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**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



JAMAICA

**COUNTRY DEVELOPMENT
STRATEGY STATEMENT**

FY 82

January 1980

**UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523**

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PART I OVERVIEW

Jamaica has been considered a relatively well endowed LDC with valuable natural resources, adequate physical infrastructure, a relatively high literacy rate, fairly well developed institutions, and a strong democratic tradition. It has an agreeable climate for agriculture, a talented population, proximity to a large market with which it shares a common language and tradition, and a superb tourist potential. Its development potential has been illustrated by the rapid economic growth during the 1960's and early 1970's .

However, in recent years, the decline of Jamaica's economy has been so rapid and steady -- about 25% decline in per capita GDP over a six-year period -- that some of the earlier generalizations regarding the relative wealth of the economy and country are no longer valid. During this six-year period of negative growth (the longest consecutive negative growth record in the world) there has been a continuing pattern of bankruptcies and disinvestment, massive migration of managerial and skilled personnel, declining government services, unemployment approaching 30% and continuing to rise, increasing shortages of raw materials and food, and generally increasing frustration and violence among the population.

The causes of this discouraging record are both external and internal. The present government emphasizes the external: high energy prices, deteriorating terms of trade for Jamaica's raw material exports, recession in the developed countries affecting tourism and investment. In addition, the government blames Jamaica's ills on "imperialism" and the perverse international economic order it supports, as well as the

"economic sabotage" of local business as they continue to disinvest.

The government's critics, while acknowledging the disastrous effects of oil price increases, place principal blame on the Government's economic mismanagement and on radical rhetoric which has scared off both local and foreign investors. While they praise the government's resort to an IMF agreement and stabilization program (part of the tests for which was failed in December), they criticize the lack of any growth strategy or program on the part of the government to accompany the IMF stabilization effort, which in some sense makes all of the austerity a waste.

Whatever the share of the blame, the suffering of the poor increases. Malnutrition among children (not common 5 years ago) is increasing and the percentage of the unemployed is steadily rising. Meat has largely disappeared from the diets of many in the large ghettos of Kingston and supplies of bread and rice are increasingly short and erratic. Emigrating doctors (in part replaced by 50 Cuban doctors), teachers, and managers mean slower implementation of projects. Declining government revenues mean that there is little or no new public investment in some sectors. All revenues must go just to maintain existing essential services -- e.g. keeping the hospitals open and stocked with a minimum supply of medicines rather than looking for new preventive health programs.

In this situation all major donors have recognized that they do not have the resources to solve Jamaica's basic economic problems. Furthermore, they are reversing their earlier interest in social programs -- health, education, etc. -- and are concentrating on helping this economy increase its productivity, without which the decline in social services will continue.

AID certainly does not have the resources to solve the problems of Jamaica's poor majority. While the PL 480 and HIG programs can provide critical support, AID's objectives are essentially:

- to help reduce the rate of population increase and therefore the growth of unemployment.
- to help increase food production among small farmers and the quality of life of rural families.
- to help lay the basis for increased use of alternative sources of energy.
- to help preserve in the face of declining government revenues health and educational facilities to the poor through improved management training and practices.
- to encourage the efforts of voluntary agencies and small business, particularly in the urban areas, to help meet the urgent problems of the masses of unemployed.

If conditions change so that Jamaica's private sector regains confidence and overall economic conditions improve, AID should consider a substantial additional assistance package to accelerate recovery and employment.

We propose for now a program level that increases to approximately \$21.5 million in FY 1983 and then gradually phases down to about \$10 million in FY 1986. We have considered and rejected the elimination of the AID program, the reduction and narrowing of the program, as well as any dramatic expansion in the program for now. AID can make an important contribution to alleviating several problems in agriculture, family planning, energy, etc. Furthermore, it can use the bilateral program to strengthen Jamaican institutions to play a more important

regional role as well as to provide support for Jamaican linkages to regional efforts initiated from outside the country. As the largest of the English speaking Caribbean countries, Jamaica inevitably will play a significant role in regional development and stability - either for good or ill.

By continuing our program related to increasing the productivity of the poor, we are encouraging their continued participation in the development process. We are thus associating the United States with helping maintain Jamaica's richest legacy, its tradition of democratic institutions.

PART II ANALYSIS

A. Macro Economic Trends

Jamaica's economic situation has seriously deteriorated in recent years. GDP and per capita income have declined every year since 1972. There has been a persistent deficit in the balance of payments. The debt burden has multiplied. The budget deficit has also increased substantially.

A GOJ-IMF program started in 1977 has achieved some success in reducing the budget deficit, holding back imports, and curbing expansion of the money supply. But it has failed to date to restore private sector confidence or to establish the basis for economic growth. Jamaica's economic prospects, at the beginning of 1980, appear bleaker than ever.

GDP and Per Capita Income

The country's real GDP has fallen by 14% during 1972-78, while per capita GDP has declined by about 22% (Table 2). Preliminary GOJ projections for 1979 indicate that the real GDP may have declined by another 1 to 3 percent. The decline in economic activity in recent years has been accompanied by a sharp drop in real investment spending (gross fixed capital formation), while exports of goods and services have stagnated. Significant declines occurred in mining, construction, trade, manufacturing, and miscellaneous services. Agriculture, utility and transport held their own.

Data on the output of major commodities show a significant decline since 1974 in the production of bauxite and alumina, which is attributed to world recession, the high cost of energy in Jamaica, inefficient plant design, and perhaps most importantly, to the imposition of the

bauxite levy which reduced the competitiveness of Jamaica's bauxite. Sugar production declined as a result of sugar smut disease and severe drought which began in 1975 and continued until 1977. Other problems in sugar production included strikes and rising labor costs while prices plummeted in 1976. Banana production has been adversely affected by drought in 1975 and 1976, the shortage of labor in this relatively low wage industry, poor transportation facilities and handling, and the problem of praedial larceny. Both sugar and banana production have also suffered from poor management.

The investment decline resulted from several factors: the fact that the bauxite-alumina and tourism boom which occurred in the 1960s and early 70s could not be indefinitely sustained; the high bauxite levy imposed on the industry in 1974; outbreaks of violence and crime, particularly in the Kingston area in 1976; difficulty in obtaining foreign exchange for essential raw materials and parts; the government's socialist rhetoric and moves to acquire a controlling interest in certain key industries which generated uncertainty and undermined the confidence of the private sector.

The government has attempted to reassure the private sector by guaranteeing the right to repatriate foreign-owned capital and profits, promulgating an investment code and announcing its commitment to a mixed economy. These efforts have not succeeded in reversing the downward trend as of the beginning of 1980.

Balance of Payments

The country's balance of payments situation and resulting acute shortage of foreign exchange have been and are major elements in Jamaica's economic crisis. Jamaica's balance of payments has been

in deficit every year since 1972, with the exception of 1974. The overall balance of payments deficit rose from US\$74 million in 1975 to over US\$250 million in 1976, declined to US\$85 million in 1977, then rose back to US\$243 million in 1978 (see Table 3). Much of the improvement in 1977 was obtained through a tight squeeze on imports by means of import licensing and foreign exchange controls. Imports declined by 19% in 1976 and by another 17% in 1977 in current U.S. dollars. The decline in real dollars is much larger. This took a substantial toll in output, consumption, investment and employment.

Imports recovered in 1978 and 1979, but even in the latter year were still some 13% below the 1975 level (see Table 3). The current account deficit for 1979 is projected at about US\$200 million, substantially above the level of both 1977 and 1978 (Table 3).

No reliable projection of capital flows for 1979 is yet available. However, the 1979 overall balance of payments deficit is expected to be in the \$200 to \$250 million range, which would make the 1979 deficit as serious as that of 1976 and 1978. The shortage of foreign exchange during 1979 continued to be acute in spite of a very substantial IMF credit (discussed below) and other donor assistance.

Many factors have contributed to the country's difficult balance of payments situation. These include the quintupling in the price of oil since 1973; the undiversified nature of the export economy which relies very heavily on the export of bauxite and alumina (these two items still account for about 70% of total commodity exports); stagnation of the country's exports; failure of the prices of some of its exports (sugar and bananas) to keep pace with the prices of Jamaica's imports; the unsustainable level of consumption in Jamaica;

and perhaps most important of all, the fact that, since 1975, the traditional net private capital inflow has transformed itself into a substantial net capital outflow owing to capital flight and large-scale amortization payments on short and medium term commercial bank debt.

Government Revenues and Expenditures

Partly due to a relatively inelastic revenue system, but mostly as a result of rapid increases in both recurrent and capital expenditures, the government's budgetary deficit increased substantially between 1972 and 1978. On current operations, the government's J\$43 million surplus in 1972 became a J\$211 million deficit in 1978 (see Table 4). The overall deficit in the budget (recurrent plus capital expenditures) increased from J\$42 million in 1972 to J\$522 in 1978. This deficit was financed largely by foreign and domestic banks which contributed to the rise in the debt service burden and to the growth in money supply.

Between 1972 and 1978, total recurrent expenditures increased from J\$203 million to J\$843 million (Table 4), or by 315%. During the same interval capital expenditures increased from J\$100 million to J\$399 million or by 300%. The increase in capital expenditures over this period is mainly accounted for by amortization of the public debt, increased outlays for education and social welfare, housing, public works and communications, and agriculture. Thus, the increase in the public investment program is distributed over a number of sectors.

Significant progress in reducing the fiscal deficit was made in FY 1979, particularly as a result of the enactment of a substantial tax package. Tax revenue collections increased by 55% over the previous

year. Total recurrent expenditures increased by 37%, somewhat below the rate of inflation (49% in CY 1978). The deficit in the recurrent budget declined from J\$211 million in FY 1978 to J\$112 million in FY 79. While this accomplishment fell short of the agreed GOJ/IMF target of eliminating the recurrent budget deficit altogether, the 41% reduction in the budgetary deficit that was achieved constitutes significant progress.

Inflation

Prices rose substantially in 1978. During 1977, the Jamaica Consumer Price Index had increased by 14%. Between December 1978 and December 1979, the Jamaica Consumer Price Index increased by 49%. Major causes of the inflation included the substantial devaluations that were undertaken (as part of the GOJ-IMF Agreement) to bring the Jamaican price level in line with that of its major trading partners; and the 48% increase in money supply that took place in 1977 largely as a result of bank credit channeled to the public sector to finance the budget deficit.

A significant reduction in the rate of inflation occurred in 1979. The annual rate of increase over January-July 1979 was down to 18%. This substantial deceleration reflects the stabilization of the exchange rate after May 1978, the reduction in the budget deficit, the behaviour of the money supply (which remained constant between mid 1978 and mid 1979), and the ability of the government to contain increases in wage rates although, as a result, labor suffered a significant decline in real wages between 1977 and 1979.

Population and Migration

With a population density of over 500 per square mile, Jamaica is one of the most densely populated countries in the Western Hemisphere. Moreover, its natural rate of population growth is high: 2.7% annually

during the decade of the 1960s; 2.4% during the 1970s.

However, this intense population pressure has been substantially relieved through emigration. Between 1960 and 1970, the annual net outward movement reached 28,000, a figure that greatly exceeded losses due to mortality, and was equivalent to 53% of the total natural increase in population recorded during the decade. This outward emigration reduced the average annual growth rate to 1.3%. The average annual rate of population increase in the seventies is estimated at about 1.6%.

Until the early 1970s, this migration probably had a positive effect on the island's development. It consisted mostly of people at the lower end of the educational-income spectrum. In recent years, however, the composition of the migrants has changed significantly and increasingly includes people in the skilled, professional and managerial categories.

Government's Efforts to Cope: Resort to IMF Standby and EFF

To confront its balance of payments and other problems, the GOJ has embarked on a program involving exchange, trade and incomes measures, and has negotiated substantial foreign economic assistance.

In January 1977, the government intensified its exchange and trade restrictions. The Jamaican dollar was substantially devalued and a dual exchange rate system was initiated in April of 1977. Subsequent devaluations occurred in October 1977, and in January and May 1978. In May, the two rates were unified at US\$1.00 equals J\$1.55. Further devaluations at the rate of 1 to 1.5 percent a month were announced, which eventually raised the value of the U.S. dollar in relation to the Jamaican dollar to US\$1 = J\$1.78. Prior to the first devaluation in April 1977, the U.S. dollar was worth J\$.909. Thus, between April 1977

and May 1979, the Jamaican dollar was devalued by 49%.

In mid 1977, the Government of Jamaica negotiated a standby agreement with the International Monetary Fund involving a credit of SDR 64 million (about US\$75 million). The agreement was suspended in January 1978 because of the GOJ's failure to meet some of the agreed-upon targets.

A new agreement between the Government of Jamaica and the IMF was negotiated in May 1978 which provided for an IMF credit facility of SDR 200 million over a three-year period (equivalent to about US\$240 million or \$80 million a year). Another \$250 to \$300 million in bank loans, credit lines and loans from international agencies became available as a result of the conclusion of the Extended Fund Facility (EFF) arrangement.

The GOJ-IMF program was re-evaluated in May of 1979. At that time, the second year program of the EFF arrangement was formulated, and the IMF, satisfied with GOJ performance in the first year of the EFF arrangement, agreed to double its contribution during the second and third years of the EFF arrangement (June 1979 through June 1981). This increase raised the total IMF credit to US\$170 million annually, and brought total IMF assistance to Jamaica to an unprecedented 400% of quota.

