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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

JAMAICA

PROJECT PAPER

FOOD AID MONITORING AND SUPPORT

AID/LAC/P-483

Project Number: 532-0157

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET
 1. TRANSACTION CODE A = Add C = Change D = Delete
 Amendment Number _____ DOCUMENT CODE **3**

2. COUNTRY/ENTITY
 USAID/Jamaica

3. PROJECT NUMBER
 532-0157

4. BUREAU/OFFICE
 Latin America and Caribbean 05

5. PROJECT TITLE (maximum 40 characters)
 Food Aid Monitoring and Support

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
 MM DD YY
 08 15 94

7. ESTIMATED DATE OF OBLIGATION
 (Under 'B:' below, enter 1, 2, 3, or 4)
 A. Initial FY 8 9 B. Quarter 4 C. Final FY 9 3

8. COSTS (\$000 OR EQUIVALENT \$1 =)

| A. FUNDING SOURCE | FIRST FY 89 | | | LIFE OF PROJECT | | |
|------------------------|-------------|---------|----------|-----------------|-----------|-----------|
| | B. FX | C. L/C | D. Total | E. FX | F. L/C | G. Total |
| AID Appropriated Total | | | | | | |
| (Grant) | (150) | (150) | (300) | (950) | (1,550) | (2,500) |
| (Loan) | () | () | () | () | () | () |
| Other U.S. | | | | | | |
| 1. | | | | | | |
| 2. | | | | | | |
| Host Country | | 25 | 25 | | 850 | 850 |
| Other Donor(s) | | | | | | |
| TOTALS | 150 | 175 | 325 | 950 | 2,400 | 3,350 |

9. SCHEDULE OF AID FUNDING (\$000)

| A. APPROPRIATION | B. PRIMARY PURPOSE CODE | C. PRIMARY TECH. CODE | | D. OBLIGATIONS TO DATE | | E. AMOUNT APPROVED THIS ACTION | | F. LIFE OF PROJECT | |
|------------------|-------------------------|-----------------------|---------|------------------------|---------|--------------------------------|---------|--------------------|---------|
| | | 1. Grant | 2. Loan | 1. Grant | 2. Loan | 1. Grant | 2. Loan | 1. Grant | 2. Loan |
| (1) ARDN | 180 | | | - | | 2,500 | | 2,500 | |
| (2) | | | | | | | | | |
| (3) | | | | | | | | | |
| (4) | | | | | | | | | |
| TOTALS | | | | | | 2,500 | | 2,500 | |

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
 11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
 A. Code _____ B. Amount _____

13. PROJECT PURPOSE (maximum 480 characters)
 To enable the Government of Jamaica and USAID to undertake multi-year planning and management of Food Aid resources.

14. SCHEDULED EVALUATIONS
 Interim MM YY MM YY Final MM YY

15. SOURCE/ORIGIN OF GOODS AND SERVICES
 000 941 Local Other (Specify) _____

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

The USAID/Jamaica Controller has reviewed and concurs with the methods of implementation and financing included herein.

Robert A. Leonard
 Robert A. Leonard

17. APPROVED BY
 Signature: William R. Joslin *W. R. Joslin*
 Title: Director, USAID/Jamaica
 Date Signed: MM DD YY 08 31 89

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
 MM DD YY

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| Action Memo | i |
| Project Authorization | ii |
| Project Paper Design Team | iv |
| List of Acronyms | iv |
| | |
| Summary & Conclusions | 1 |
| A. Summary | 1 |
| B. Findings | 1 |
| | |
| I. Project Rationale and Description | 1 |
| A. Rationale | 2 |
| B. Description of the Project | 3 |
| 1. Monitoring Title II and Section 416 Programs | 4 |
| 2. Implementation of Self Help Measures | 5 |
| 3. Upgrading Local Currency Management Systems | 6 |
| 4. Management of Section 108 | 7 |
| 5. Development of a Food Grant College | 8 |
| 6. Health and Nutrition Surveys | 9 |
| 7. Miscellaneous | 11 |
| | |
| II. Cost Estimate and Financial Plan | 12 |
| | |
| III. Implementation Plan | 17 |
| | |
| IV. Monitoring Plan | 17 |
| | |
| V. Summary of Analyses | 17 |
| A. Technical | 17 |
| B. Social Soundness | 17 |
| C. Administrative | 18 |
| D. Economic | 20 |
| | |
| VI. Conditions and Covenants | 20 |
| | |
| VII. Evaluation and Audit Arrangements | 20 |
| | |
| ANNEXES | |
| A. Action Plan Cable | |
| B. Logical Framework Matrix | |
| C. Statutory Checklist | |
| D. Request for Assistance | |
| E. Technical Analysis | |
| F. Social Soundness Analysis | |
| G. Administrative/Institutional Analysis | |
| H. Economic Analysis | |

PROJECT AUTHORIZATION

Name of Country: Jamaica
Name of Project: Food Aid Monitoring and Support
Number of Project: 532-0157

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Food Aid Monitoring and Support Project for Jamaica involving planned obligations of not to exceed Two Million Five Hundred Thousand United States Dollars (US \$2,500,000) in grant funds over a five year period from date of authorization subject to the availability of funds in accordance with the A.I.D. OYB allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the Project is five years from the date of initial obligation.

