE MERELY TO MAINTAIN CURRENT PRODUCTION LEVELS OF THIS VERY INTENSIVE AGRICULTURAL AREA. AID HAS ON-GOING PROJECTS TO ASSIST IN THESE AREAS.

NEGLECT OF THE HIGHLANDS, WHICH PRODUCES MANY OF THE COMMODITIES CURRENTLY BEING IMPORTED, HAS RESULTED IN JORDAN'S NOT TAKING OPTIMAL ADVANTAGE OF THIS MAJOR ECONOMIC RESOURCE. LAND USE CAPABILITY DEMONSTRATIONS AND EXTENSIVE STUDIES OF CROPPING AND LIVESTOCK PRODUCTION ALTERNATIVES HAVE BEEN CARRIED OUT RECENTLY BY THE GOVERNMENT IN COOPERATION WITH THE AUSTRALIAN AID AGENCY. THEIR FINDINGS, WITH WHICH USAID AGREES, SHOW THAT ALLOWING HISTORIC TRENDS TO CONTINUE WILL RESULT IN AN ANNUAL DOLS 187 MILLION TRADE DEFICIT IN HIGHLAND TYPE AGRICULTURAL PRODUCTS BY 1990. WITH IMPROVED TECHNOLOGY, ALREADY DEMONSTRATED, AND ADJUSTED FOR AVERAGE YIELDS, AGROCLIMATIC ZONES AND INTERNATIONAL PRICES, THE DEFICIT CAN BE TRIMMED TO DOLS 89 MILLION PER YEAR. THESE GAINS CAN ONLY BE REALIZED BY BEGINNING MAJOR PRODUCTION PROGRAMS NOW. EXTENSION OF INFORMATION AND FARM INPUT SERVICES ARE CRITICALLY NEEDED. OVER TIME A WIDE ARRAY OF FIELD AND ORCHARD CROPS CAN BE

EXPLOITED. THE PROGRAM COULD BEGIN WITH FAIRLY SIMPLE TECHNOLOGIES IN WHEAT, LENTILS, CHICKPEAS, HAY AND SHEEP PRODUCTION.

B. WHY AGRICULTURE?

-- FOOD IMPORTS ARE A SIGNIFICANT CONTRIBUTOR TO JORDAN'S TRADE DEFICIT. A STAGNANT AGRICULTURE SECTOR WILL LEAD TO HIGHER TRADE DEFICITS AS A RISING POPULATION AND HIGHER PER CAPITA INCOMES LEAD TO INCREASED FOOD DEMAND. BALANCE OF PAYMENTS PROBLEMS ARE INCREASING AND THESE TRADE DEFICITS WILL FURTHER CONTRIBUTE TO BALANCE OF PAYMENT CONSTRAINTS AND REDUCED GDP GROWTH. THE QUESTION, THEREFORE, IS NOT WHICH SECTOR CAN GROW FASTEST, BUT WHETHER ALL SECTORS CAN GROW TO THE BENEFIT OF THE WHOLE ECONOMY. THE FIVE YEAR PLAN, WHICH HAS BEEN ANALYZED AND FOUND BASICALLY SOUND BY THE WORLD BANK AND AID, PROPOSES A STRATEGY OF BALANCED INVESTMENT AND BALANCED GROWTH. IN MOST COUNTRIES AN EQUILIBRIUM MUST BE SOUGHT AND IN JORDAN THIS MEANS DUE ATTENTION TO AGRICULTURE AND ECONOMIC INVESTMENTS IN THE HIGHLANDS.

-- JORDAN WILL NEVER BE SELF SUFFICIENT IN FOOD. IT DOES, HOWEVER, HAVE A LEGITIMATE OBJECTIVE TO MEET AT LEAST MINIMAL NATIONAL FOOD SECURITY NEEDS. THEORETICALLY, JORDAN MIGHT FIND MORE PROFITABLE AREAS THAN RAINFED AGRICULTURE IN WHICH TO INVEST FOR EXPORT, AND THEN SPEND THE PROCEEDS ON FOOD IMPORTS. HOWEVER, TO OUR KNOWLEDGE, NO SPECIFIC INVESTMENT OPPORTUNITIES OF THIS NATURE EXIST WHICH ARE NOT BEING APPROPRIATELY ADDRESSED. MOREOVER, EXPERIENCE HAS SHOWN THAT EXPORT MARKETS DO SUFFER UNEXPECTED INTERRUPTIONS, AS HAS BEEN THE CASE WITH SYRIAN TRADE, OR PRACTICALLY DISAPPEAR, AS HAS BEEN THE CASE WITH IRAQI TRADE. FOOD CONSUMPTION, MEANWHILE, RISES AND WITH IT JORDAN'S VULNERABILITY TO THE VAGARIES OF REGIONAL MARKETS.