The major objectives of the GOJ-IMF program include gradual movement toward balance of payments equilibrium, immediate balancing of the recurrent budget, holding imports back and curbing private consumption, increasing and diversifying exports and reviving the economy. Growth is one of the program's major objectives.

To balance the central government's operating budget, the program

called for substantial additional taxes in the first year of the EFF agreement. These raised total revenue collections by J\$180 million, or 37% of actual FY 1978 tax collections. At the same time, the government had to hold the line on recurrent expenditures. The program also called for the unification of the exchange rate and for a significant devaluation of the Jamaican dollar, as noted above. It established strict controls on credit expansion, particularly to the public sector; and limited wage increases to a maximum of 15% during the first year and 10% in the second, while the price level was projected to increase by a substantially larger percentage. The idea was to reduce real wages and expand the profit margin of enterprises by holding costs down while prices would be permitted to rise to reflect the devaluation. This was expected to stimulate savings and investment.

The program has been reasonably successful in reducing the budgetary deficit (see Table 4), cutting real consumption in both the private and public sectors, holding back imports and curbing the expansion of bank credit and money supply.

On the other hand, the program has not succeeded in restoring private sector confidence and in checking the outflow of private capital, managers, entrepreneurs and technicians, or in establishing the basis for resumed economic growth. This failure is partly due to continuing government rhetoric which perpetuated uncertainty with respect to government intentions both here and abroad; and to the fact that a program frankly designed to reduce real incomes and real consumption is unlikely to produce growth in the short term. Not only was aggregate effective demand being curtailed, but production costs have been raised by the 49% devaluation and the new tax package which consisted almost entirely

of new consumption taxes.

The exchange rate has been stable since mid-1979 and no new taxes were established as part of the second year of the EFF arrangement. This, coupled with the substantial expansion in IMF credit, improved opportunities for growth. Still, major obstacles remain. These include the persistent acute shortage of foreign exchange owing to further increases in the price of oil, the recent floods, the accumulating arrears and the very high debt servicing charges, and the continuing lack of confidence on the part of the business community. At the end of 1979, Jamaica again failed to meet agreed targets, the IMF agreement has been suspended, and the government is putting together a program of new measures to provide a basis for requesting renewal of the agreement.

B. The Poor

Up-to-date data do not exist on the precise extent and geographical distribution of poverty in Jamaica. The data we do have plus our own personal observations suggest poverty is widespread, with the largest concentration of the poorest located in the Kingston metropolitan area (of the 2.1 million population of the island roughly 1/3 live in Kingston and of these an estimated 50% are unemployed with the center city having rates of 60-80% unemployed). Especially significant is the fact that the deteriorating economic situation is impacting particularly severely on the poor. Their numbers are increasing and their conditions are worsening every day.

Extent of Poverty

Some basis for determining the extent of poverty in Jamaica can be obtained as follows:

- In terms of a minimum household income adequate to provide the bare incentives.

- In terms of available income distribution data, with those earning significantly less than their proportional share of total household income being classified as poor.

- In terms of some physical indicator that generally bears a high degree of correlation with poverty.

- In terms of those who are unemployed or earn less than the minimum wage.

The minimum household budget to support a family of four living in urban areas in 1978 was estimated by the National Planning Agency to be J\$3,519 per annum or J\$68 (US\$38,20) per week. Available income data for the employed labor force in urban areas indicates approximately 45% of the households fall below this level. Adding the unemployment rate of 26% (more in the urban areas) then over 70% of urban households fall below the poverty line. For rural areas, the poverty line is more difficult to determine because non-cash income can represent a significant proportion of income. Nevertheless, the best estimates are that at least 50% of rural households fall below a minimum income level.

There are no reliable up-to-date data on income distribution in Jamaica. Data from a study for the Central Planning Unit in 1966, based on 1963-64 statistics, are presented in Table 5. The study disclosed extremely uneven distribution of income with the lowest 20% of the population commanding only 2.5% of total household incomes while, at the top of the scale, the richest 5% commanded 27% of total household incomes. According to estimates in the GOJ Development

Plan for 1978-82, there has been no improvement in the distribution in recent years. The lowest 40% of total households, commanding only 10% of the total household income, can definitely be classified as poor. We may also be justified to include the next 20% since, according to the distribution in Table 5, this group earns only 12.5% of total household incomes, which is significantly less than its proportional share. Thus, on the basis of the income distribution data presented in Table 5, 60% of the Jamaican population might be classified as poor.

Piped water and water closets are good indices of social economic conditions. They correlate highly with living standards, especially in the urban areas. A 1979 National Planning Agency study indicated that in the Kingston Metropolitan Area only some 50% of the dwellings had piped water. Similarly, 74% of all dwellings in the Kingston Metropolitan area had toilet facilities shared by more than one family. For the rural areas, a Ministry of Agriculture study in 1979 showed that only 8.5% of households had water closets.

In October 1978, unemployment was 247,000 or 26% of the total labor force. Another 144,300 (15%) earned less than the minimum weekly wage of J\$20, only US\$16 at the average exchange rate in force during the year. Their wage today, in U.S. dollar terms would be even lower. Thus, some 40% of the total labor force was either unemployed or earned less than the minimum weekly wage of US\$16. Since US\$16 a week is certainly well below minimal standards in the areas of nutrition, health and shelter and since unemployment has clearly increased since 1978, the proportion of the population, that would be classified as poor today would be substantially above 40%.

Unemployment is an especially difficult problem for the youth. National Planning Agency data show that approximately 45% of all unemployed are under 29 years of age. As of 1980 there are more than 170,000 young Jamaicans without jobs. The problem is magnified because each year another 45,000 Jamaican young people leave school and are put on the market. Currently, and over the planning period, we see no likelihood of any major turnaround that could absorb all of these or most of these young people. National Planning Agency statistics also show that Jamaican women have far lower success on the labor market than men and Jamaican women are twice as likely to be unemployed. Current NPA data show that two-thirds of all women under 29 are jobless compared with one-third of males for that age group and among the 14 and 19 age group women represent 80% of the unemployed. The explosive potential of the situation is magnified over the planning period because the youth population between the ages of 14-29 will increase 60% by the end of the 80s.

None of the above criteria provides a wholly satisfactory measure of the proportion of the Jamaican population that can be classified as poor. However, altogether, they strongly suggest that even with Jamaica's per capita income of about US\$1,000, the distribution of income is so uneven that a very substantial proportion of the population can be classified as poor. The proportion may be as high as 60% and is increasing. Impact on youth and women is especially severe.

Characteristics of the Poor

Statistics released by the National Planning Agency in its Five-Year Development Plan for 1978-82 confirm the conclusion that poverty is widespread in Jamaica. They also provide an interesting profile of the

poor--a profile that has clearly worsened in the two years since the Plan was presented.

In the area of nutrition, the overall country per capita average indicates satisfactory levels of protein and energy availabilities (as of 1973). However, the per capita energy intake of the poorest 70% of the population was estimated to meet only 74% of the recommended dietary allowance; as for protein intake, the poorest 70% received only 86% of the requirement. Malnutrition is even more serious in children: 14% of children under 4 years of age fail to meet minimum daily nutrition requirements; 25% of children under 3 are underweight for their age.

The infant mortality rate in 1978 was 16.2. For the poorer 50% of the Jamaican population, our estimate is 27%. The average number of people per physician in 1977 was 5,773, compared with a recommended ratio by the PAHO of 910; there were in that year 22,654 people per dentist compared with a PAHO recommended ratio of 2,857; the proportion of assistant nurses to population was only 1 to 1,798 as against a recommended ratio of 1 to 385.

Other statistics describing the poor indicate that 40% of the adult population are functionally illiterate; 45% of urban households and 26% of rural households were accommodated in one-room dwellings. A "Rank Profile of Socio-Economic Indicators" for the Kingston Metropolitan Area developed from data from the 1970 Commonwealth Caribbean Population Census confirms the expected high correlation between districts of low socio-economic status and over-crowding of housing facilities, absence of toilet and sewerage facilities, access to water supply, high unemployment rates, low occupational training, poor education, high fertility rates and

high proportion living in rented dwellings.

Causes of Poverty

In the government's view, as stated in the Five Year Plan, poverty in Jamaica is mostly a legacy of the past. In colonial times, Jamaica was basically a plantation economy revolving around the production and export of sugar, rum and bananas. The land was highly concentrated in the hands of a few. (Land distribution is still largely inequitable - see Table 6).

Demands for land reform were resisted by plantation owners and the colonial government. Moreover, no efforts were made to promote industrial development. According to the Plan, "absence of comprehensive land reform and of government support for integrated agricultural and industrial development led to a growing structural labor surplus, manifested by growing underemployment and unemployment". There ensued substantial emigration of labor to work on the construction of the Panama Canal, on the banana plantations of Central America, and the sugar plantations of Cuba.

In the post World War II period, the GOJ attempted to stimulate industrialization through industrial incentive laws and establishment of the Jamaica Industrial Development Corporation (JIDC) in 1952. The discovery of bauxite stimulated a substantial amount of direct foreign investment. In addition, the tourism industry enjoyed a boom during the 1950s and 60s. Several large resort hotels were constructed and earnings from tourism came to exceed those of agricultural exports as a source of gross foreign exchange receipts. Manufacturing enterprises were established under the impetus of the general economic expansion and government inducements to industry. Construction also prospered,

Between 1946 and 1972, Jamaica's exports in current dollars grew seventeen fold, from J\$17 million to J\$293 million; from 1943 to 1972, the gross domestic product increased from J\$65 million to J\$1,207 million. In real terms, per capita income is estimated to have grown at a rate of 4 and 5% annually between 1953 and 1972.

Still, a large part of the Jamaican population did not participate in the growth of the national income. Small farmers remained trapped in a vicious circle of poverty due to poor and inadequate land, lack of water and indifferent credit and market facilities. In the government's view, the maldistribution of income worsened during the post-war period. The Five Year Plan states that "while the statistics of economic growth were impressive, the actual growth of output and productivity was limited to the so-called 'modern' sectors of the economy, and the growth of personal incomes was concentrated amongst the owners, managers, professionals and skilled workers in these activities".

Other structural deficiencies resulting from Jamaica's historical legacy, according to the Five Year Plan, include the high ratio of both exports and imports to the GDP, dependence on a very small number of export products, absence of self-sufficiency in foodstuffs, growth of the importance of food in the country's total import pattern, increasing dependence of manufacturing industry on imported inputs, and increased reliance on imported energy and on direct foreign investment in the bauxite-alumina and tourism industries. The government is also concerned about the concentration of economic power in a small group of foreign enterprises and their local partners in mining, tourism, manufacturing, finance, conservation, real estate and services.

There is little doubt that Jamaica's historical legacy bears a substantial share of the blame for its backwardness. However, there are other significant contributing factors, including the country's limited supply of agricultural land, a high population density and birth rate, and an educational system that, until recently, at least, was essentially elitist in its orientation and was not geared to provide the majority of the population with the types of skills required. Also, the development of powerful labor unions able to negotiate significant wage increases along with the rapid expansion of social welfare activities and the increasing politicization of Jamaican society combined to create an environment that is not particularly conducive to growth under a free enterprise system.

For the near future, prospects for significant improvement in the lives of the poor are not bright. Lack of foreign exchange, the debt burden, inflation, and continued loss of skilled personnel through migration will severely constrain any government efforts to relieve poverty.

C. Government Policies with Respect to Factor Pricing

Government policies with respect to interest rates, tariffs, exchange rates, minimum wages and labor unions--the areas in which distortions promoting the displacement of labor by capital may occur--are as follows:

Interest Rate Policy

Table 7 shows that Jamaica's interest rate structure has been significantly above that of the U. S. through 1977, and roughly comparable in 1978 and 1979. Given the shortage of capital in recent years, it may be argued that Jamaica's interest rates should have been higher still,

However, it appears fair to state that, through 1977 at least, the GOJ has not followed a policy of deliberately subsidizing interest rates.

Tariffs

Tariffs on capital goods have been relatively low in Jamaica, as in most developing countries. Thus, for example, the duty on excavating, leveling, boring, extracting machinery for earth, minerals or ores is in the range of 5% to 7½%. The same rate applies to harvesting and threshing machinery, ploughs, harrows, and cultivators. In addition, there is an Industrial Incentives Law and an Export Industry Encouragement Law which provide for complete tax exemptions from duties on imported equipment and raw materials for a period of up to ten years.

Exchange Rates

During the period 1972 to April 1977, the exchange rate remained fixed at J\$1,00 equals US\$1.10. During this same period, the Jamaica Consumer Price Index increased considerably faster than that of the United States: 99% for Jamaica versus 43% for the U.S. As a result, the Jamaican dollar was considerably overvalued, particularly in 1975-76 and the first part of 1977. Imports, including the use of capital goods, were artificially stimulated. This distortion has since been corrected by several substantial devaluations in 1977 and 1978.