2. The Project will provide funding for a number of activities designed to enable the Government of Jamaica and USAID to undertake multi-year planning and management of food aid resources. Illustrative activities which might be funded under this Project include assistance in monitoring of Title II and Section 416 programs, implementation of self help measures, upgrading the GOJ's local currency management system, management of the Section 108 program, development of the College of Agriculture, and health and nutrition surveys related to food aid.

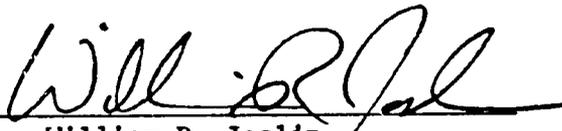
3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms, together with such other terms and conditions as A.I.D. may deem appropriate.

4.a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in Jamaica or in the United States except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have Jamaica or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing.

4.b. Ocean Shipping

Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.



William R. Joslin
Director
USAID/Jamaica
August 31, 1989

Date

draft:PDS:PLerner *PL*
Clearances:

DDIR:MAZak *MAZ*
OPPE:TRTiff *T*
GC/LAC:TGeiger(draft)
ARDO:SFrench *SF*
CONT:RALeonard *RA*
OPEP:NHardy *NH*

PROJECT PAPER DESIGN TEAM

The Food Aid Monitoring and Support Project was designed by the following USAID/Jamaica staff:

Timothy W. O'Connor, Project Coordinator
Stephen P. French, Director, Agriculture and Rural
Development Office
Patricia J. Lerner, Chief, Project Development and Support
Division
Rebecca Cohn, Director, Office of Health, Nutrition and
Population
Mathias Gweshe, Financial Analyst

* * * * *

LIST OF ACRONYMS

| | |
|------|---|
| COA | College of Agriculture |
| FVA | Food and Voluntary Assistance |
| JADF | Jamaica Agricultural Development Foundation |
| JCTC | Jamaica Commodity Trading Company |
| LSU | Louisiana State University |
| MOA | Ministry of Agriculture |
| MOE | Ministry of Education |
| MOF | Ministry of Finance |
| MOH | Ministry of Health |
| PIOJ | Planning Institute of Jamaica |
| PSC | Personal Services Contract |
| SFP | School Feeding Program |
| WFP | World Food Program |

SUMMARY AND CONCLUSIONS

A. Project Summary

The PL 480 Program in Jamaica has been growing throughout the 1980's both in absolute terms and as a proportion of USAID/Jamaica's overall budget. As a proportion of total U.S. economic assistance to Jamaica, the PL 480 program has more than tripled from 16% in 1981 to 57% in 1988. It is anticipated that this level of food assistance will continue throughout the next five years. At the same time, the number of food aid related activities necessary for planning and implementing the program has grown over the years and increased the need for a multi-year funding mechanism to rationalize and manage the numerous tasks involved in a food aid program of this magnitude. This Project will finance the ancillary activities traditionally associated with the implementation of a large food aid program including monitoring, evaluation, undertaking self help measure studies, and other relevant tasks.

B. Summary Findings

Based on the analyses contained in Part V Cost Estimates and Financial Plan, and Annex E Project Analyses, the Project has been determined to be financially, technically, institutionally, economically, and socially sound and ready for implementation. The Project meets all of the statutory requirements (see Annex C).

I. PROJECT RATIONALE AND DESCRIPTION

A. Rationale - This Project is designed to make a multi-year commitment to the development assistance costs of studies and management systems necessary to make the PL 480 food aid programs and the GOJ's food policies and management systems more effective and efficient. Major benefits of the Project will be derived from influencing the entire food management system including both the commercial market and the GOJ's targeted feeding programs. Both the commercial market and the GOJ's food aid programs are far larger and more costly than the PL 480 assistance provided by the USG. In using this modest amount of dollar funding associated with the larger policy instrument of PL 480 Title I and the special program capability of Title II, this project will have substantial policy and program influence in improving the entire food management system. In a narrow sense, even if this dollar funded project is only able to improve the effectiveness of the PL 480 program modestly (e.g., only 10 to 20 percent) it will still have a significant impact. With PL 480 programming averaging between US \$30 to \$40 million a year, the narrower impact can be estimated to be worth between US \$3 to \$8 million alone. Clearly, however, the development impact of this project flows from and is a function of the development impact of the PL 480 program

itself. The Project must be viewed in the context of its development impact and the possibility for improving performance of the entire PL 480 program.

PL 480 in the Jamaica Setting - Food aid represents over one-half of total bilateral economic assistance to be provided by the U.S. to Jamaica in FY 1989 and will continue to constitute a high proportion of U.S. assistance over the next five years. This increased level and sustained high level of food aid is the result of several factors. Most importantly, high levels of food aid are due to the fact that cereals (wheat/wheat flour, rice and corn) comprise about one-third of the Jamaican diet and Jamaica depends on imports to supply more than 97% of these cereal requirements.

The requirement for imported cereals is due to many factors, but primarily because imports are the most cost effective means of feeding the population. Of the three cereals, wheat is the most important, comprising 22% of the average Jamaican diet, and it is technically not feasible to produce wheat in Jamaica. Rice and corn comprise 8% and 2% of the Jamaican diet, respectively. All of the foodgrains represent the lowest cost calories and protein available to the Jamaican consumer. Even if these commodities were priced to be significantly above their landed cost, they would still offer the consumer far more nutritional value per Jamaican dollar spent than could be obtained from domestic substitutes.