-- THERE IS MUCH DATA TO INDICATE THAT NEGLECT OF THE HIGHLANDS HAS LED TO INCOME INEQUALITIES. INCREASED PRODUCTION IN THE HIGHLANDS WILL DIRECTLY IMPACT ON THIS SITUATION WHICH HAS CAUSED MEASURABLE DISSATISFACTION AMONG THE TRADITIONAL, POORER HIGHLAND FARMERS. IF NOTHING IS DONE TO INCREASE

PRODUCTION AND INCOME, THE GOVERNMENT MAY HAVE TO RESORT TO WELFARE TRANSFER PAYMENTS WITH NO ECONOMIC RETURN. IN THE COURSE OF PROJECT DESIGN, DETAILED STUDIES WILL BE PERFORMED ON THESE FARMER BENEFICIARIES, AS WELL AS ON THE BENEFITS TO NEIGHBORING MARKET TOWNS AND SUPPORT AND SERVICE INDUSTRIES (CUSTOM OPERATORS, MILLERS, ETC.).

C. STRATEGY CONCLUSION: THE INDUSTRY AND SERVICES SECTORS WILL UNDOUBTEDLY PLAY A CENTRAL ROLE IN JORDAN'S GROWTH AND DEVELOPMENT. NEVERTHELESS, AN INVESTMENT IN THE AGRICULTURE SECTOR, SPECIFICALLY INCLUDING THE HIGHLANDS, OFFERS THE POTENTIAL TO IMPACT SIGNIFICANTLY ON THREE MAJOR DEVELOPMENT OBJECTIVES OF JORDAN'S BALANCED GROWTH STRATEGY: REDUCTION OF THE TRADE DEFICIT; IMPROVED FOOD SECURITY POSITION; AND CORRECTION OF INCOME DISPARITIES BETWEEN THE HIGHLANDERS AND THE URBAN AND VALLEY POPULATIONS. AGRICULTURE, WHILE DECLINING AS A PERCENT OF GDP, (AS IT IS IN MANY MIDDLE INCOME COUNTRIES), REMAINS AN IMPORTANT SECTOR OF THE JORDANIAN ECONOMY. WITHOUT NEW INVESTMENT IT WILL DECLINE EVEN FASTER. EVEN GIVEN THIS RATIONALE, HOWEVER, AN AID INVESTMENT WILL NOT BE PURSUED IF IT APPEARS THAT THE INVESTMENT WILL NOT HAVE A POSITIVE ECONOMIC RETURN AND IF THE POLICY ENVIRONMENT IS NOT RIGHT TO ENCOURAGE LONG TERM SUSTAINABLE AND ECONOMIC PRODUCTION INCREASES IN THE HIGHLANDS.

5. ECONOMIC VIABILITY OF FARM ENTERPRISE -- THIS IS A CRITICAL QUESTION IF THE PROJECT IS TO BE FURTHER DEVELOPED. KEY ENTERPRISES ARE CURRENTLY BEING ANALYZED. PRELIMINARY FINDINGS ARE THAT MOST ENTERPRISES HAVE ATTRACTIVE ECONOMIC RETURNS AND, UNDER SEVERAL SCENARIOS, SIGNIFICANTLY SO. AS EXPECTED, RETURNS VARY CONSIDERABLY AMONG AGROCLIMATIC ZONES AND INDIVIDUAL ENTERPRISES. FOR EXAMPLE, IMPROVED WHEAT PRODUCTION PRACTICES IN THE 300-500 MM, LAND CLASS III ZONE WOULD MORE THAN DOUBLE NET INCOME IN EITHER FINANCIAL OR ECONOMIC TERMS. YET IN THE LESS THAN 300 MM ZONE, WHEAT RETURNS ARE MEAGER. CHICKPEAS AND LENTILS SHOW EVEN BETTER RETURNS IN ECONOMIC PRICES. SHEEP ARE A PROFITABLE COMPLEMENTARY ENTERPRISE. FROM MODEST ADOPTION OF NEW FARM TECHNOLOGY, THE PRELIMINARY

ECONOMIC IRR TO THE PROJECT WOULD BE ABOUT 16-30 PERCENT DEPENDING UPON HOW COSTS AND RETURNS TO THE RESEARCH ARE CALCULATED.

IT IS IMPORTANT TO STRESS THAT ECONOMIC RETURNS TO FARM ENTERPRISES SPREAD THROUGH THE RURAL AND NATIONAL ECONOMY RESULTING, ON THE MARGIN, IN LOWERING INCOME DISPARITIES, IMPROVING FOOD SECURITY, REDUCING THE TRADE DEFICIT AND GENERALLY PROMOTING ECONOMIC GROWTH.