Minimum Wages

On November 1, 1975, the government introduced a national minimum wage of J\$20 per week (then equal to US\$22). While this rate does not seem high, the government estimated at the time that more than 100,000 workers were earning less than this minimum. With the work force at 865,000, the proportion earning less than the minimum was 11.5%.

Workers in the manufacturing industry (other than textiles), construction

transport and utilities, and commerce were, for the most part, earning substantially above that figure. Still, in industries occupying a large number of unskilled labor, particularly in agriculture, household services and textiles, the establishment of the minimum wage may have contributed to unemployment.

Labor Unions

Labor unions are a potent force in the Jamaican economy. They are believed to have had a greater impact on the actual wage level, and hence on the extent of employment, than the increase in the minimum wage. While it is difficult to measure the role of unions in raising wages, it may be significant that wages in unionized areas are substantially above wages in non-unionized activities. Thus, 52% of workers employed in agriculture in 1978 either realized no income at all (e.g. family members) or earned less than J\$20 per week, while in commerce and other services, both only partially unionized, the corresponding figures were 25% and 17% respectively. On the other hand, in manufacturing and construction, activities that are heavily unionized, the proportion of those making less than J\$20 per week was 10% and 6% respectively.

The highest wages by far prevail in the highly organized bauxite and alumina industry. In December of 1978, average weekly earnings in the bauxite and alumina industry were J\$216, compared with J\$73 in all of manufacturing, J\$37 in wearing apparel, J\$78 in construction and J\$103 in the service sector. Admittedly, some factors other than unionization have contributed to these differences (e.g. large capitalization and presence of multinational companies in the bauxite industry), but unionization is believed to have been an important consideration.

In sum, production techniques employed in manufacturing and construction are not particularly labor intensive. They are, of course, considerably more labor intensive than those used in the U.S., but not nearly as much as would be desirable given the substantial proportion of the labor force that is unemployed and underemployed in Jamaica. This situation has prevailed for a number of years. The reasons are partly explained by the distortions reviewed above (i.e. overvalued exchange rates, wage increases in excess of productivity gains through 1977, and union power). Other factors include the absence of a serious foreign exchange problem prior to 1975; the desire of the newly established manufacturing sector to introduce modern machinery and techniques; the fact that Jamaica's technicians have been trained in the developed countries, particularly in Britain and the United States; the unavailability of an adequate number of skilled and supervisory personnel; and the undisciplined nature of the country's labor force which encouraged employers to minimize their reliance on labor by mechanizing their operations.

D. Jamaica's Development Plan

The National Planning Agency has prepared a Five-Year Development Plan for the period 1978-82. It incorporates the major objectives and strategies and provides some very preliminary estimates of investment requirements. The job is not complete. Tasks remaining include the finalization of the investment program, the projection of available resources, both internal and external, development of priorities and the reconciliation of objectives and investment requirements with available resources. Most of the projects under the public investment program remain to be developed.

The Plan's major socio-economic objectives follow:

- Provide an adequate supply and an equitable distribution of the necessities to the poor--food, housing, clothing, employment, medical care and education.

- Reduce the economy's dependence on the rest of the world with respect to both imports and foreign investment.

- Generate employment for the lowest income groups and make more efficient use of government resources, i.e, gradually shift funds from make-work projects to activities that support the productive sectors.

- Promote social and economic egalitarianism and particularly forms of social, economic and political organization.

- Pursue a policy of non-alignment and expand Jamaica's relations with socialist and Third World countries; strengthen relations with the CARICOM countries.

Examples of sectoral objectives include the following:

- In health, provide primary health care services for the whole population through the development of an integrated national health system. Special emphasis will be given to environmental control programs such as water-quality control, sanitary disposal of wastes, maternal and health care programs, and family planning.

- In nutrition, the goal is to reduce by 50% the extent of malnutrition among young children and of anemia in pregnant and nursing mothers; and expand clinic coverage to 86% for children under three.

- In agriculture, the goal is to increase the attractiveness of the rural environment so as to reduce migration of people to the towns and cities; maximize the production of food and agricultural raw materials; reduce reliance on imports; ensure that all agricultural land is retained

in agriculture; improve rural amenities and raise rural incomes and employment opportunities.

The Plan contains a preliminary investment program of J\$1,8 billion for the period 1979-81. The government has indicated that emphasis on agriculture and human resource development will be expanded at the expense of infrastructure. The Plan's investment requirements over the full five-year period are likely to be significantly higher. But it is also likely that the Plan's target and investment requirements will be cut back significantly after resource availabilities have been considered.

The major constraints to achieving the Plan's targets include: (a) the chronic shortage of foreign exchange; (b) shortages in skills, technical personnel, managers and entrepreneurs; (c) shortcomings in the government's ability to prepare and implement projects; and (d) the possibility that the private sector may not sufficiently expand its investment outlays, given its reaction to the government.

With respect to the government's implementing capacity, the Plan recognizes the need to improve the capabilities of the ministries and agencies responsible for the development of agriculture and human resources, and has indicated that special training programs will be provided. To ensure that the private sector will perform the role laid out for it in the Plan, it may well be necessary to invite the private sector to actively participate in the development of the Plan's objectives and policy framework. Restoration of private sector confidence is crucial if the outflow of private capital, entrepreneurs and skilled personnel is to be arrested and reversed.

E. Progress and Commitment

The pursuit of social justice--meaning equality of opportunity for all members of society-- is the major objective of government policy. Other related key objectives include self-reliance, a democratic form of government, and people's participation in the management of their economic affairs. "The philosophy of an egalitarian society is a non-negotiable item" wrote the Prime Minister in his book Politics of Change.

These objectives appear in all official planning documents and policy statements and constitute the keystone of the People's National Party (PNP) program. Accordingly, the strategy of the Five-Year Plan is to concentrate production growth in those economic activities that provide the basic necessities of the people, such as food, shelter, clothing, health and educational materials. The basic priorities stated in the Five Year Plan include "employment for all adults in the society, housing for all families, adequate food, nutrition and health care for all adults and children, and adequate education and training for all".

Between 1972 and 1978, the government undertook many programs to achieve its social justice and participation objectives. Examples are as follows:

- provision of day-care centers and school-feeding programs;
- establishment of a National Youth Service to provide employment opportunities for young people; and a Pioneer Corps to settle young farmers on agricultural land and provide them with credit and other facilities to start production;
- free instruction to all children through the age of 16;
- special employment programs for the adult unemployed, including the Crash Program in Kingston (mostly street cleaning);
- minimum wage legislation and establishment of worker participation

programs;

- establishment of worker-owned cooperatives in the sugar industry;
- provision of land for landless farmers through Project Land-Lease, involving the leasing of public lands to small farmers and related support programs, including farm road construction and rural electrification programs;

- establishment of a National Housing Trust, a National Housing Corporation and a Sites and Services project to promote the construction of low-priced housing for the poor;

- expansion and institutionalization of a national literacy program for adult illiterates.

As indicated by the breakdown of the employed labor force shown in Table 8, the number of paid government employees increased substantially between 1972 and 1978, by 51,800 or 66%. However, to a large extent, this increase in government employment just took the place of private sector employment which declined by 44,700 (Table 8, line 3).

Analysis of budgetary allocations to the ministries whose activities impact most heavily on the poor (Agriculture, Health, Education and Housing) shows a sharp increase in current dollars between FY 73/74 and FY 78/79 - from J\$222 million to J\$662 million (Table 9). However, when these expenditures are adjusted for inflation, the real increase is a modest 16% (Table 9).

What has been the impact of the government's economic policy on the lot of the poor since 1970? Data measuring trends in the welfare of the poor in recent years are scarce. Tables 10 and 11 present information on real per capita GDP, mortality and birth rates, and on the state of education of the labor force during the period 1969 to 1978. For some

of these indicators, data were available for only part of this period. Moreover, there are no data on trends in income distribution,

Available data reveal the following:

1. Real per capita GDP increased through 1972, then declined continuously through 1978. A further decline is expected in 1979. Between 1972 and 1978, the decline was 22%. According to official estimates, the real per capita GDP in 1978 was 5% below the 1969 level.

2. On the other hand, other indicators show an improvement in recent years. Thus, the death rate declined by 22% between 1969 and 1978. A particularly dramatic decline of 51% was registered in the infant mortality rate. The live birth rate declined by 22% reflecting some progress in the area of reducing fertility. With respect to education, the proportion of the labor force without any formal education declined from 6.6% to 2.5% between 1972 and 1978, while the proportion that received post primary education rose from 10 to 19%.

Conclusion: High Commitment, Disappointing Progress

A number of government programs have been undertaken to generate employment in both urban and rural areas, provide access to land by poor farmers, increase real incomes, raise literacy rates and improve the health of the population. Available data on mortality rates and the proportion of the labor force that obtained access to formal education indicate that the government's programs have been successful in these areas.

However, the GOJ has not succeeded in raising the living standard of the poor in either the rural or urban areas. The continuing decline in per capita GDP since 1972 means that the living standard of the poor particularly has suffered.

The downward trend in per capita income since 1972 is due in part to factors over which the government had no control, such as the quintupling in oil prices, the deterioration in the income terms of trade, the U.S. recession in 1976-77 which depressed tourism and purchases of bauxite and alumina, and the fact that the high rate of investment in alumina and tourism that prevailed in the sixties could not be sustained after these industries reached maturity in the mid-seventies.

The deteriorating balance of payments situation, however, was also aggravated by certain government policies and failures to resolve some of the country's pressing social problems. Thus, the government's socialist rhetoric, the take-over of some key industries, the establishment of a high tax on bauxite and the establishment of tight controls on imports, foreign exchange allocations and prices created an unfavourable investment climate which led to capital flight and depressed investment, output and employment. The government's failure to control crime, particularly in Kingston, also had an adverse impact on investment and the tourism industry and encouraged the emigration of managers, professionals and skilled personnel. These factors reduced employment in the private economy and counteracted the stimulative effect of increased government expenditures during the period.

F. Absorptive Capacity

With its substantial physical and institutional infrastructure, Jamaica has as good a base as most developing countries to absorb and make effective use of external assistance. The existence of fairly adequate transportation and communications systems permits aid physically to reach the entire population, and the level of education and institutional sophistication is such that programs to assist the disadvantaged

can be implemented with benefit to the target group.

However, the private sector and the educated middle classes have been discouraged by economic decline, crime, and the socialist rhetoric of the GOJ. As a result, large numbers of professional, managerial and technical people who could do the most for Jamaica have migrated. Likewise, the undisciplined and often leftist influenced labor force has diminished absorptive capacity through frequent strikes, slow downs, sick outs and similar disruptive activities. Even more important, Jamaica's increasingly tight financial condition is resulting in severe foreign exchange and counterpart shortages.

Thus, although Jamaica has capacity to absorb considerable external development resources, a turn around in some of the above limiting factors will be required to realize that capacity.

G. Other Donor Assistance

Jamaica's economic difficulties over the past few years have led to a dramatic increase in both the level of other donor assistance and the number of bilateral and multilateral donors (see Table 12). The assistance has been reasonably well related to Jamaica's needs and priorities. The bulk of it has been fast disbursing lines of credit for balance of payments support (such assistance totalled \$67.7 million in 1979). Project loan and grant assistance has been concentrated in the priority sectors of agriculture, health, education, and energy.

Coordination of this assistance is difficult. Many of the donors have similar mandates emphasizing the rural poor leading to the presence of several donors in the same sectors. Dealing with a multiplicity of donors, with their varying procedures, places an extra burden on the already heavily strained management resources of the GOJ. Prior to

establishment of the Caribbean Group in 1978, coordination among the donors, while reasonably effective, was entirely ad hoc. There is a need for further division of labor and more careful coordination among the donors which the Caribbean Group is helping to provide. The GOJ will be hard put to improve its performance and there is no indication that the local UNDP office intends to play a more active role in this area.

The prospect is for continuation of substantial other donor assistance although more is likely to be channeled through the multilateral donors and less through the bilateral. The IFIs have pledged to try to double the level of their assistance to the Caribbean while the bilateral donors are likely to reduce their inputs as Jamaica emerges from its crisis conditions.

The largest amount of external aid for projects has been channeled to the agriculture sector. Both the IBRD and IDB are supporting rural development programs in the western and southern regions of the country. The programs emphasize rural infrastructure more than does USAID's Integrated Rural Development project in the central region, but the programs are directed at the small farmer. The international donors are focussing increasingly on developing the GOJ's institutional capacity to more efficiently and effectively allocate resources and plan and implement agricultural projects.

In energy, several donors provide technical assistance to Jamaica. UNDP currently has a long-term energy advisor to the Ministry of Mining in Jamaica, and has provided short-term technical consultants on an as needed basis. Britain sent a team of consultants in 1979 to assess the development and potential impact of energy conservation measures and, in 1978, British technicians conducted a pre-feasibility study of the

energy potential for urban waste in the Kingston metropolitan area. In terms of nonrenewable energy sources, Norway is working with Jamaica on offshore oil exploration in the Pedro Banks, and the IDB in 1979 provided \$9.2 million for a Rural Electrification Project.