Similarly, imported feed corn and soybeans provide the inputs for animal feed, which results in a major local industry. Most of the imported feed is fed to poultry which provides whole chickens more cost effectively than importing frozen chickens. Therefore, from a Jamaican consumer's point of view, taking advantage of international trade brings lower cost foodstuffs to the table than could be provided from domestic sources. The U.S. is the lowest cost producer in the world of most of these commodities, therefore, commodity imports from the U.S. are the key to keeping the Jamaican population fed at the lowest cost. Additionally, Jamaica faces severe foreign exchange constraints. In order to maintain the cost effective imported source of foods without reducing resources available to finance imports of other commodities essential for continued economic development, Jamaica will require the maximum possible amount of grant or concessional food aid assistance for the foreseeable future.

From a Jamaican producer's or farmer's perspective, the situation is not very different from the consumer's. The fact that Jamaica does not have a comparative advantage in producing the low cost commodities which are now imported means that efforts to produce these crops or similar import substitution crops will not be the best investment possible for a Jamaican farmer. Although rice and corn can be grown in Jamaica, many studies have demonstrated that the return on investment for these commodities is marginal at best and a poor alternative to higher value tropical crops. Not only

is the cost of production a major disadvantage for the Jamaican farmer on any program to produce a low cost bulk food, but the high local cost of transportation also mitigates against these crops being a good investment. Tropical crops with a per unit value many times that of bulk grains can more readily bear the very high transport costs within Jamaica.

B. Description of the Project

The Project is designed to enhance the developmental impact of food aid to Jamaica through improved resource planning, management, monitoring, analysis of impact and implementation of macro and microeconomic self-help measures. This will enable the GOJ and the USAID Mission to undertake multi-year planning and management of food aid resources, including local currency generations, as well as an expanded focus on policy dialogue. The policy dialogue in PL 480 flows from the legislation and terms of the Title I agreements which require us to engage in dialogue with the GOJ on increasing food production and availability of foodstuffs in country. The food and agriculture issues are one part of the overall policy agenda which includes both macro-economic issues addressed in the Economic Support Fund program and policy issues relating to other projects. The priority areas or focus of the food and agriculture sector issues addressed under PL 480 evolve over the years. From U.S. FY 1987 to FY 1989, for example, the development of the Jamaica dairy industry was the primary focus of the Title I self-help measures. In the proposed FY 1990 program, adequate funding for agricultural development projects is a major theme. With the growth and diversification of the food aid programs (PL 480 Title I, II and Section 416), there is an increasing need for food aid related studies and analyses, technical assistance, training, and other support, monitoring, and policy dialogue activities which are best funded from the development assistance account. Many of the complementary expenses necessary to maximize the development returns to food aid are technical assistance and training costs which require foreign exchange funding.

While the Title I Agreement does allow for the use of local currency generations to be used in financing the self help measures set forth in the various agreements, the self help measures agreed to are not always amenable to local currency financing. For example, many of the self-help measures give priority to conditionality which address sensitive economic issues. The host government will accept these after being convinced of the need and merits of the proposed solution, given the need to identify appropriate reform as part of concessional food assistance agreements. However, funding expatriate consultants to study new problems, for example, from local currency generations needed for in-country project management costs is simply not feasible given the need for, and shortage of, foreign exchange. Funding self-help measures from a DA funded project provides the Mission with leverage and latitude in assuring that the analyses associated with self help measures are undertaken and implemented.

2

Following the signing of food agreements, various monitoring and evaluation exercises must be undertaken to assure adherence to the rules and regulations which govern these agreements. If these expenses must come out of GOJ Title I or Section 416 generations, they assume a lower priority and may be seriously delayed or have to be foregone. Currently, the Mission is utilizing PD&S funding to monitor and report on Title II and Section 416 donations to the GOJ's School Feeding Program. As the Mission anticipates a continuation of this and similar types of programs, and regulations governing these agreements require on-going monitoring functions, a multi-year funding source, such as the proposed Project, is required.

The Project will also address various issues surrounding the implementation of the Section 108 program. The Jamaica Title I program has been the trailblazer for the new Section 108 program and with this responsibility comes a host of technical and managerial activities which require funding. An example is the necessity to contract with a local chartered accounting firm to design and implement an auction market to determine what the competitive commercial rate of interest is for Section 108 funds. Funding for this and other studies or management systems related to Section 108 will be funded out of this Project as Section 108 funds cannot be used for these purposes.

Finally, given the nature of the food aid program and the numerous unforeseen issues which invariably develop during the course of implementation, a contingency/miscellaneous budget line item will be incorporated into the Project.

The Project provides funding for a mix of monitoring, management and research activities involving the GOJ, USAID and private sector entities. Some of these activities were previously funded with PD&S funds; others will be new and unique to this Project. All of these components are designed to accomplish the goal of the Project which is to enhance the developmental impact of food aid to Jamaica through improved resource planning, management, monitoring, analysis of impact and implementation of macro and microeconomic self help measures. The purpose of the Food Aid Monitoring and Support Project is to enable the GOJ and USAID to undertake multi-year planning and management of food aid resources. This includes management of local currency generations, as well as an expanded focus on policy dialogue.

