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Acquisitions

AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D.C. 20523

MEMORANDUM

July 20, 1987

TO: Distribution

FROM: ANE/PD, Ronald F. Venezia *RM*

SUBJECT: Jordan Agricultural Marketing Development (278-0274)  
Asia and Near East Project Advisory Committee

The ANPAC meeting to review subject above will be held on Friday, July 24, 1987, 10:30 a.m. in Room 6660.

Participation in accordance with ANE Bureau guidelines is invited.

Attachments: Issues Paper

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## ISSUES PAPER

### JORDAN: AGRICULTURAL MARKETING DEVELOPMENT (278-0274)

#### SUMMARY

The Agricultural Marketing Development project is a \$5 million, 5-year activity designed to improve the environment for private sector involvement in Jordan's agricultural marketing system. The project's premise is that this objective can be accomplished by working through a revitalized Government of Jordan (GOJ) entity, the Agriculture Marketing Organization (AMO), which will be responsible for doing policy studies and experimentation to demonstrate to senior GOJ decision-makers the importance of making key policy changes in the agricultural sector. The AMO will also, with project assistance, address certain key operational deficiencies in the Jordanian ag marketing system, such as grading and standards for produce, and the ag marketing information system for domestic and export sales.

Four issues were identified for discussion at the ANPAC level during the Project Committee meeting held on July 9, 1987. These are listed below.

ISSUE 1: Should the Mission design and authorize this project without an ex ante agreement/understanding with the GOJ on a policy agenda and general agreement on policy studies to be pursued by the AMO?

Discussion: The project's policy agenda is open-ended despite a relatively discrete set of objectives in the log frame. The PID does identify three "dysfunctions" which the project is intended to alleviate (cost of subsidies to the economy, foregone export opportunities due to poor market information, and post-harvest losses due to lack of grading and standards), but it is not clear whether these three items form the basis of a common agenda of policy and regulatory changes the Mission is now discussing with the GOJ. In fact, in Amman 07283 the Mission argues that it should not ask the GOJ for commitment in principle to policy reforms to be studied during the project as a precondition to authorization. This assertion is made despite the fact that Annex D, p. 5 of the PID actually lists specific policy reform targets in general, qualitative terms. The PID also asserts that policy constraints are paramount to devising an effective ag marketing strategy, an argument consistent with the FY 1987 Action Plan's ranking of ag policy constraints toward the top of the Mission's own agenda.

The point at issue, therefore, is whether the Mission should engage the GOJ in a dialogue about specific policy targets prior

to final design but subsequent to the rapid appraisal proposed in the PP, or whether the agenda should evolve over time out of studies to be conducted by the AMO. It has been argued that the latter option creates a TSFS or PETRA-like mechanism in the ag sector, and questioned whether AID/W should permit proliferation of this type of project in the portfolio. On the other hand, is the size of this project (\$5 million) sufficient to provide the GOJ to take policy agenda discussions with AID seriously?

Recommendation: That the Mission be instructed to reach agreement with the GOJ on a set of policy "priorities" to be studied by the AMO and establish a broad framework agenda, using the list in Annex D, p. 5 of the PID, as the basis for setting policy targets in agriculture marketing prior to authorization.

ISSUE 2: Does the Mission make a credible case for working through a parastatal to create a better environment for private interests in marketing, handling and processing? Is the AMO the preferred institutional option?

Discussion: The PC could not determine whether the Mission's hypothesis of working through a fledgling Agriculture Marketing Organization (AMO) as the mechanism to strengthen private sector involvement in ag marketing was valid. The existence of a powerful Agriculture Marketing and Processing Company already dominating the sector suggests that any freeing up of the market may result in increased benefits being captured by AMPCO and making it difficult for private entrepreneurs to break into marketing. It also suggests that the project may facilitate the GOJ to exercise of its authorities under the new Agricultural Marketing Organization Law which include quota controls on imports and exports of agricultural commodities, and fixing prices of agricultural products (Attachment B, PID). The PID does not address the potential implicit conflict of this law with the project's objective of increasing agricultural production by freeing up marketing constraints (in fact, parts of the law conflict with the Mission's policy reform targets in Annex D, p. 5 of the PID). Moreover, the PID does not indicate if the Mission has investigated private sector alternatives to the AMO for some of the project elements such as management of a system of grades and standards, of market information, or even conducting policy studies.