In the area of urban development, the Dutch have provided a \$1.06 million loan for urban upgrading projects in Kingston. A grant of \$1.18 million from the EEC is being utilized for the construction of low cost housing in urban areas. The IBRD has also provided a major Urban Development Loan of \$15 million for loans to low-income families for home construction. Loans are being made to developers to prepare lots for low-income families. The project is constructing and equipping community facilities and developing infrastructure for industrial and commercial centers in project areas. To develop and promote small businesses in urban areas, the IBRD has assisted Jamaica with a loan of \$7 million. These funds will provide foreign exchange to small scale enterprises for the import of essential raw materials and goods and assist in establishing the Small Enterprises Development Corporation as a viable and effective institution.

In education, the IBRD has been the largest donor with most of its assistance going to formal education infrastructure. Cuba and Canada have also helped with secondary and vocational school construction. The EEC, in 1979, provided over \$3.9 million for construction of new facilities at UWI. AID is taking the lead with assistance to non-formal education. There are other contributors to this area and careful coordination will be needed.

In health, seven multilateral organizations, nine countries (including the U.S.) and six private non-governmental organizations have

development assistance programs. All support the GOJ's goals of increased participation of the poor in development and promotion of integrated accessible health services with an emphasis on primary health care delivery. In fact, all assistance is earmarked for primary health care with limited support for secondary and tertiary services or facilities. This results in a relative imbalance of emphasis by both the GOJ and donors which could hamper successful implementation of primary health care delivery, based as it is on a referral system, requiring adequate supervision, management, and direction from the top down.

The IBRD has been the largest multilateral donor in the sector since 1979 with an emphasis on facilities construction and equipment/supplies. Hungary provided a \$10 million line of credit in 1978 for importation of drugs and hospital equipment. PAHO/WHO's country-specific program in Jamaica, combined with its Caribbean regional assistance programs, make it the largest donor of grant funds. PAHO/WHO has also been the major source of technical assistance to the GOJ in the health sector and its program plans over the next several years call for increased support for health planning and management. Both the IDB and IBRD are the principal donors in environmental health, with several substantial loans for upgrading sewage and water supply systems. UNICEF, whose program of cooperation has been primarily on a regional basis through regional institutions, approved in 1978 an \$8 million, 4 year Basic Services for Children bilateral project, with UNICEF providing about \$700,000 and the remainder to be contributed by the GOJ.

USAID is by far the major donor in family planning, being the sole source of condoms and major source of oral contraceptives for the national

family planning program. UNFPA and IBRD are the only multilaterals, and the Federal Republic of Germany, which provides support for the UWI Center for Advanced Training and Research in Fertility Management, and CIDA are the only other bilateral donors. The remainder of support in family planning comes from private non-governmental organizations which provide contraceptive commodities and finance pilot-scale programs in areas such as adolescent fertility and male sterilization. All this assistance supports the GOJ objective of establishing an extensive public and commercial system of family planning services and information integrated into the country's basic health services and public school system.

In nutrition, the majority of aid has been donated in the form of food assistance by AID, CIDA, WFP, EEC, and New Zealand. PAHO/WHO's involvement in nutrition activities in Jamaica has been extensive due to the location in Kingston of the main office of the Caribbean Food and Nutrition Institute, a multinational PAHO institution. UNICEF has been providing funds to CFNI since 1970 and currently supports the nutrition educator on the staff. The existing IBRD health sector loan includes a nutrition education and communications program to improve child and maternal nutrition. Most donor assistance to support the GOJ's goal of improved maternal and child nutrition is channeled through health programs rather than through support of direct nutrition interventions or multisectoral nutrition planning efforts.

H. U.S. Policies Affecting Jamaica's Development

There are five U.S. policy issues that are of particular interest to Jamaicans: sugar, rum, textiles, immigration and seasonal farm labor.

Sugar

The level of protection that the USG has placed on sugar imports

is an issue of special concern to the GOJ. There is a feeling--largely justified--that Jamaica has not been fairly treated with respect to the denial of preferential treatment for Jamaican sugar under the GSP. In 1976, Jamaica exceeded the competitive need limit (i.e. the maximum amount that a country can export to the U.S. and still qualify for GSP treatment) and was thus declared ineligible. However, in both 1977 and 1978, Jamaica's exports to the U.S. were well below the competitive need limit, and thus became eligible for redesignation as eligible. Yet, Jamaica, along with several other countries in the same category, continued to be treated as ineligible as such redesignation "would undermine the effectiveness of the U.S. domestic sugar price support program at a time when its program is just beginning and is still under close scrutiny" (State 060662 of March 9, 1978).

Jamaica, along with other sugar exporters in the Caribbean and Latin America, is highly critical of U.S. policy with regard to the high level of duties and fees imposed on sugar imports. Its position has been expressed in the statement of the twenty-two Latin American Chiefs of Mission who called on Assistant Secretaries of State Vaky and Katz on October 2, 1978. The statement complained that as a result of decisions which successively raised the level of U.S. protection on sugar, the producing countries were experiencing increasing unemployment and poverty in the rural areas, and urged that the special import fee on sugar be eliminated.

A second major issue with respect to sugar (though not one directly related to U.S. policy) is the cutback of Jamaica's sugar export quota under the International Sugar Agreement (ISA) which has been cut as a result of Jamaica's inability to satisfy its 1978 export quota on which

the quotas for 1979 through 1982 are based. Jamaica claimed force majeure regarding its inability to meet its 1978 quota as a result of adverse weather conditions, and requested a waiver on application of the formula in its case. The U.S. and Canada have supported the Jamaica position in this matter but have failed to prevail. Jamaica's case was rejected following opposition by Australia, Brazil and Cuba.

Rum

Rum exports are important to Jamaica--they amounted to US\$4.3 million in 1978--and, given a profitable market, could become an even more significant foreign exchange earner. The high U.S. tariff on rum imports has been a frequent cause of complaint by the GOJ. The U.S. import duty on rum is US\$1.75 per gallon, which compares with a tax of only 51 cents per gallon on Scotch whiskey. Additionally, there are high federal and state taxes. The basic cause for the high U.S. tariff on rum is perceived to be the desire to protect producers in Puerto Rico and the Virgin Islands who are, of course, exempt from the tax.

Under the recent Multilateral Trade Negotiations, the U.S. made a concession on this issue. There will be some reduction in the tariff on rum over the next eight years, which should ease the problem somewhat.

Textiles

U.S. imports of textiles and apparel products are limited by quota. In several lines, Jamaica has not been able to reach the ceilings set. However, in others (e.g. brassieres and cotton shirts) Jamaica's exports were limited by the ceilings. Discussions with Washington resulted in some increase in the unofficial ceilings for certain products. The GOJ is a bit uneasy because these unofficial ceilings could be rescinded at any time. They would like to have them made official and at the same time

raised a bit further in those lines in which Jamaica is able to produce competitively in terms of both quality and price.

Immigration Policies

Jamaica has been able to take good advantage of the U.S.'s liberal immigration laws and lax enforcement. The U.S. Consulate reports that some 15,000 immigration visas were issued last year. An additional 5,000 who entered on a visitor's visa but failed to return applied for "adjustment of status", i.e. attempted to convert their visitor's visa into a permanent one. The Consulate estimates that at least another 5,000 a year remain in the U.S. illegally, i.e. without attempts to adjust status. Thus, over 1% of the Jamaican population migrates to the U.S. every year, legally and illegally. Another 5,000 migrate to Canada.

Such migration provides crucial relief for what would otherwise be unbearable population pressure. Migration permits reduction of the net annual rate of population growth from 2.7% to around 1.5%. The tightening of U.S. immigration laws, or even the strict enforcement of the present laws to effectively prevent illegal immigration, would have a significant impact on Jamaica's economic situation.

In recent years, the composition of migration has changed somewhat as increasing numbers of technicians, professionals, managers, entrepreneurs and skilled personnel have joined the exodus. Still, according to consular reports, the great majority of Jamaican migrants are not in the professional and technical categories as our immigration laws strongly favour spouses and blood relatives of U.S. citizens and permanent residents, i.e. mostly the relatives of Jamaicans who have migrated since 1960.

Seasonal Farm Labor

Some nine to ten thousand Jamaican farm workers go to the U.S. every year for a few months to harvest sugar cane in Florida, apples in the New England states, and tobacco in Connecticut. The arrangement is made by contract between the U.S. Department of Agriculture and the Ministry of Labour of the GOJ. While the program is proceeding, it is facing opposition from the farm workers' union which had filed a suit in New York and is expected to file another one in Florida. The union represents U.S. and Puerto Rican farm workers who complain that employers give preference to Jamaican labor to avoid providing the amenities and accommodations demanded by the U.S. and Puerto Rican labor. Employers claim that Jamaican workers are more productive. The issue may become a point of friction in U.S.--Jamaican relations.

PART III STRATEGY

A. Objectives

In mid 1977, the U.S. Government decided to undertake a major program in Jamaica. The decision reflected several considerations including our increasing interest in the Caribbean and heightened concern for a geographically close, troubled neighbor, which shares our language, legal and moral heritage, and commitment to economic and social justice and human rights. This basic rationale for our assistance program remains valid.

The objectives of our assistance as expressed in previous CDSS's have been to help Jamaica:

- recover from the present economic crisis,
 - correct structural weaknesses that contributed to that crisis,
- and
- eliminate the principal constraints to sustained, equity based development and growth.

However, we have concluded that in the absence of a significant improvement in the management of the economy by the Jamaican Government, foreign donor resources alone cannot reverse or halt the economic decline. While we must continue to help stave off economic chaos and increasing misery of the poor through PL 480, through HIG's, and through local cost financing of other donor projects through the Caribbean Development Facility, AID's objectives are for now more modest. They are principally:

- to help reduce the rate of population increase and therefore the growth of unemployment.

- to help increase food production among small farmers and the quality of life of rural families.
- to help lay the basis for increased use of alternative sources of energy.
- to help preserve, in the face of declining government revenues, health and educational facilities to the poor through improved management, training, and practices.
- to encourage the efforts of voluntary agencies and small business, particularly in the urban areas, to help meet the urgent problems of the masses of unemployed.

B. AID Assistance Strategy

Despite substantial U.S. and other donor assistance since 1977, the Jamaican economy continues to deteriorate. GNP and per capita income declined in 1979 for the sixth consecutive year. Brain drain and worsening living standards are adversely affecting public sector performance. The private sector still lacks confidence.

Our strategy recognizes that the tools and resources available through AID cannot make the difference in solving Jamaica's current economic crisis. Jamaica's own efforts combined with balance of payments assistance, particularly from the IMF, will be the crucial ingredients for Jamaica's economic recovery. The U.S. can and should continue to help through PL 480, Caribbean Development Facility (CDF) and Housing Investment Guarantee (HIG) assistance.

But the principal emphasis of our AID strategy will be on Jamaica's longer-range development rather than its current economic difficulties. Assistance will be concentrated on the productive rather than social sectors (1) because of Jamaica's severe economic problems;

(2) because social services are, in a relative sense, at reasonable levels; and (3) because we feel we can achieve better results if we narrow our program focus. The program over the five year planning period will include projects in agriculture, energy, urban employment, manpower and management training, and family planning. Proposed projects will be reviewed and judged above all in terms of impact on production, productivity, and employment. The aim will be to create or strengthen institutions and establish conditions necessary for sustained development once the economy has turned around.

The risk in this strategy of concentrating on longer term development is that our efforts could be undermined by the current crisis. Ever-tightening budget restrictions, growing paralysis and demoralization of the public service, and continuing migration of key personnel will, at least in the near term, severely inhibit whatever we propose to do. In order to minimize the impact of these factors, we must be as certain as possible that the cooperative development programs we support represent the very highest Jamaican priorities and that key personnel are available or, if they need to be trained, that they will not be lost.

While our principal program emphasis will be development assistance in the productive sectors and while our response, under current circumstances, to the economic crisis will be limited to PL 480, CDF and HIG assistance, we do recommend contingency planning for fast disbursing, rapid impact assistance of \$10 million or more should circumstances change. If clear prospects of early economic recovery were to emerge, we would propose a substantial assistance package to accelerate recovery and reinforce our development program. Such assistance could be proposed in FY 1981 or in FY 1982 and would finance imports of essential

commodities (particularly agricultural inputs) with the generated local currencies used for production and employment programs.

We have considered an even more restricted program focus than that here proposed. We could, for example, concentrate on just agriculture and family planning or just agriculture and urban development. Aside from the missed opportunities in areas such as energy or training where we feel AID has a potentially important contribution to make at this stage of Jamaica's development, a more concentrated approach would be limited by absorptive capacity. With Jamaica's project management capacity stretched as thin as it is, there is a real limit to how much AID assistance can be concentrated in any one area over a given period of time.

In sum, we propose, in response to Jamaica's immediate foreign exchange and fiscal crises, a continuation of PL 480 Title I assistance at a level of \$10 to \$15 million through FY 1981 or FY 1982 and a level of about \$5 million each year from FY 1983 through phase-out of PL 480 assistance in FY 1985 or FY 1986. Local currencies generated through sales of PL 480 commodities will be used to supplement the budget in support of our development projects. The \$10 million balance of an existing \$15 million HIG is available for drawdown during FY 1980. If this credit is in fact rapidly utilized, we propose a further \$15 million HIG in FY 1981 or FY 1982 as part of a broader urban development and employment strategy. We also propose that Jamaica continue to receive assistance through the Caribbean Development Facility. Finally, as noted above, we urge contingency planning for major rapid impact assistance should conditions in Jamaica develop so that assistance of this nature could have significant and lasting effect.