Illustrative examples of the kinds of activities which might be implemented under this Project are described below.

1. Monitoring of Title II and Section 416 Programs - [budgeted at approximately \$350,000 over the LOP]

The Title II Program is designed to furnish agricultural commodities on behalf of the U.S. to meet famine or other emergency requirements; to combat malnutrition, especially in children; to promote economic and community development; and, for

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needy persons and nonprofit school lunch and preschool feeding programs in developing countries. The Section 416 Program is similarly designed to provide donated commodities to foreign governments and public and nonprofit private humanitarian organizations for the assistance of needy persons outside the United States. The main difference between the two programs is that the Title II program is more stable and predictable than the Section 416 Program because Title II derives its financing from the PL 480 appropriation account, whereas the Section 416 program is dependent on the residual stocks of the Commodity Credit Corporation (CCC) which may or may not be available at any given time.

Legislation governing the implementation of Title II and Section 416 Programs requires the establishment of monitoring mechanisms to track distribution and monitor consumption in order to assure the proper utilization of donated commodities. In this regard, USAID/Jamaica has been contributing Title II commodities to the GOJ's School Feeding Program (SFP) since October 1986. In August 1987 USAID entered into a Limited Scope Grant Agreement which provided \$110,213 for the United Nations World Food Program (WFP) and the Ministry of Education (MOE) for a monitoring and tracking program.

The rationale for using the WFP to monitor the USAID Title II contributions to the SFP was that the WFP had a monitoring and tracking program (in conjunction with the MOE) for the contributions they were making to the SFP in place at the time USAID commenced contributions. In order to avoid taxing the already overburdened bureaucracy of the MOE by requiring a duplicate monitoring and tracking system for USAID, a decision was made to provide a small grant contribution to the MOE and the WFP to allow them to simultaneously track USAID provided commodities. This arrangement has worked well. USAID has made two further Title II commitments including a continued commitment to the SFP and a new Title II program for a supplementary feeding program with the Ministry of Health, and the monitoring requirements will be funded from the Food Aid Monitoring and Support Project. Furthermore, any new Title II or Section 416 Programs will benefit from tracking and monitoring costs funded from this Project.

2. Implementation of Self Help Measures - [Technical Assistance budgeted at approximately \$300,000 over the LOP; /Commodities budgeted at approximately \$200,000 over the LOP]

Title I legislation requires the recipient country to undertake self help measures aimed, where appropriate, at expanding food production and improving food storage and distribution facilities. The areas addressed in self help measures evolve over the years, so it is important to have a flexible source of dollar assistance to provide essential dollar support for their implementation. Self help measures involve both policy studies and specific project activities.

For example, self help measures in several agreements required the GOJ to develop a policy and implement project activities to stimulate the growth of the dairy industry. In addition to undertaking price policy changes which have provided farmers with incentives to expand their dairy herds, the self help measures have encouraged the development and implementation of specific project activities to improve livestock genetics and to expand the small farmer role in dairy farming. A successful model for a large dairy to work with small farmers in an outreach project was developed. The expansion of this kind of project or a similar approach to other areas of the country was also encouraged. If another effective small farmer outreach activity is designed, reviewed, and found appropriate to fund, then this Project will be able to provide the dollar assistance necessary to implement the follow through on this series of self help measures. Imported milk cooling or transportation equipment will most likely have to be imported using dollar assistance for this kind of activity.

A more typical example of dollar funds necessary to implement Title I self help measures, is a study on policy issues. For example, a study of the liberalization of international trade and its impact on the Jamaican economy has been proposed as an FY 1990 self help measure. Jamaica is a small open economy which is heavily dependent on food imports. As such it is vulnerable to policy changes which affect international trade. The study described above would examine the likely effects of current changes in agricultural trade on Jamaica's ability to produce, export and import food. A simulation model of the probable impact of agricultural trade liberalization on Jamaica's welfare and foreign exchange earnings might be developed. This kind of study typically requires the assistance of international consultants and would be appropriate for funding under this Project.

3. Upgrading the GOJ's Local Currency Management System -
[Technical Assistance has been budgeted at approximately \$75,000, Commodities at \$150,000, and Training at \$50,000 over the LOP].

The FY 88 audit of the PL 480 Title I program concentrated on the management and use of local currency proceeds. The audit highlighted a concern about the capability of the GOJ to adequately manage, monitor and utilize Title I reflows. USAID/Jamaica was able to quickly close the audit recommendations with the implementation of a spreadsheet based computer tracking and monitoring system for local currency generations. While this satisfied the auditors that USAID/Jamaica was monitoring the use of local currency adequately, certain glitches on the GOJ side have continued to hamper expeditious transfers of local currency generations from the sale of commodities by the JCTC to the special account at the Bank of Jamaica. Additionally, the division at the Ministry of Finance which is responsible for allocating and disbursing the PL 480 local currency is severely constrained by the lack of a computer based management information system.

As a result of the above mentioned audit, more stringent host country reporting requirements have been incorporated into the Title I agreements which give the U.S. Inspector General the authority to audit host country projects receiving Title I reflows. This Project provides financing for a public administration improvement activity to be undertaken by a local management/accounting firm to assist the GOJ in upgrading and improving the management of the local currency proceeds from Title I.