6. POLICY DIALOGUE: THE PID AS ORIGINALLY SUBMITTED ENVISIONED A POLICY DIALOGUE EFFORT, ALTHOUGH THIS WAS NOT EMPHASIZED NOR WERE POSSIBLE POLICY ISSUES IDENTIFIED. ASSUMING THE SECTOR AND PROJECT RATIONALE ARE ACCEPTABLE TO THE BUREAU, THIS IMPORTANT ASPECT OF THE PROJECT WILL BE DEVELOPED IN GREATER DETAIL DURING PROJECT DESIGN. CURRENTLY, WE SEE FOUR POTENTIAL SUBJECTS FOR POLICY CHANGE/INSTITUTIONAL REFORM. THESE SUBJECTS, DISCUSSED FURTHER BELOW, ARE: WHEAT AND BREAD/FLOUR SUBSIDIES; AGRICULTURAL CREDIT INTEREST RATES; THE ROLE OF PRIVATE SECTOR AGRI-BUSINESSES; AND AGRICULTURAL RESEARCH COORDINATION. PRELIMINARY INDICATIONS ARE THAT APPROPRIATE POLICY REFORMS IN ALL OF THESE AREAS WOULD CONTRIBUTE TO A MORE HEALTHY AGRICULTURE SECTOR IN JORDAN. HOWEVER, IT MAY BE OVERLY AMBITIOUS TO ASSUME REFORM COULD BE SIMULTANEOUSLY ACHIEVED IN EACH OF THESE AREAS IN THE CONTEXT OF THE PROPOSED PROJECT. AS WE PROCEED WITH THE PROJECT CONCEPT, WE WILL LIKELY NEED TO SELECT FOR SPECIAL ATTENTION THE ONE OR TWO POLICY AREAS WHICH ANALYSES INDICATE WOULD HAVE GREATEST IMPACT ON PROJECT SUCCESS AND/OR ARE MOST LIKELY TO BE ACCEPTED AND IMPLEMENTED BY THE GOJ.

A. WHEAT IS THE ONLY HIGHLAND CROP IN WHICH JORDAN INTERVENES SIGNIFICANTLY IN THE MARKET. THIS INVOLVES PRODUCTION PRICE SUPPORT OF LOCALLY PRODUCED WHEAT AND CONSUMPTION SUBSIDIES ON FLOUR MADE FROM LOCAL AND IMPORTED WHEAT. SEVENTY TO 80 PERCENT OF ALL WHEAT AND WHEAT PRODUCTS ARE IMPORTED. THE IMPORTED WHEAT (HARD RED WINTER WHEAT) IS LESS DESIRED IN JORDAN THAN THE LOCALLY GROWN DURUM WHEAT. MOST LOCALLY PRODUCED WHEAT IS EITHER KEPT BY THE FARMER OR SOLD ON THE OPEN MARKET. THE GOJ ONLY PURCHASES SOME 10 TO 30 PERCENT

OF THE LOCAL DURUM CROP, AND THIS AT HARVEST TIME. THE LOCAL DURUM FLOUR PRICE RESULTS IN PURCHASES AT ABOUT 16 PERCENT ABOVE WORLD MARKET PRICES (CIF AMMAN). FLOUR (AND BREAD) MADE FROM THE IMPORTED WHEAT RECEIVES A 42 PERCENT SUBSIDY. SUBSIDIES ON LOCAL AND IMPORTED WHEAT AND WHEAT PRODUCTS COST THE GOJ SOME DOLS 32.0 MILLION IN 1982. OF THIS, ABOUT DOLS 3.5 MILLION WAS FOR LOCAL WHEAT AND FLOUR SUBSIDIES - WITH ABOUT DOLS. 1.2 MILLION GOING FOR FARM SUPPORT AND DOLS 2.3 MILLION FOR CONSUMER SUBSIDIES. THE BALANCE IS THE CONSUMPTION SUBSIDY ON IMPORTED WHEAT.

THE LONG-TERM NOMINAL REPEAT NOMINAL PRICE FOR DURUM IS GRADUALLY RISING. IF THE GOJ JUST HELD THE LINE ON ITS PRODUCTION SUPPORT PROGRAM THE SUBSIDY WOULD IN TIME DISAPPEAR. TO INTRODUCE A FARM PRICE REDUCTION IN THE FACE OF ATTEMPTS TO INTRODUCE NEW TECHNOLOGY AND IMPROVE PRODUCTIVITY IS NOT LIKELY TO BE PRACTICAL. IDEALLY, IF IMPORTED WHEAT WERE SOLD AT ITS REAL VALUE, MARKET FORCES WOULD RAISE THE LOCAL DURUM PRICE ABOVE THE GOJ FLOOR PRICE. MOVES MAY BE MADE IN THIS DIRECTION BUT THEY ARE NOT LIKELY TO BE RAPID. INDEED, THE NEW GOJ CABINET HAS JUST PUBLICALLY REAFFIRMED THE FLOUR SUBSIDY WILL REMAIN UNALTERED.