As the principal thrust of our strategy, we will continue to tackle basic constraints to longer-range development. We will continue strong emphasis on agriculture which employs about 30% of the labor force, contains 60% of the population, but produces less than 10% of GNP. We will continue maximum support for family planning because all Jamaica's future development efforts could be vitiated if its current rate of natural population increase is not reduced. We will also stress major new initiatives in energy, urban development and employment, appropriate technology, and training because these are areas in which basic development constraints lie. In pursuing these initiatives, we will be particularly sensitive to impact on the poor and particularly the women and youth who have been especially vulnerable to worsening economic conditions.

1. Agriculture

Our assistance strategy in agriculture will be to help Jamaica achieve sustained increases in production on farms of 1-10 acres in size. By 1985 or 1986, we hope our assistance will have helped the GOJ to be able to: (a) analyze and respond to changing problems of the small farmer; (b) ensure that productivity gains are maintained; and (c) develop technological innovations and policies in response to evolving conditions in the rural sector. To accomplish these goals our assistance will concentrate upon those agricultural sub-sectors which require outside donor assistance and which are not being adequately covered by other donors.

While the sub-sectors requiring attention are numerous, focus will be directly on improving capacity of the GOJ to develop and sustain increases in productivity of the target group (farms of 1-10 acres in size). The sub-sectors are inter-related and addressing only one or a

subset will not achieve our assistance goals. Clearly, as the portfolios of other donors materialize over the coming years, the sub-sectors we address and their relative priorities will be modified. Currently, the key constraints requiring attention in priority order are: administrative capability, soil conservation, marketing, research, extension and education.

Constraints

(1) Administrative Capability

Inadequate management capability within the Ministry of Agriculture (MOA) impacts negatively upon the total structure of the agriculture sector from policy to budgeting to project implementation. It is reflected in slow disbursement of AID and other donor project funds and limited capacity to absorb additional assistance despite the identification of problems and probable solutions. Deficiencies include: poor management techniques and skills, no structured management information systems or information feedback mechanism to the central ministry, bureaucratic red tape, little inter-ministry coordination, out migration of trained manpower, poor promotion potential with the MOA, and no plan to maintain or upgrade the professional skills within the Ministry. A current Agricultural Planning Project addresses the need to upgrade the training, planning, and data use capacity of the MOA. Future projects will contain components which will continue to address this critical constraint.

(2) Soil Conservation

The problem of land use as it relates to the target group is particularly serious. Unless replicable solutions are found, there is little hope of achieving sustained productivity increases for the target

group. In fact, without improved techniques of hillside farming, indications are that productivity will suffer serious declines for the foreseeable future.

(3) Marketing

The marketing function in Jamaica is performed in large part by what is referred to as the "higgler system". The higgler system works after a fashion. The system basically is individual small retailers interacting with individual small producers. The higglers buy at the farm gate and bear the risk associated with middlemen. In addition to the higgler system, the GOJ has established the Agricultural Marketing Corporation (AMC) which operates 207 buying stations and several retail outlets to provide a single floor price for agricultural commodities to distribute food to institutions, to distribute nutritious food to the needy at subsidized prices, to move food from surplus to deficit areas, and in general to hold down the cost of food to consumers. Also marketing boards exist for export of bananas, coffee, pimento, etc. All produce is either sold directly by the producer or indirectly through a higgler or the AMC. It is estimated that 85% of all domestic food output and a significant portion of export commodities grown by the small farmer are marketed via the higgler system.

The marketing function is not efficiently performed in Jamaica. In general, most produce comes into Kingston and is then redistributed throughout the island. Except for export crops, there are no grading standards and producers gain no product differentiation benefits. There is no system of market information and dissemination to producers who, to the extent they are not also higglers, bargain for prices with insufficient knowledge. It is estimated that the post harvest food loss

is 40% and millions of dollars of foreign exchange are lost annually due to the inadequacies of marketing. An Agricultural Marketing Project proposed for FY 1980 takes the best of the higgler system and combines it with regional markets, recognized quality standards, marketing information, and storage facilities to reduce post harvest inefficiencies.

(4) Research

The GOJ's research capacity is inadequate to deal with the agronomic problems of the island. What little research exists is conducted by the MOA and the statutory boards. Research has historically focused on export crops and livestock. The MOA has one hundred professional and sub-professional positions in research of which only twelve are devoted to agronomic problems. Little coordination exists in agriculture research and there are few linkages between extension and research activities. The Jamaican campus of the University of the West Indies does not have an agricultural college and does a very limited amount of agricultural research. There is no research which focuses directly or uniquely upon the problems or constraints of the target group.

(5) Extension

The GOJ extension field staff has 479 positions to serve over 200,000 farmers or approximately one extension agent per 500 farmers. Their training comes almost exclusively from the Jamaica School of Agriculture (JSA) and is theoretically oriented. A significant percentage are from non-rural backgrounds which, combined with the lack of applied training, limits their effectiveness in dealing with agricultural problems. More serious still is a lack of transportation, in spite of a good road system, due to a restriction on importation of vehicles and

spare parts. With new emphasis on integrated rural development programs, the demand for extension agents is growing.

(6) Education

The educational curriculum for people trained for the agriculture sector needs revision and perhaps a restructuring of priorities. The primary agricultural educational institution is the JSA. JSA is currently under the Ministry of Education which views JSA primarily as an institution to train secondary level agricultural teachers. Previously JSA had been under the MOA. Under neither Ministry has the school provided appropriate training.

USAID is currently examining the problems of the agricultural research, education, and extension system under a Title XII program. The baseline study, recently completed, recommends focusing upon the difficulties of JSA as the first step in addressing these long run constraints. Other projects such as the Integrated Rural Development Project and the Marketing Project contain components which address research and extension constraints.

Strategy

The strategy proposed to address these constraints expands upon the base established through past and current projects. USAID has been active in the areas of inland fish production (Inland Fish Production Project), soil conservation and general rural infrastructure (Forestry Project and Integrated Rural Development Project), agricultural planning through data collection and analysis (Agricultural Planning and Marketing Project), agricultural marketing (Agricultural Marketing Project), agricultural education (Education Sector Loan), and agricultural management (Agricultural Planning Project, Integrated

Rural Development Project and Agricultural Marketing Project). We plan to expand into the area of agricultural research, education and extension, and especially the linkages among them, in 1981.

During the planning period, USAID hopes to replicate approaches tested in the Integrated Rural Development, Marketing and Forestry Projects to develop more watersheds in the interior of Jamaica. We will also continue to: (1) support efforts in inland fish production (perhaps including a Caribbean Regional Program); (2) expand the capacity of the GOJ in adaptive research utilizing the linkages established under the agricultural research, education and extension program; and (3) widen the revised marketing system established under the Agricultural Marketing Project.

We have selected our target group on the basis of farm size. The rationale for excluding farms under one acre is to ensure the farm has sufficient resources to be a viable economic unit with at least 50% of income generated by agriculture. The rationale for the 10 acre cut-off is to ensure the farm is small enough to require outside assistance for adoption of new innovations. With the variety of ecological conditions in which farmers operate in Jamaica, we feel the range of between 1-10 acres represents an appropriate target group for AID assistance.

In 1968, the latest year for which agricultural census data are available, the target group represented 62% of all farmers and 81% of farmers of over one acre size. Controlling only 25% of all land farmed, the target group accounts for most of the domestic food crop and over 25% of agricultural exports. The target group owns most of the goats, sheep, pigs, mules and donkeys on the island and small percentages of the chicken, beef and dairy cattle. The average small farmer is estimated

to be around fifty-two years old and has a family size of about five persons. Research indicates that, despite his small land resource base, he has even less capital which is spread too thinly over his land. Islandwide, the land resource base is shrinking due to erosion. Eighty percent of small farmers are found on increasingly marginal hillside land of slopes from 5 to 35°.

Regional Perspective

Jamaica, being one of the larger Caribbean islands and having a wide variety of ecological zones involved in agricultural production, is in a good position to both benefit from and participate in regional initiatives to solve common Caribbean agricultural problems. Jamaica is rapidly developing new experiences in aquaculture, small hillside farming, secondary agricultural education, and training of mid-level agriculture managers. During the CDSS planning period, we hope to assist the GOJ to develop a regional aquaculture training center, to expand the already existing regional training at the Jamaica School of Agriculture, and to develop a regional centre of expertise to solve the problem of small hillside farmers in the Caribbean. There are also lessons other countries might learn from Jamaica's experience in modifying its existing marketing system, which is common to many British Caribbean nations, into a more efficient market program responsive to its producing/consuming clientele.

2. Family Planning/Health/Nutrition

The major USAID program emphasis in this sector will be continued support for family planning. USAID also proposes a strategy of selective intervention into the primary health care system in areas considered essential both to support of family planning and delivery of basic

health care to the nation's poor. The objective of such assistance will be to help arrest deterioration of the health infrastructure while providing the Ministry of Health with the means to maximize use of existing resources. Since the bulk of family planning services are delivered through Jamaica's public health care system, any improvements in the system will directly benefit the family planning program.

USAID's strategy for the future in this sector will build on its activities of the past. This is especially true in family planning where USAID has provided technical assistance, training and commodities for over a decade. This assistance will continue with increased emphasis on population policy development and on new problems, such as adolescent fertility. In health, the Health Improvement for Young Children Project which started in 1976, helped identify areas of primary health care needs which will be explored more fully in future health activities. In nutrition, a current OPG with Catholic Relief Services is helping to point out innovative ways of reaching the most nutritionally vulnerable members of the society.

Family Planning

USAID's long-range population objective is to assist Jamaica to reduce fertility to levels compatible with sustained social and economic development. The crude birth rate is currently about 28 per thousand. Already, almost one-half of the population is under 16 years of age and the dependency ratio is growing. Out-migration considerably reduces the population growth rate, but the loss is disproportionately high in skilled management, scientific and technical people that the economy cannot afford to lose. Our goal is to help Jamaica achieve a crude birth rate of 25 per thousand by 1981 and 20 per thousand, or less, by 1985.

Activities to reach this goal fall into three major categories: those which have a direct impact on reduction of fertility, those which have a secondary or indirect impact, and support activities.

Direct impact activities support public and private educational and clinical family planning services. Major elements consist of:

(1) Development and maintenance of a comprehensive family planning clinic service program available islandwide through the Ministry of Health's integrated basic health services system.

(2) Development and maintenance of an extensive commercial contraceptive distribution system as a backup to the clinic program.

(3) Development and maintenance of an extensive public family planning information and sex education program:

- integrated into the public school curriculum,
- available through the mass media,
- operating by means of face-to-face contact with outreach workers, health educators, etc.

(4) Special programs in areas of critical importance such as:

- adolescent educational and service programs,
- male and female voluntary surgical contraceptive programs,
- integrated multisectoral service delivery programs.

Indirect impact activities are designed to influence family size preferences. They deal primarily with motivational factors rather than accessibility factors emphasized above. It has been well documented that reduction of family size usually accompanies improvement in economic levels, educational attainment, social status, as well as health care. The Mission activities described elsewhere in this document -- particularly in agriculture and human resource development -- should

have an indirect impact on reducing family size preferences. Because the intervening variables are so many and so complex, it is impossible to develop meaningful fertility targets for these activities. Nevertheless, the Mission will ensure that the goal of motivation for smaller families is taken into account in the development of all project activities, including incorporation of direct family planning educational and service components in non-population projects where feasible. The Mission will also continue to support current and future research into factors affecting family size preferences.

Development of a comprehensive population policy and strategy for Jamaica through appropriate GOJ mechanisms remains a top priority for the Mission in this sector. Family planning activities suffer basically from the same constraints as do health activities, namely the absence of an effective planning and management process, and most family planning services are delivered through the health care system. Therefore, assistance provided under the proposed FY 80 sector development loan will greatly benefit family planning activities.

Support activities, though not primary contributors to fertility reduction, are essential to provide the tools necessary to reach that goal. They consist of such activities as:

- assistance in developing a viable country vital registration system, as well as a working client information system;
- special surveys and studies on contraceptive prevalence, clinic dropouts, method use preferences and other operational research.

The GOJ has made the basic policy commitment and developed much of the service infrastructure needed to carry out an effective population program, though family planning is often given too low a priority within

the Ministry's integrated program to function effectively. Major constraints are lack of resources, both human and material. Lack of planning and management expertise is particularly serious. USAID support to the GOJ population program will therefore be needed well into the mid 1980s to bring about the management and other improvements which are required before the GOJ can assume full financial and administrative responsibility for the program.

Health

A major problem facing Jamaica's health sector is a steadily deteriorating health care delivery infrastructure. The number of experienced physicians, nurses, and other medical personnel in both management and services delivery positions has declined radically over the last several years. Lack of physical maintenance, supplies, replacement parts and new construction (excepting Cornwall County) has resulted in less than optimal use of existing clinical facilities and has increased the pressure on hospitals for care that should be provided at a lower level in the health system.