This activity will examine the systems capabilities of the JCTC, MOF and the PIOJ as they relate to the generation, allocation and disbursement of Title I generated local currency. Included in this activity and based on the recommendations of the consultants, this Project will fund the cost of providing the computer hardware necessary for implementing a new local currency management information system and the requisite training to assure optimal implementation and use.

4. Management of the Section 108 Program - [Technical Assistance has been budgeted at approximately \$50,000 over the LOP].

A special subset of the PL 480 Title I local currency management program are the Section 108 local currency funds. These funds are USG owned and must be managed according to special guidance. This can require funding for management activities which may not be funded from Section 108 local currency funds. For example, as described earlier, this year a contract with a local audit firm was required to prequalify firms and then run an auction.

It is expected that there will be similar management costs in future years. Negotiating instructions for PL 480 Title I agreements are increasing the level of emphasis and associated requirements for Section 108 programming each year. Therefore, while the Jamaica program had a strong beginning with Section 108 and has developed the auction mechanism for determining appropriate interest rates, a reduced programming or management requirement is not anticipated in the future. Section 108 will have to continue to be aggressively managed in order to ensure that the program works well within the guidance.

The next challenge for Section 108 will be reviewing the results of the first auction and redirecting the program as necessary based on the initial experience. It is anticipated that the auction will get market interest rates which most likely will work best for the borrowers who can afford the highest cost credit. This may mean, for example, that the retail trade rather than agriculture will receive a very high proportion of the Section 108 resources when program guidance states a preference for agriculture. Depending on the experience with the initial auction, future auctions using the local audit firm as the implementing organization, may have to deal with program adjustments to make sure that all aspects of the Section 108

guidance are being effectively met. Depending on how the In-Country Policy Group, and the Washington Food Aid Subcommittee view the results of the first auction, this may involve redesigning or targeting the auction mechanism. In future years, guidance will evolve as PL 480 legislation is now being reconsidered, so the need for continuous management improvement of the program design and mechanisms will likely remain. In sum, the large Section 108 private enterprise lending program has a need for continuing careful management and accounting on a multi-year basis which this support project can provide.

5. Determining the feasibility of the College of Agriculture Foundation - [budget estimates include assistance of approximately \$250,000 over the LOP]

This is an example of attempting to develop creative new approaches to the use of food aid resources for development. In working with proposed pilot project concepts, flexibility is of the utmost importance as experimentation may quickly show that changes in approach are necessary. The Mission has reviewed, and endorsed for Washington consideration a Louisiana State University (LSU) developed proposal to use PL 480 resources to create an endowment which would serve as a catalyst to stimulate private sector funding of the College of Agriculture (COA) through the mechanism of a private foundation. However, the Washington review has indicated that current policy and legal interpretation indicates that when monetizing PL 480 Title II resources, both the principal and interest of the funds generated must be directly utilized for the development project involved.

The Mission believes that the LSU proposal addresses an essential developmental need of the long term private support for higher education in agriculture using an appropriate resource -- PL 480 generations. An alternate approach involving the direct utilization of PL 480 generations may achieve equally effective results in building a sustainable the College of Agriculture. If this pilot program is determined to be acceptable under current regulations, this project may be the source for funding the development of this new proposal. The proposed assistance to the Jamaica College of Agriculture under this project is limited to determining the feasibility of establishing a food grant college foundation.

The College of Agriculture has potentially productive lands both at the College and at its Spring Gardens farm. The development plan for the Spring Gardens farm already aims at producing income which can be channelled through the COA Foundation to support the COA. However, as the College is chronically short of funding, these potentially productive lands will develop slowly and only in a less capital intensive manner than may be appropriate.

13

Assuming it may be possible to access PL 480 Title II capital for direct investment, funds from this Project will be used to finance a study of capital intensive development of income generation business for the COA. The anticipated program design will be that additional Title II generations will be provided through the existing Jamaica Agricultural Development Foundation mechanism, and will target only those businesses which, with the benefit of appropriate capitalization, can provide the COA Foundation, and ultimately the COA, with a reliable income source. Each investment proposal will have to meet normal investment criteria which would otherwise apply to bank lending. It is further expected that the management arrangements for each income generating project will be entirely business ventures in nature (i.e., managed through joint ventures, or under contract with profit incentives provided to the manager so that the long term income flow is maximized).

The range of potential direct income generating investments is mainly focused on agriculture. While the educational impact of having strong agricultural business on the site is important, the main priority should remain income generation. A greatly expanded banana farm, ornamental horticulture, aquaculture, and poultry operations are areas which should be explored. It is also possible that investments other than agriculture offer equal opportunities to provide a good income flow for the COA. These potential income generating activities would have to be carefully structured so that they do not directly compete with private producers and/or provide industry with new technical information or services. For example, the present COA banana farm produces planting materials which are sold to banana farmers who are provided technical assistance at the same time. This allows the COA to generate income while supporting and not competing with local producers. Generating funds from agricultural projects which support local private producers, is more management intensive than a simple endowment would be. Given that finding good managers is difficult in Jamaica, start-up support for the COA Foundation is more important with this approach. Funds from this Project will be used to support comprehensive feasibility studies of the start-up of the COA Foundation including such things as a business investment plan or prefeasibility study for the COA.