Finally, if the AMO is the preferred institutional option for directing project resources, it was noted that the AMO is still a fledgeling organization, as yet barely staffed and up to the task of undertaking the functions outlined for it. Although it is authorized 100 staff, Amman 07283 erroneously claims that all these staff are "professionals". In fact, a review of job titles suggests only about 15% can likely be counted in that category (See Annex C, PID). Although the project claims not to be an

institutional development effort, the amount of long-term and short-term training and commodity support suggests otherwise. The doubts expressed in the PC concerning the AMO's influence in the GOJ policy-making process and its ability to coordinate the efforts of other government agencies in carrying out policy study "experiments" suggest that institutional strengthening objectives may carry equal importance with the marketing objectives laid out in the PID. The project proposes to contribute to the AMO's OE expenses, one indication of its nascent stage of development. Of course, the fact the organization is not up and running can be of advantage to AID, particularly if the organization can be maneuvered to contract out to private firms much of its policy and regulatory enforcement work. The question, however, is whether the rest of the GOJ will view as credible the "subversive" motives of the AMO in demonstrating the inappropriateness of certain government policies, particularly in the absence of a well-articulated policy agenda between AID and the GOJ.

Recommendations:

- 1) The Project Paper design should devote substantial effort to an institutional analysis which looks at the level and nature of support necessary to make the AMO a viable, credible entity in making policy recommendations, conducting policy "experiments" and establishing systems of grading and standards, and market information dissemination. The analysis should also examine various private sector options for undertaking some of the activities now currently ascribed to the AMO for project support, including options for contracting out to private entities certain aspects of AMO functions. The analysis should further examine the influence the AMO is likely to have on the GOJ policy-making process.
- 2) The PP economic analysis should address the issue of why working through a parastatal to relieve market constraints in agriculture will not strengthen the operations of the competing AMPCO operation.
- 3) The PP should minimize the level of OE support for the AMO, phasing over such support to the GOJ budget over the project's life, and not permit such support to pay government employee salaries.

ISSUE 3: How will the Bumpers and Fascell amendments affect project design?

Discussion: The Bumpers and Fascell amendments place restrictions on AID support for production and/or export of agricultural commodities which compete with U.S. exports of the same commodities in third countries. Also, the Fascell amendment places an absolute prohibition on support for citrus, sugar and

palm oil. Although the project appears to be "commodity blind," marketing surveys or policy studies which either target or include, in particular, some of the prohibited products may cause conflict with existing statutes.

Recommendation: The PP should specifically address how project design will avoid Bumpers/Fascell amendments restrictions.

ISSUE 4: The role of the agribusiness marketing councils is not defined in the PID. What significance are these councils as either independent private entities, or as extensions of the AMO?

Discussion: The PC was confused by the inclusion of these councils in the PID, their functions, how they would be supported by project resources, and their relationship to the AMO? Are these councils intended to be truly private, independent organizations, or will the AMO be responsible for their creation and sustainability?

Recommendation: So little is known about why the Councils were included in the PID and what their functions would be that the institutional analysis should seriously examine whether these councils are integral to project success, and, if so, how to maximize the private sector character of these entities.

In addition, two other points were discussed which can be concerns. These are:

- 1) Training: The rationale for long-term training under the project is not well established. Considering that "professional" staff probably numbers only around 15, and that all of these individuals may not yet be on board, removing three staffers at one time in the project's early stages may not be practical. PP should better justify rationale for long-term training and skill areas requiring Master's level training that AMO professionals would not already be expected to have. Also, PC suggests that Mission maximize short-term training funded through other projects (e.g., DAT IV) as pre-implementation actions.
- 2) Economic Analysis: The PID provides no discussion regarding the importance of agriculture to the overall Jordanian economy. Hence, the PID project description and log frame sets no general targets on the expected growth of agriculture relative to GNP to which this project may contribute. Lacking this discussion, it was difficult for the PC to reach a conclusion as to the significance of this activity to the overall Jordanian economy, to the major priorities of the Mission's strategy (improve balance of payments and increase employment), and whether the level of support (\$5 million) is adequate to the task. The PC felt the PP economic analysis should include an analytical discussion addressing these points.