The main goal in the health sector of the GOJ's Five Year Plan is to provide health care services for all through the development of an integrated and comprehensive national health system which emphasizes primary health care delivery. The Ministry of Health will give priority to the strengthening of its training, statistical epidemiological, planning and evaluation programs, as well as the physical infrastructure and supply systems.

Principal constraints are the absence of an effective planning and management system, a functional health management information system, sufficient skilled medical manpower and adequate physical resources.

USAID's strategy will therefore be to provide assistance very selectively to the human, technological and analytical infrastructure particularly where it supports the family planning effort. National and local institutions in such areas as planning, training, data gathering and analysis, information system development and management will be supported. USAID's assistance will focus sharply on the Primary Health Care system, the vehicle through which basic health care services are delivered to Jamaica's poor. We anticipate that other donors will play the major role in responding to physical infrastructure improvement and equipment needs.

Nutrition

The Five Year Plan has set two nutrition goals: (1) reduction of malnutrition among young children and anemia in pregnant and nursing mothers; and (2) expansion of clinic coverage of the under three year old population. The Ministry of Health's program includes:

- (1) surveillance of the nutritional status of all children below the age of five years;
- (2) nutrition education through clinics, health centers and mass media;
- (3) supplementary feeding.

USAID will provide limited support to the Ministry in all three of these areas beginning in FY 1980 through the proposed health/nutrition sector loan. Nutrition activities suffer from basically the same constraints as do health activities, namely, the absence of both an effective planning and management process and a functional health management information system. Assistance to the health sector in those areas, therefore, will also benefit nutrition activities.

Regional Perspective

Many of USAID/Jamaica's activities in the health, nutrition and family planning field have benefited the Caribbean region and have a potential for making an even greater impact in the future.

Perhaps the greatest potential for benefiting the region exists in the Ministry of Health's family planning program. High fertility in adolescents is a region-wide problem and Jamaica, with USAID help, will be a forerunner in attempting to address the problem. Plans are to establish a regional Adolescent Resource Center at UWI in FY 1980. In addition, there is a proposal to AID/W to expand Jamaica's successful Commercial Distribution of Contraceptives Program regionally. And, although Jamaica's population policy development plans are just being formulated, the kind of issues, policies and programs developed will be highly relevant to other countries in the Caribbean.

With USAID assistance, Jamaica has explored new approaches in primary health care and the use of Community Health Aides. These approaches have been studied by other countries in the region. There is potential for replication of some of these approaches in the region, especially after they have been further tested under the proposed FY 1980 health sector development project.

In the field of nutrition, AID's assistance to the Caribbean Food and Nutrition Institute (CFNI) has benefited the region, especially in terms of nutrition education, training and policy setting. As one of the major member countries of CFNI, Jamaica's successes in the field of nutrition have been shared with other member countries. Furthermore, nutrition activities under the proposed FY 1980 health sector development project will be shared with other Caribbean countries.

3. Human Resources

Jamaica's educational system is deteriorating. With a declining real budget for education, cuts are being made not in teachers and other personnel but in supplies, maintenance and operational expenses. This strain on the system has been exacerbated by political pressures to increase the number of entrants in the secondary schools.

The GOJ's Five Year Plan places principal emphasis on expansion of primary education, teacher training, and agricultural education but the GOJ is currently struggling just to preserve the system it now has. With the Canadians giving assistance to school construction and the IBRD considering assistance in teacher education, USAID strategy in the formal education area is to implement its current Rural Education program and to focus future assistance in agricultural education. Studies are underway to determine specific needs and we expect assistance to agricultural education to form part of future agriculture sector lending.

In the manpower area, there is a need for linking together more effectively workers with potential employers. Training programs then need to be developed to meet the most urgent shortages. Among the constraints to achieving this goal are numerous deficiencies in data collection, analysis and planning, and in training and placement. USAID is financing a project directed at the gathering, evaluation, distribution and feedback of basic employment data. Specific manpower needs will be identified. Future USAID assistance would assist the GOJ in developing and implementing training programs to meet these manpower needs.

In addition to manpower training, there is a desperate need for both short and long-term training to upgrade the skills of middle-level management in development-related fields. Jamaica suffers from the

traditional LDC gap in middle-level management personnel -- a gap that has been exacerbated by the substantial out-migration of professional and skilled personnel. We propose assistance through the planning period to help the GOJ meet this gap.

Regional Perspective

Given Jamaica's size and level of development, we believe its institutions and development experiences can provide valuable training opportunities for persons throughout the Caribbean. In order to build and reinforce regional professional ties and support region-wide human resource development, we propose limited grant funding to permit us to invite regional participants and observers to take advantage of practical training opportunities in Jamaica that would be relevant to the development needs in other parts of the region.

For example, through the Rural Education Project, a prototype secondary agricultural school was constructed and began operation in February 1979. Students were enrolled from all parts of Jamaica, and through self-help efforts were able to clear land, initiate animal production, and plant a variety of crops. In less than a year, the school was able to feed itself in poultry and pigs and was selling chickens, eggs, peanuts and other produce. A similar type school is scheduled for completion in mid 1980.

Also, through the Rural Education Project, continuing education was introduced to Jamaica. This innovation has resulted in members of 12 different communities working together to improve their quality of life. Both cooperative and individual efforts are being made in agricultural enterprises, arts and crafts, and small businesses. Further schooling - both formal and non-formal - is being provided when

the demand is sufficient.

Again, under the same project, research has been done, or is under-way on tracing what happens to graduates from various types of schools, the impact of the shift system on learning, the development of new materials and techniques in the teaching of math and reading, and a host of other topics. Through such research, the planning capability of the Ministry of Education has been improved.

The current Manpower, Training and Employment project has resulted in the first real cooperative undertaking among the Ministries of Youth and Sports, Labor and Education, the Department of Statistics and the National Planning Agency. Working together, a system of surveying employment needs in the private and public sectors has been developed, and canvassing was initiated in January 1980.

Radio has demonstrated itself as a cost efficient means of providing education. It is not only cheaper than conventional formal education methods, it is also a more effective teaching device. The Ministry of Education in Jamaica has an Educational Broadcasting System (EBS) that is both well staffed and well equipped. There is nothing to compare with it in the rest of the Caribbean. The EBS could be used for regional purposes. This principle was accepted in June 1978, when representatives from the Eastern Caribbean attended a conference in Jamaica.

The Jamaican Ministry of Education is way ahead of the Eastern Caribbean in terms of curriculum development. This was clearly understood at the March 1978 Caribbean conference held in Barbados (sponsored by RDO/C). The \$10 million RDO/C Regional Educational Development Project that grew out of the Barbados meeting excluded

Jamaica from participating in curriculum development simply because it was so far ahead of other states. In practical terms the smaller states have been utilizing the Jamaican Ministry of Education to provide training. In fact there are several educators now in Jamaica working with Ministry of Education personnel. More can be accommodated if funding were made available. Such training is far more practical than theoretical training offered by the UWI in support of the Regional Educational Development Project.

At the tertiary level of education the College of Arts, Science and Technology (CAST) and the Jamaica School of Agriculture (JSA) are unique. On an economic basis it would be impossible for other Caribbean states to replicate such institutions. Both already have students from the Eastern Caribbean and would be willing to accept more students. If other Caribbean states were to participate to a greater extent, it would justify the expenditure to bring CAST and the JSA up to a higher quality.

Of all the regional institutions in the Caribbean the one that has the greatest number of trained people, the ability to work on a wide variety of projects, and the one best equipped to provide both technical assistance and participant training of all types, is the University of the West Indies. Consultations should be held with the UWI administration as to how the institution could better serve Caribbean needs.

4. Special Development Activities

Our strategy in this area will be to emphasize assistance to energy and to employment generation, principally in urban areas. We will also explore possible program activities either on a bilateral or regional basis in export development, appropriate technology and environmental management.

Urban Development

Approximately 50% of Jamaica's population now resides in urban areas and the rural to urban migration is causing increasing problems for city dwellers. Most urban dwellers are among the poorest Jamaicans. The slums and ghettos of Kingston, where probably 300-500,000 of Jamaica's 2 million people live, are as bad as those of any major city in Latin America or the Caribbean. As a result, USAID is exploring the possibility of an urban development program which would begin in FY 1980 or 1981 and extend into the FY 1982-86 period.

In FY 1980, we plan to undertake studies to determine an overall strategy for the sector and to begin to define an AID project. Based on these studies, we anticipate the development of a project to be presented to AID/W in late FY 1980.

We plan to continue our HIG program as an important part of our urban strategy. The HIGs would continue to focus on squatter settlement improvements and tenement upgrading, plus a rural home improvement component. These programs will continue to incorporate into their design essential, though minimal, community facilities and social services for the neighborhoods being upgraded, with the cost of these facilities and services being folded into the overall dwelling improvement costs charged against the occupants and owners of the premises benefited.

Our urban development project will be designed to support our production/employment strategy. The project will focus primarily on increasing employment in the urban areas by assisting the small business sector. We are actively considering an OPG with the Pan American Foundation which would establish a program of soft loans and technical assistance for small businessmen in the poorest sections of Kingston.

We view this as a pilot activity, which, if successful, would be expanded under our project. Coupled with this credit/technical assistance program will be a major effort in vocational training. Our recently approved OPG with Operation Friendship to assist that organization expand its vocational training program is providing us with valuable experience on which we can build an expanded program of vocational training. Community development at the grass roots level will be another important part of our project. Many of the community activities which we would support would be in productive areas and many would involve income-generating projects. We see an important need for several Peace Corps volunteers to be involved in the community development program. We also will provide limited amounts of technical advisory services and participant training to the GOJ in urban planning and administration. The program will focus on the Kingston urban centers, but we will consider providing assistance to some of the secondary cities in Jamaica as well.

As part of the Caribbean regional program, a proposal to assist lower income workers meet their housing needs will be presented. The proposal, being developed by the American Institute for Free Labor Development, contemplates channeling resources through the Caribbean Confederation of Labor to member labor unions. It is anticipated that Jamaican labor unions would participate to a substantial degree in this program. We strongly support this proposed regional program because of its potential impact in terms of upgrading worker housing, stimulating employment, and strengthening democratic institutions.

Energy

Jamaica is one of the most intensive energy users in the developing

world and is more than 90% dependent on imported commercial energy (petroleum). Since the OPEC price increases, Jamaica's annual import bill has more than quadrupled from approximately \$50 million in 1972 to over US\$200 million in 1978. The escalating cost of energy imports has already severely inhibited economic growth. Energy imports and debt service combined now preempt more than two-thirds of Jamaica's total foreign exchange earnings, leaving precious little foreign exchange for other needed import items essential for economic growth.

Because of energy's critical role in Jamaica's future development, USAID is planning a significant assistance program beginning in FY 1980 and continuing through the FY 1982-86 period. We see our assistance to the energy sector as a key element of our production/employment strategy. Our assistance will be aimed at assisting Jamaica decrease its dependence upon imported petroleum, thereby reducing its import bill and freeing up foreign exchange which can be used to purchase vitally needed equipment, spare parts and other items essential to increase production. Our assistance will also help to make energy supply more economical and reliable.

The GOJ's five-year National Energy Plan gives priority to 3 areas: (a) the identification and development of local energy resources, including non-conventional sources of energy; (b) the implementation of measures aimed at inducing energy conservation and energy economy; and (c) the establishment of institutional support for effective implementation of energy development and conservation.

To assist us in determining the kind of assistance required, a series of USAID-funded energy studies was carried out in August-November 1979 focused primarily on the feasibility of Jamaica's embarking on a

major effort to develop alternative energy sources. The studies were carried out on urban waste, solar energy, biogas and coal, which seem to be among the most promising possibilities. The results of those studies indicated that programs in solar energy and biogas should be implemented as soon as possible. The USAID project for FY 1980, now being designed, will be based on these studies.

The project which will be based on known technology, will provide the assistance needed to disseminate solar energy hot water heating units and biogas units throughout the island. Although additional research and development is always needed to improve these systems, Jamaica will depend, for the most part, on research and development carried out in the more industrialized, developed countries, and will concentrate its attention on adaptive research, demonstration projects and dissemination of proven technology.

Other possible alternative energy sources in Jamaica include peat, mini-hydro, wind, gasohol and charcoal. Under the project now being developed, USAID will assist in carrying out studies on these possible alternative energy sources with a view towards developing an action program which appears to be feasible.

USAID assistance in the FY 1982-86 period will concentrate on the development of alternative energy sources (and possibly conservation). We may wish to assist in improving the efficiency of the traditional energy sector, particularly the electric utilities company, the Jamaica Public Service Company. Jamaica has for the past year been plagued with a series of power outages which has severely inhibited industrial and commercial production. Estimates of losses from these outages run into millions of dollars. The problem is one of maintenance and

management of existing plants and not one of total plant capacity. USAID will explore with the GOJ the possibility of assisting JPS improve its management and maintenance capabilities.

In addition to the development of alternative energy sources, conservation is another key part of the GOJ's energy strategy. The U.K. has been active in assisting the Government to establish a conservation program. Additional assistance, particularly in an investment program designed to improve the efficiency of industrial enterprises, is required. USAID has indicated to the GOJ that we would be prepared to explore the possibility of USAID assistance in this area if it is not forthcoming from the U.K. or other sources. The GOJ is also discussing conservation assistance with the Inter-American Development Bank.