6. Health and Nutrition Surveys Related to Food Aid - [budgeted at approximately \$450,000 over the LOP]

Surveys and Evaluations - This component of the Project will provide funds for surveys and evaluations to assess certain aspects of the food aid program as well as the linkages between these programs and health and nutritional outcomes. It will also provide USAID and the GOJ with a mechanism to examine the effectiveness and efficiency of the food aid supported programs as well as other food and nutrition related issues. Activities supported under this component will ensure that there are adequate

- 14 -

data available to assess the nutritional status, particularly of the vulnerable groups, such as children under the age of five years and the elderly, throughout the life of this Project.

Studies will also investigate the impact of domestic agriculture/food policies and their relationship to the nutritional well being of the Jamaican population. For example, the current policy environment continues to promote and support the consumption of coconut oil. This policy is costly in that it requires the Jamaican consumer to subsidize the local coconut industry and, worse, it encourages the consumption of a nutritionally poor product given its high level of saturated fats which have been proven to promote cardiovascular diseases. Study of the issue may be appropriate to provide comprehensive information as the basis of various GOJ decisions.

The purpose of these studies and evaluations is to assist the GOJ to analyze a variety of policy options and facilitate policy decisions which maximize the impact of food aid resources and improve health and nutritional status, especially of vulnerable groups. Illustrative topics which might be examined under this component include the following:

Evaluation of the Title II Supplementary Feeding Program - In late FY 89, the MOH will initiate a supplementary feeding program for malnourished children through its clinics and hospitals under the Title II program. This evaluation will assess the extent to which the program has achieved its objectives, reached the appropriate target group and facilitated improved clinic attendance. If feasible, the evaluation will examine the relationship between the supplementary feeding program and improved nutritional outcomes of the target group.

Fortification of Food - Low hemoglobin levels, indicative of anemia, occur frequently in Jamaica among the young, and pregnant and lactating women. Each successive survey over the past 30 years has confirmed this, and its cause is due to inadequate iron intake and low iron absorption. Severe iron deficiency anemia causes functional impairment. Accordingly, the Ministry of Health is examining the possible fortification of foods with iron to address this problem. This study will assist the GOJ to examine the feasibility and cost effectiveness of an iron fortified food. As the majority of the foodstuffs which can be fortified are the imported foods, and because Title I provides the majority of the imported staples, this activity would have a direct link to the Title I program.

Targeting of School Feeding Program - The 1988 Living Conditions Survey sponsored by the World Bank found the School Feeding Program to be progressive overall, i.e. it benefits a higher proportion of the lower expenditure groups than the wealthier. However, the data indicate that the program could be better targeted to the lower expenditure groups, especially to children

in basic schools as 14% of those surveyed benefited from the School Feeding Program in basic schools, yet, 44% of those surveyed in primary schools benefitted from it. Further analysis needs to be done in order to find ways to effectively target this program to the neediest groups and to develop strategies so that the program achieves its objective of improved school attendance.

Targeting of Food Stamps - The above mentioned Living Conditions Survey also examined the extent to which the Food Stamp Program is reaching its target groups. Overall, the survey found that of all households receiving food stamps, about 57% are in the poorest two quintiles of household expenditure. The remaining 43% of beneficiary households are in the upper 60% of the income distribution. Accordingly, the program's eligibility criteria should be reviewed and the trade offs between the administrative costs involved in better means testing and the cost of program leakages should be examined.

Nutritional Status - Compared to many other developing countries, the nutritional status of children under 5 in Jamaica is good. The most recent survey of the nutritional status of children under five years conducted by Fox and Ashley in 1985 found that 7% suffer from moderate malnutrition and 1% are severely malnourished. While the Ministry of Health's Primary Health Care Program implements a nutrition surveillance program, clinic attendees are not always representative of the community at large and therefore MOH data are not reliable measurements of actual nutritional status of the population. This component will provide support to the GOJ to conduct periodic surveys of nutritional status, and to research certain aspects of nutritional status in a more in-depth manner. These might include analyzing the risk factors associated with malnutrition, assessing the nutritional status of the elderly, examining the relationship between diet and diabetes and hypertension, and determining the factors responsible for any change in breastfeeding among women in Jamaica.

The expected outputs of this component are a series of studies, evaluations and analyses to assist the GOJ in the formulation of policies for food aid and other nutrition related programs. Where the results of these studies result in new program directions for GOJ programs, other components of the Project will assist the GOJ to disseminate findings and implement recommendations of these analyses.

7. Miscellaneous - [budgeted at approximately \$500,000 over the LOP]

Other miscellaneous activities to be funded from this Project include the costs of a Personal Services Contractor for USAID/Jamaica to work on food aid management issues, as well as the possibility of hiring another PSC for the Section 108 Program, and any other food aid monitoring, management, and policy dialogue costs which are presently unknown.

8. Contingency and Inflation - Funds for contingency and inflation are provided at approximately four (4) percent of USAID's total project estimated costs. The types of costs to be incurred and the estimated person months of services to be funded are uncertain at this time. However, the funds budgeted for miscellaneous cost along with the \$100,000 under this component should be sufficient to fund all unknown Project costs.

II. Cost Estimate and Financial Plan

A. SUMMARY Table I shows summary cost estimate and financial plan. Table II is a costing of project inputs and outputs. Table III is a projection of expenditures by fiscal year. Table IV illustrates the Methods of Implementation and Financing for the Project.