WE ARE INVESTIGATING THE SITUATION IN GREATER DETAIL WITH A VIEW TO ADDRESSING IT AS PART OF OUR INVOLVEMENT IN THE AGRICULTURE SECTOR AND THE HIGHLAND PROJECT OR ELEVATING IT AS A POLICY DIALOGUE MATTER. IT SHOULD BE RECOGNIZED, HOWEVER, THAT THE KEY INSTITUTIONAL ACTORS ON THIS QUESTION ARE OTHER THAN THOSE INVOLVED/BENEFITTING FROM THE PROJECT.

B. AGRICULTURAL CREDIT INTEREST RATES FROM GOVERNMENT SUPPORTED CREDIT PROGRAMS ARE 2 PERCENT TO 4 PERCENT BELOW PRIVATE COMMERCIAL RATES. THE FINANCIAL VIABILITY OF FARM ENTERPRISES DOES NOT APPEAR TO BE HIGHLY SENSITIVE TO HIGHER COMMERCIAL RATES. WE ARE FURTHER LOOKING INTO THE EFFECTS OF THESE DIFFERENTIAL RATE POLICIES ON FARM ENTERPRISES OF VARIOUS TYPES AND THEIR EFFECTS ON THE AGRICULTURAL FINANCIAL SYSTEM AND ECONOMY IN GENERAL WITH A VIEW TOWARD RATES BEING MOVED, OVER TIME, CLOSER TO INTEREST RATES PREVALENT IN THE REST OF THE COUNTRY.

C. PRIVATE SECTOR AGRIBUSINESS EXPANSION IN THE HIGHLANDS REPRESENTS A MEANS OF SIGNIFICANTLY INCREASING PRODUCTIVITY THROUGH MECHANIZATION, IMPROVED INPUT FLOWS AND PROCESSING. WHILE THE AGRICULTURE CREDIT AGENCIES ARE NOT CURRENTLY SERVING COMMERCIAL FARM SUPPORT GROUPS (E.G., INPUT SUPPLIERS, CUSTOM FARMERS AND FOOD PROCESSORS), WE BELIEVE THE OPERATIONAL AND POLICY CHANGES NEEDED TO SERVE THIS CLIENTELE GROUP CAN BE ARRANGED THROUGH DIALOGUE AND PROJECT SUPPORT.

D. AGRICULTURAL RESEARCH IN JORDAN IS PERFORMED BY A NUMBER OF INSTITUTIONS INCLUDING THE MINISTRY OF AGRICULTURE, JORDAN VALLEY AUTHORITY, UNIVERSITY OF JORDAN AND YARMOUK UNIVERSITY. IT IS NOT WELL COORDINATED, THERE ARE NOT CLEAR NATIONAL PRIORITIES, AND THERE IS AT TIMES DUPLICATION AND WASTE OF RESOURCES. THE CURRENT (1981-1985) FIVE YEAR PLAN PROPOSES A NATIONAL CENTER FOR AGRICULTURAL RESEARCH TO REMEDY THIS SITUATION. THE CENTER HAS BEEN THE SUBJECT OF MUCH GOJ DISCUSSION, BUT LITTLE ACTION. WE PLAN TO EXPLORE A MORE ACTIVE ROLE IN ENCOURAGING THE ESTABLISHMENT OF THIS CENTER WITHIN THE FRAMEWORK OF THE HIGHLANDS PROJECT.

7. IN CONCLUSION, WE MAINTAIN THAT AGRICULTURE AND THE HIGHLAND AGRICULTURE DEVELOPMENT PROJECT ARE CONSISTENT WITH AID AND GOJ POLICIES, STRATEGIES AND PRIORITIES. RATIONALE FOR A MAJOR AID INVESTMENT IN HIGHLAND AGRICULTURE IS SOLID AND IF FOUND ECONOMIC AND TECHNICALLY FEASIBLE SUCH AN INVESTMENT SHOULD BE MADE.

8. MISSION DIRECTOR BOLLINGER LOOKS FORWARD TO A FULL DISCUSSION OF THE HIGHLAND PROJECT DURING HIS CDSS TDY. IN THE MEANTIME, IN ORDER TO MAINTAIN MOMENTUM WE ARE CONTINUING TO WORK WITH GOJ HIGHLAND AGRICULTURE COMMITTEE ON REVISED PID.

9. ACTION REQUESTED: EARLY REVIEW OF THIS CABLE AND APPROVAL TO PROCEED AND OR ADVICE IF FURTHER STRATEGY RATIONALE IS DEEMED NECESSARY.
DJEREJIAN##