Jamaica will benefit from the AID Caribbean Regional Energy project although the amount of assistance to be available to Jamaica from this project is not expected to be significant. Jamaica, on the other hand, will be able, as its own solar, biogas and other programs move forward, to make important contributions to the alternative energy information network which will be set up under the regional project.

Appropriate Technology

USAID's strategy is to assure that, in all of our projects, the technology provided is appropriate to Jamaica's needs, resources and absorptive capacity. We will also be exploring the possibility, for the FY 1982-86 period, of a specific technical assistance project in this area, possibly involving the establishment of an appropriate technology institute which would be associated with the Scientific Research Council or the College of Arts, Science and Technology. It is particularly important, given Jamaica's severe foreign exchange and

unemployment problems, that technology be based on indigenous raw materials and labor as much as possible. We believe that an appropriate technology institute would be helpful in assuring that factors such as these are fully taken into account in the transfer and/or development of technology for Jamaica. We will be following closely the AID/W projects in the area of appropriate technology to see how Jamaica might be able to benefit from them. We also plan to establish closer working relationships with A.T. International and look for ways for Jamaica to utilize this resource.

Export Development

It is clear and unanimously agreed to that the ability to expand and diversify its exports is absolutely indispensable to Jamaica's efforts to renew and sustain economic growth. The GOJ has assigned high priority to the export sector and has launched a program to expand exports.

The major constraints to expanded exports are well known: (a) lack of foreign exchange to purchase needed raw materials for the exporting businesses; (b) low productivity in general, especially in non-traditional exports (fruits, vegetables, spices, etc.) but also in the more traditional exports (e.g., Jamaica has not been able to meet its sugar quota the past two years); (c) cumbersome procedures and systems involved in the administration of foreign exchange controls and in the government's control machinery set up to regulate the export sector.

USAID has been exploring the possibility of an assistance effort in the export sector. We have had preliminary discussions with a wide variety of organizations, both public and private, and have obtained the

TDY assistance of an export specialist from the World Trade Association for one week to advise us. We have not, however, been able to identify any specific proposals for how USAID might be able to contribute to overcoming the constraints facing the export sector. We will continue to explore possibilities during the planning period.

Environment

With a few significant exceptions, environmental problems in Jamaica have not reached the crisis stage they have in some LDCs. The principal problems involve urban sewage (particularly in Kingston where the harbor continues to degenerate because of the influx of poisonous and corrosive waste), waste from the bauxite industry, and erosion of certain of the beaches on the North Coast, the principal tourist area for Jamaica.

The GOJ has brought together into one office all of the Governmental organizations which have some responsibility for environmental concerns. The Natural Resources Conservation Department (NRC) was established in the Ministry of Mining & Natural Resources and is now the GOJ focal point for environmental matters.

The NRC has assigned high priority to conducting a study of Jamaica's needs in the area of coastal zone management and has approached the USAID for assistance. Jamaica has large deposits of peat and the GOJ is interested in exploring the environmental implications of mining that energy source. USAID assistance may be requested.

We do not, however, anticipate any major project in the environmental area at this time. Assistance in coastal zone management may be provided through an AID/W global project now being considered. If requested, we can probably assist with an environmental study of the

peat potential under our energy project now being designed. We will, of course, continue to discuss with the GOJ possible ways in which USAID might be of assistance and look for ways in which limited amounts of assistance might make significant contributions to the government's environmental program.

Our strategy primarily will be to pay careful attention to the environmental aspects of all our assistance activities we undertake to make certain our projects are designed to be environmentally sound. This will be particularly important in our energy and agricultural projects. Whenever possible, we will build into our projects an environmental component to increase the awareness of environmental matters.

Special Studies/Training Fund

Finally, we propose a small fund to permit us to stimulate development initiatives or opportunities that we cannot now support under existing projects and that would not require further support in a future project. We have in mind private development initiatives especially that are already springing up as the GOJ's ability to cope with both its economic crisis and longer-run development requirements diminishes. The objective would be to put local organizations or groups in touch with U.S. organizations that potentially could be sources of further cooperation. We also have in mind opportunities to encourage regional approaches and cooperation. Our assistance would take the form of financing observational or short-term training programs abroad for Jamaicans and short-term studies or visits by U.S. experts on key development problem areas.

Regional Perspective

The potential relationship between AID bilateral and regional programs in energy have been pointed out above. We do not see early regional implications stemming from our proposed urban development program although we hope to take advantage of USAID/DR's earlier start with such a program in the Dominican Republic. Jamaica could profit from and contribute to regional initiatives already started or planned in the areas of export development, appropriate technology and environment.

PART IV ASSISTANCE PLANNING LEVEL

Development Loans and Grants

The proposed Assistance Planning Levels Table (Table 1) shows an increase in the level of loans and grants to \$21.5 million in FY 1983. The level then declines to \$10 million by FY 1986. The higher level at the beginning of the period reflects our estimate of Jamaica's added potential for addressing its basic structural and developmental problems after the electoral process has been completed in late 1981. The lower level at the end of the period reflects our view that the program should by then be able to move toward phase out. This view, however, does assume:

- progress toward resolution of Jamaica's foreign exchange crisis and a resumption of economic growth;
- high levels of assistance, but on less concessional terms, from IBRD, IDB and other donors, as well as resumption of financing from commercial sources;
- continued GOJ progress in ameliorating conditions of the target group and achieving the basis for self-sustaining development.

We believe that the program levels proposed are the minimum needed (1) to achieve program objectives; (2) to express U.S. policy with respect to Jamaica and the Caribbean, and (3) to maintain our influence with respect to Jamaica's economic and social development.

PL 480 Assistance

PL 480 Title I will continue to form an important part of USAID's proposed strategy. PL 480 Title I is programmed at \$10 to \$15 million per year through FY 1981 or FY 1982 and at \$5 million per year through FY 1985 or FY 1986. Title I imports will permit Jamaica to stave off critical food shortages, to sustain adequate nutritional levels through

the maternal-child and school feeding program; and to save scarce foreign exchange for other needed raw material and capital imports.

Under Title I, Jamaica will import wheat which it does not produce and corn and oil which it will not be able to produce in sufficient quantities over the next several years even with the most optimistic production growth assumptions. Hence, Title I imports will not represent any disincentive to local production. A portion of Title I will continue to be used to import blended foods for urban and rural school and maternal-child health feeding programs serving approximately 120,000 urban students, 41,000 rural students, and 126,000 MCH beneficiaries. We believe Jamaica is the only country which has agreed to move such programs to a Title I basis. Included under Title I since 1974, these feeding programs will require Title I support for the next several years until local sources of blended foods or other alternatives can be substituted.

In March 1978, the GOJ and U.S. signed a Memorandum of Understanding for use of local currencies generated under existing and future PL 480 and Commodity Import Program agreements. It was agreed that such local currencies would be utilized in the sectors of agriculture, nutrition, health and population, education, and housing, placing emphasis on improving the lives of the least privileged segments of the population in Jamaica and on improving their capacity to participate in the development of the country. Priority in assignment of the local currency would go: first, to support of ongoing projects being assisted by USAID; second, to support of activities which would facilitate programs being considered for USAID assistance; third, to support activities which would complement such ongoing or proposed programs; and fourth, to

support other high priority development projects for Jamaica as agreed between USAID and the GOJ. A tentative list of activities to be supported totaling J\$70 million was attached to the Memorandum. Programming and utilization of these local currencies have been reviewed periodically since and a revised allocation of anticipated generations through March 1981 was signed in October 1979. Generations under proposed future PL 480 Title I programs would fall under this agreement.

Housing Investment Guarantees

Housing Investment Guarantees (HIGs) make an important contribution to our overall strategy: because 90% of the cost of housing construction consists of local materials and labor, the HIG transfers substantial foreign exchange; since the unskilled and semi-unskilled labor component of housing construction is approximately 40-60%, the HIG helps cut hard-core unemployment at least during the construction period; and because urban blight has such a debilitating effect on the health, morale and aspirations of both adults and youth, the HIG can be an important stimulant to development in its attack upon such blight. We expect HIG resources to form an important component of our urban development program. The \$15 million second tranche of the ongoing HIG program is expected to be authorized in FY 1981, with a further \$25 million program projected for FY 1984. These HIGs would focus on squatter settlement improvement, sites and services, and lower income housing construction and rehabilitation. A major objective of HIG assistance will be to generate urban employment.

Staffing Implications

Staffing ceilings recently assigned to USAID for FY 1980 are 18 U.S. direct hire, 28 foreign nationals, and 4 IDIs. We feel these levels will be needed throughout the five-year planning period and will be adequate

to carry out the strategy. We are assuming, however, that substantial use will continue to be made of intermediaries such as has been the case to date with a range of agencies in the Family Planning program, with the Bureau of Census in our Health and Agriculture programs, with the Department of Labor in our Manpower Development program, with AACTE and AAPC in the Rural Education program, with the Universities of Michigan, Ohio State, Cornell, Kentucky and Auburn in our Agricultural programs, etc. We also plan to continue close collaboration with the Peace Corps (PCVs are now directly involved with our Fish Production, and Integrated Rural Development programs). For analytical and program design assistance we will count on continuing to draw heavily on TDY contractor and AID/W assistance. Fortunately, Jamaica's geographical proximity to the U.S. makes it possible to stretch limited travel funds further for this purpose here than elsewhere.

TABLE 1

PROPOSED ASSISTANCE PLANNING LEVELS (PAPL)

(U.S.\$ Millions)

<u>Categories</u>	<u>FY 1982</u>	<u>FY 1983</u>	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>TOTAL</u>
<u>Agriculture</u>	(1.2)	(11.1)	(14.8)	(.8)	(6.7)	(34.6)
Loans	-	10.0	14.0	-	6.0	30.0
Proj.Grants	1.0	.8	.6	.6	.6	3.6
OPGs	.1	.1	.1	.1	-	.4
PD&S	.1	.2	.1	.1	.1	.6
<u>Human Resources Development</u>	(5.2)	(.2)	(.1)	(.2)	(2.1)	(7.8)
Loans	5.0	-	-	-	2.0	7.0
Proj.Grants	.1	.1	.1	.1	.1	.5
OPGs	.1	.1	-	-	-	.2
PD&S	-	-	-	.1	-	.1
<u>Health and Family Planning</u>	(.9)	(4.7)	(.8)	(.8)	(.6)	(7.8)
Loans	-	4.0	-	-	-	4.0
Proj. Grants	.6	.6	.6	.6	.6	3.0
OPGs	.1	.1	.2	.2	-	.6
PD&S	.2	-	-	-	-	.2
<u>Energy and Appropriate Technology</u>	(5.2)	(.2)	(4.2)	(4.1)	(-)	(13.7)
Loans	5.0	-	4.0	4.0	-	13.0
Proj.Grants	.2	.1	.1	.1	-	.5
OPGs	-	-	-	-	-	-
PD&S	-	.1	.1	-	-	.2
<u>Urban Development and Employment</u>	(3.4)	(5.2)	(-)	(5.0)	(.5)	(14.1)
Loans	3.0	5.0	-	5.0	-	13.0
Proj.Grants	-	-	-	-	.5	.5
OPGs ,	.2	.2	-	-	-	.4
PD&S	.2	-	-	-	-	.2
SDA	.1	.1	.1	.1	.1	.5
TOTAL	16.0	21.5	20.0	11.0	10.0	78.5
LOANS	13.0	19.0	18.0	9.0	8.0	67.0
GRANTS	3.0	2.5	2.0	2.0	2.0	11.5

NOTE: Not included in the above chart is Contingency Assistance of \$10.0 million or more for a Production/Employment program in FY 1982

TABLE 2

PER CAPITA GDP IN CONSTANT 1974 DOLLARS

Year	(1) GDP (in millions of 1974 J\$)	(2) Population at mid- year (in '000)	(3) Per Capita GDP (in constant '74 J\$)	(4) Col. (3) con- verted at J\$1 = US\$1.10
1969	1,783.3	1,843.8	967.2	1,063.9
70	2,003.7	1,869.1	1,072.0	1,179.2
71	2,059.9	1,901.1	1,083.5	1,191.9
72	2,264.8	1,932.4	1,172.0	1,289.2
73	2,285.4	1,975.7	1,156.8	1,272.4
74	2,270.0	2,025.0	1,121.0	1,233.1
75	2,211.9	2,060.3	1,073.6	1,180.9
76	2,028.3	2,072.3	978.8	1,076.6
77	1,988.7	2,096.8	948.4	1,043.3
78	1,955.3	2,132.4 *	916.9	1,008.6

Sources: For GDP, Department of Statistics, National Income and Product, 1978, page 15.
For population, Statistical Yearbook of Jamaica, 1978, page 126

* Projected at 1.7% above 1977 level.