The Government of Jamaica's contribution to the project is made up of the administrative program administration for the food aid programs which involves fully or part time staff in the Planning Institute of Jamaica, the Ministry of Finance, the Ministry of Agriculture, the College of Agriculture, the Ministry of Education. The Title I program also involves several full time positions in the the Jamaica Commodity Trading Corporation. Under Title II besides the Ministry of Education, Nutrition Products Limited devotes very substantial staff and facilities to the PL 480 program. Considering the very substantial nature of these programs, one could reasonably attribute for more substantial GOJ resources to the program if the full range of external offices are considered. This presentation accredits the staff time of the primary counterpart offices to the GOJ contribution to this project as a part of the larger PL 480 program.

B. Methods of Implementation and Financing Table 4 shows the basic methods of implementation and financing for the USAID funded activities of the Project. The methods of financing do not deviate from AID's preferred methods as described in the Payment Verification Policies.

The Planning Institute of Jamaica will coordinate the Host Country activities and will implement along with other Ministries/Agencies various components of the Project. The Controller's Office reviewed PIOJ's accounting and reporting capabilities as well as their contracting procedures under another project and found them to be adequate. The PIOJ has yearly audits performed by a local chartered accounting firms and USAID will have the opportunity to review the yearly audit scope of work prior to the commencement of the field work and will be provided with a separate report following the completion of the audit.

The other implementing Ministries and Agencies will have their accounting, financial reporting and contracting capabilities review once they are identified. Project funds will not be advanced unless they meet adequate standards which are sufficient

TABLE I - SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(US\$000)

| SOURCE | A. I. D. | | Subtotal | GOJ/NGO | GRAND TOTAL |
|--|----------|------|----------|----------------|----------------|
| | FX | LC | | Local Costs | |
| | | | | | |
| 1. Technical Assistance | | | | | |
| School Feeding Monitoring | 50 | 300 | 350 | 264 | 614 |
| Self-help Program | 150 | 150 | 300 | 302 | 602 |
| Upgrade GOJ Local Currency System | 0 | 75 | 75 | 95 | 170 |
| Section 108 Auction | 0 | 50 | 50 | 0 | 50 |
| Surveys and Evaluations | 0 | 400 | 400 | 0 | 400 |
| Administrative Support | 400 | 100 | 500 | 0 | 500 |
| Subtotal | 600 | 1075 | 1675 | 661 | 2336 |
| | | | | | |
| 2. Training Local Currency System | 0 | 50 | 50 | 0 | 50 |
| | | | | | |
| 3. Commodities | | | | | |
| Computer Hard/Software | 100 | 50 | 150 | 0 | 150 |
| Other Commodities - Self Help | 200 | 0 | 200 | 0 | 200 |
| Subtotal | 300 | 50 | 350 | 0 | 350 |
| | | | | | |
| 4. Initiatives e.g. as COA Feasibility | 0 | 250 | 250 | 189 | 439 |
| | | | | | |
| 5. Evaluations/Audit | 0 | 75 | 75 | 0 | 75 |
| | | | | | |
| Total | 900 | 1500 | 2400 | 850 | 3250 |
| | | | | | |
| 6. Contingency/Inflation | 50 | 50 | 100 | 0 | 100 |
| ----- | | | | | |
| Grand Total | 950 | 1550 | 2500 | 850 | 3350 |

TABLE II - COSTING OF PROJECT OUTPUTS/INPUTS
(US \$000)

| OUTPUTS | INPUTS | | | | | | AID TOTAL | GOJ/NGO LOCAL COSTS | GRAND TOTAL |
|---|-----------------|------------------|-------------|--------|-----------------------|----------|--------------|------------------------|----------------|
| | LONG TERM TA | SHORT TERM TA | COMMODITIES | GRANTS | EVALUATION FUNDING | TRAINING | | | |
| 1 IMPROVED PERFORMANCE OF THE CURRENT PROGRAM | | | | | | | | | |
| A. SUBSTANTIALLY BETTER POLICY PERFORMANCE IMPLEMENTED SELF-HELP PROGRAM | 168 | 542 | 200 | 0 | 30 | | 940 | 302 | 1242 |
| B. SUBSTANTIALLY MORE EFFECTIVE ADMINISTRATION | | | | | | | | | |
| SECTION 108 AUCTION IMPLEMENTED | 16 | 54 | 0 | 0 | 2 | | 72 | 0 | 72 |
| UPGRADED GOJ LOCAL CURRENCY SYS. | 24 | 81 | 150 | 0 | 8 | | 263 | 95 | 358 |
| IMPROVED SCHOOL FEEDING MONITORING | 192 | 598 | 0 | 0 | 26 | | 816 | 264 | 1080 |
| 2 NEW PILOT PROGRAMS TESTED | | | | | | | | | |
| ESTABLISHMENT OF COA FOUNDATION | 0 | 0 | 0 | 250 | 8 | | 258 | 189 | 447 |
| 3 TRAINING PERSONNEL FOR LOCAL CURRENCY MGT INFORMATION SYSTEM | 0 | 0 | 0 | 0 | 1 | 50 | 51 | 0 | 51 |
| TOTAL | 400 | 1275 | 350 | 250 | 75 | 50 | 2400 | 850 | 3250 |
| CONTINGENCY / INFLATION | 17 | 53 | 15 | 10 | 3 | 2 | 100 | 0 | 100 |
| GRANT TOTAL | 417 | 1328 | 365 | 260 | 78 | 52 | 2500 | 850 | 3350 |