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TABLE 3

Jamaica: Balance of Payments

(In Millions of U.S. Dollars)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
I <u>Exports</u>	<u>810.4</u>	<u>659.6</u>	<u>760.2</u>	<u>798.4</u>	<u>771.6</u>
Bauxite & Alumina			563.2	574.9	
Sugar			62.7	58.2	
Bananas			14.3	16.8	
Other			120.0	148.5	
II <u>Imports (CIF)</u>	<u>1123.0</u>	<u>912.8</u>	<u>760.6</u>	<u>872.1</u>	<u>972.9</u>
III <u>Services, Net</u>	<u>3.7</u>	<u>-56.6</u>	<u>-87.7</u>	<u>-68.0</u>	<u>-26.7</u>
Travel			60.1	87.0	127.1
Receipts			(72.0)	(98.3)	
Payments			(11.9)	(11.3)	
Investment income			-138.2	-144.9	-169.6
Other, net			- 9.6	- 10.1	15.8
IV <u>Transfers</u>	<u>26.2</u>	<u>5.9</u>	<u>20.0</u>	<u>22.0</u>	<u>30.0</u>
V <u>Current Account</u>	<u>-282.7</u>	<u>-303.8</u>	<u>-68.1</u>	<u>-119.7</u>	<u>-198.0</u>
VI <u>Central Govt. Non-Compensatory Capital Flows, Net</u>	<u>124.2</u>	<u>79.2</u>	<u>-16.3</u>	<u>37.5</u>	
Institutional		31.2	26.6	44.0	
Venezuela (VIF)		-	3.7	11.0	
Commercial bank refinancing			-	79.0	
Other		73.0	-	-	
Amortization		-25.0	-46.6	-96.5	
VII <u>Private Capital Flows (excluding special lines of credit), Net</u>	<u>84.7</u>	<u>-26.5</u>	<u>- .4</u>	<u>-161.2</u>	
Mining sector		- 8.0	- 7.0	- 11.0	
Govt. guaranteed debt		23.0	2.5	- 23.2	
Drawings		47.0	(38.5)	(23.3)	
Amortization		(-24.0)	(-36.0)	(-46.5)	
Financial system		-17.0	- 6.1	- 3.7	
Other ^{1/}		-24.5	10.2	-123.3	
VIII <u>Net Balance (V+VI+VII)</u>	<u>-73.8</u>	<u>-251.2</u>	<u>-84.8</u>	<u>-243.4</u>	

^{1/} Consists of Tate & Lyle credit, bauxite levy loan, reduction in arrears, changes in private debt and errors and omissions.

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	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
IX Financed through -					
A. Special financial arrangements:					
United States Government		-	6.6	22.0	
United Kingdom Government		-	-	39.1	
Canadian Government		-	3.8	10.0	
IBRD Program Loan		-	-	30.0	
Donor Countries (CGCED)		-	-	31.5	
Special Lines of Credit		-	11.3	33.5	
B. IMF Credit (net) and change in international reserves (increase -)		251.1	63.1	77.3	

Sources: For 1977 and 1978, International Monetary Fund Report on "Jamaica - Use of Fund Resources - Extended Fund Facility" Supplementary Information EBS/79/300 Supplement 1, May 31, 1979, Statistical Appendix Table 30.

For 1979, preliminary estimates of the Bank of Jamaica.

Note that this balance of payments presentation differs from the traditional form in that the capital inflows in the body of the table were limited to the "non-compensatory" kind, i.e. they exclude special financial arrangements made to finance the balance of payments deficit. These compensatory flows were all listed "below the line" i.e. to show how the balance of payments deficit was financed. Thus, balance of payments assistance provided by the U.S., U.K. and Canadian Governments, the IBRD program loan, special assistance from donor countries through the Caribbean Group and special lines of credit were all listed below the line. The purpose of this altered presentation is to reveal the magnitude of the true balance of payments deficit (line VIII).

TABLE 4

SUMMARY OF REVENUES AND EXPENDITURES
OF THE CENTRAL GOVERNMENT

(In Millions of J\$)

Fiscal Year Ended March 31

	<u>1972</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979 (Revised)</u>
Tax and non-tax revenues	246.1	514.7	520.4	522.5	777.1
Transfer from Capital Development Fund	-	125.0	80.0	110.0	268.0
Total recurrent revenues	<u>246.1</u>	<u>639.7</u>	<u>600.4</u>	<u>632.5</u>	<u>1045.1</u>
Total recurrent expenditures	<u>202.9</u>	<u>615.6</u>	<u>764.7</u>	<u>843.4</u>	<u>1157.1</u>
Surplus (deficit) on current account	43.2	24.1	(164.3)	(210.9)	(112.0)
Capital receipts (excluding receipts of loans)	4.6	9.1	11.6	19.8	3.8
Capital expenditures	<u>99.7</u>	<u>364.1</u>	<u>524.8</u>	<u>399.3</u>	<u>613.0</u>
Total revenues	<u>250.7</u>	<u>648.8</u>	<u>612.0</u>	<u>652.3</u>	<u>1048.9</u>
Total gross expenditures	<u>302.6</u>	<u>979.7</u>	<u>1289.5</u>	<u>1242.7</u>	<u>1770.1</u>
LESS: Amortization	-9.8	-55.5	-39.5	-68.4	-181.4
Total net expenditures	<u>292.8</u>	<u>924.2</u>	<u>1250.0</u>	<u>1174.3</u>	<u>1588.7</u>
Overall surplus (+) or deficit (-)	<u>-42.1</u>	<u>-275.4</u>	<u>-638.0</u>	<u>-522.0</u>	<u>-539.8</u>
Financing	<u>51.9</u>	<u>331.8</u>	<u>641.0</u>	<u>533.3</u>	<u>552.6</u>
Net foreign borrowing	24.0	110.5	106.6	36.7	266.2
Net domestic non-bank	} 27.9	72.6	529.1	341.7	166.6
Net domestic banking system		148.7	5.3	154.9	119.8
Residual	- 9.6	-56.4	-103.0	-11.3	-12.8

Sources: For FY 1972, Bank of Jamaica Bulletin, March 1973.
For FY 1976 & 1977, Bank of Jamaica Bulletin, March 1977.
For FY 1978 & 1979, Bank of Jamaica, Statistical Digest, August 1979,
Table 31.

TABLE 5

DISTRIBUTION OF FAMILY INCOMES,
JAMAICA 1963/1964

<u>% of Families</u>	<u>Percent of Income</u>		
	<u>Urban</u>	<u>Rural</u>	<u>Total</u>
1st 20%	4.0	2.0	2.5
2nd 20%	9.0	7.0	7.5
3rd 20%	14.0	12.0	12.5
4th 20%	21.0	22.0	21.3
5th 20%	52.0	57.0	56.0
(Top 5%)	(25.0)	(29.0)	(27.0)

Source: F. M. Audie, "Distribution and Redistribution of Family Incomes in Jamaica, 1963-1964", Central Planning Unit 1966, page 5

TABLE 6
NUMBER AND ACREAGE OF FARMS BY SIZE GROUPS, 1968

<u>Size Group</u> (Acres)	<u>Farms</u>		<u>Land in Farms</u>	
	<u>Number</u>	<u>Percent</u>	<u>Acreage</u>	<u>Percent</u>
Landless	4,768	2.47	-	-
Less than 1	52,969	27.40	22,736	1.53
1 5	93,961	48.58	206,480	13.87
5 10	25,237	13.05	165,905	11.14
10 25	12,370	6.40	174,852	11.74
25 50	2,280	1.18	74,718	5.01
50 100	775	.40	52,490	3.53
100 200	379	.20	51,116	3.44
200 500	320	.17	96,932	6.52
500 up	293	.15	643,959	43.20
All farms	193,359	100.00	1,489,188	100.00

Source: "Agricultural Census, 1968/69"

TABLE 7
INTEREST RATES IN JAMAICA AND IN THE U.S.
(AT END OF YEAR)

	<u>Commercial Bank</u> <u>Prime Lending Rate</u>		<u>Treasury Bills</u>		<u>Bank Rate (Ja.) & Federal</u> <u>Reserve Discount Rate (US)</u>	
	<u>Jamaica</u>	<u>U.S.</u> *	<u>Jamaica</u>	<u>U.S.</u>	<u>Jamaica</u>	<u>U.S.</u>
1972	8.0	5.25	4.97	5.11	6.00	4.50
1973	9.0	8.03	7.18	7.35	7.00	7.50
1974	11.0	10.81	7.20	7.11	9.00	7.75
1975	10.0	7.86	6.98	5.21	8.00	6.00
1976	11.0	6.84	7.27	4.30	9.00	5.25
1977	11.0	7.75 (Dec)	7.29	6.15	9.00	6.00
1978	11.0	11.55 (Dec)	8.42	9.34	9.00	9.50
1979	11.0 (May)	11.75 (Apr)	9.48 (Jul)	9.15 (Jul)	9.00 (Jun)	9.50 (Jun)

* Average for year except for 1977 and 1978 (end of year) and 1979 (April).

Source: Research Department, Bank of Jamaica, Statistical Digest, August 1979, tables 21 and 23; and Council of Economic Advisers, Economic Report of the President, January 1979, Table B-65

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TABLE 8

EMPLOYED LABOR FORCE BY EMPLOYMENT STATUS IN
OCTOBER OF EACH YEAR

(In Thousands)

	<u>1972</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>% Change</u> <u>1972-78</u>
Total	624.4	684.3	679.1	699.2	702.1	12.4
Paid govt. employees	78.7	116.8	126.0	137.0	130.5	65.8
Paid non-govt. employees	275.9	266.8	248.3	239.3	231.2	-16.2
Unpaid workers*	28.0	36.3	37.5	40.4	44.0	57.1
Employers	8.4	9.5	7.8	4.5	5.9	-29.8
Workers on own account	227.5	248.5	255.6	272.6	285.8	25.6
Other	5.9	6.4	3.9	5.4	5.0	-15.3

* Including close relatives working in the family business, e.g. wife or children working in father's bakery

Source: Department of Statistics, The Labour Force, 1974 and 1978 issues, pages 77 and 47, respectively.

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TABLE 9

Government Allocations (Recurrent Plus Capital) to
Selected Ministries (In millions of J\$)

<u>Ministry</u>	<u>1973/74</u>	<u>1978/79</u>	<u>1978/1979 (in constant 1973 J\$)</u>	<u>% Increase in Real Terms 1973-78</u>
Agriculture *	43.8	140.3	54.5	24.4
Housing	9.6	44.6	17.3	80.2
Education	73.1	210.0	81.6	11.6
Youth & Sports	7.0	33.1	12.9	84.3
Labour	3.2	3.3	1.3	-59.3
Health	40.3	111.6	43.3	7.4
Local Government	45.5	119.0	46.2	1.5
Total of Above	222.5	661.9	257.1	15.6
Overall Budget	462.1	1,824.8	708.9	53.4
Total of above as % of overall budget	48.1	36.3	36.3	-

*For agriculture, we included allocations that were actually made to other ministries (e.g. Ministry of Works and Mining) but which affect the agricultural sector. Examples are farm-to-market roads and irrigation works.

Sources: For 1973/74, Ministry of Finance, Estimates of Expenditures for the Year Ending 31st March, 1976; For 1977/78 and 1978/79, Ministry of Finance, Estimates of Expenditures for the Year Ending 31st March, 1979, as presented to the House of Representatives on the 16th May, 1978.

TABLE 10

TRENDS IN SELECTED WELFARE INDICATORS, 1969-76

Year	Per Capita GDP in constant '74 U.S. dollars*	Mortality Rate (per '000 pop.)	Infant Mortality Rate (per '000 live births)	Live Birth Rate per '000 population
1969	1,063.9	7.6	33.4	35.1
70	1,179.2	7.3	32.2	34.4
71	1,191.9	7.4	27.1	34.9
72	1,289.2	7.2	30.9	34.3
73	1,272.4	7.2	26.2	31.4
74	1,233.1	7.2	26.2	30.6
75	1,180.9	6.9	23.4	30.1
76	1,076.6	7.1	20.3	29.3
77	1,043.3	6.8	15.2	28.8
78	1,008.6	5.9	16.2	27.4
% change 1969-77	-5.2**	-6.8	-39.2	-16.5

* Converted into U.S. dollars at the rate of J\$1.00 = US\$1.10

** For per capita GDP, the percent change is for the period 1969-1978

Source: For GDP, Department of Statistics, National Income and Product, 1978, page 15; for other data, Statistical Yearbook of Jamaica, 1978, page 126, and unpublished information from the Ministry of Health

TABLE 11

LABOR FORCE BY EDUCATION OBTAINED, 1972-77
(October of Each Year)

Year	(1) Total Labor Force	(2) Labor Force without For- mal Education	(3) Completed Primary School	(4) Completed Post Primary School	(5) (2) as % of (1)	(6) (3) as % of (1)	(7) (4) as % of (1)
1972	808,900	53,200	666,100	82,400	6.5	82.3	10.2
73	801,200	59,600	648,500	85,200	7.4	80.9	10.6
74	820,100	34,400	674,400	92,200	4.2	82.2	11.2
75	865,600	38,000	695,100	122,400	4.4	80.3	14.1
76	895,500	26,800	706,400	147,200	3.0	78.9	16.4
77	917,900	19,600	722,000	160,900	2.1	78.7	17.5
78	949,200	24,100	733,300	179,000	2.5	77.3	18.9

Source: "The Labour Force", 1974 and 1978 issues, pages 54 and 34, respectively