TABLE III PROJECTION OF EXPENDITURES BY FISCAL YEAR
(US\$000)

| COMPONENT | FY90 | | FY91 | | FY92 | | FY93 | | FY94 | | TOTAL | |
|----------------------------------|------|---------|------|---------|------|---------|------|---------|------|---------|-------|---------|
| | AID | GOJ/NGO | AID | GOJ/NGO |
| SELF-HELP PROGRAM | | | | | | | | | | | | |
| TECHN. ASSISTANCE | 50 | 25 | 60 | 50 | 50 | 75 | 50 | 76 | 70 | 76 | 300 | 302 |
| COMMODITIES | 0 | 0 | 50 | 0 | 50 | 0 | 50 | 0 | 50 | 0 | 200 | 0 |
| SECTION 108 PROGRAM | | | | | | | | | | | | |
| TECH ASSISTANCE | 0 | 0 | 50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 50 | 0 |
| GOJ LOCAL CURRENCY SYS | | | | | | | | | | | | |
| TECH ASSISTANCE | 50 | 0 | 25 | 32 | 0 | 0 | 0 | 0 | 0 | 0 | 75 | 32 |
| TRAINING | 0 | 0 | 50 | 63 | 0 | 0 | 0 | 0 | 0 | 0 | 50 | 63 |
| COMMODITIES | 0 | 0 | 100 | 0 | 50 | 0 | 0 | 0 | 0 | 0 | 150 | 0 |
| SURVEYS AND EVALUATIONS | | | | | | | | | | | | |
| TECH ASSISTANCE | 100 | 0 | 75 | 0 | 100 | 0 | 100 | 0 | 25 | 0 | 400 | 0 |
| ADMINISTRATIVE SUPPORT | | | | | | | | | | | | |
| TECH ASSISTANCE | 100 | 0 | 100 | 0 | 100 | 0 | 100 | 0 | 100 | 0 | 500 | 0 |
| SCHOOL FEEDING MONITORING | | | | | | | | | | | | |
| TECH ASSISTANCE | 40 | 22 | 70 | 62 | 80 | 63 | 80 | 53 | 80 | 64 | 350 | 264 |
| INITIATIVES SUCH AS COA GRANT | 60 | 0 | 100 | 189 | 90 | 0 | 0 | 0 | 0 | 0 | 250 | 189 |
| EVALUATIONS/AUDITS | 0 | 0 | 0 | 0 | 25 | 0 | 50 | 0 | 0 | 0 | 75 | 0 |
| TOTAL | | | | | | | | | | | | |
| CONTINGENCY/INFLATION | 0 | 0 | 25 | 0 | 25 | 0 | 25 | 0 | 25 | 0 | 100 | 0 |
| GRAND TOTAL | 400 | 47 | 725 | 396 | 570 | 138 | 455 | 129 | 350 | 140 | 2500 | 850 |

TABLE IV - METHODS OF IMPLEMENTATION AND FINANCING
(US \$1000)

| INPUT | METHOD OF IMPLEMENTATION | FINANCING | AMOUNT |
|-----------------------|--------------------------|--------------------|--------|
| Long-term TA | Direct AID Contract | Direct Payment | 400 |
| Short-term TA | Direct AID Contract | Direct Payment | 275 |
| | HC Contracting | Advance/Reimburmt. | 1000 |
| Training | HC Contracting | Advance/Reimburmt. | 50 |
| Commodities | Direct AID Contract | Direct Payment | 200 |
| | HC Contracting | Advance/Reimburmt. | 150 |
| Grant | Direct Grant | Advance/Reimburmt. | 250 |
| Evaluations/Audits | Direct AID Contract | Direct Payment | 75 |
| Contingency/Inflation | | | 100 |
| | | | 2500 |

to safeguard Project funds. In all cases, special bank accounts will be established to deposit advances and under which the GOJ will disburse directly to the payees. Funds have been budgeted to fund various types of reviews as they are identified.

III. Implementation Plan

The Project will fund a number of activities involving both government and nongovernmental organizations. Many of these organizations are currently known, while others will be identified in the course of Project implementation as the need to procure technical assistance or commodities arises. As under PL 480, project implementation will be coordinated handled by the Planning Institute of Jamaica (PIOJ).

Various components of the Project will be directly implemented by GOJ ministries/agencies and with local and foreign private firms. Some contracting necessary for implementation will be undertaken directly by USAID when it can be handled in a more expedient fashion.

The sources for all procurement of goods and service provided under the Project will be the United States or Jamaica in accordance with current Agency policy on source and origin of grant financed assistance. In the case of procurement of computer hardware and software, approval of the IRM office of A.I.D./Washington will be sought in line with current policy on the value of the procurement.

IV. Monitoring Plan

Monitoring during the Project will be provided by the GOJ Project Manager and USAID Project Officer, who will also be responsible for an ongoing process of evaluating the impact of the Project. USAID has the capability to monitor the Project with one project funded USPSC and an FSN Program Specialist who are designated responsibility for backstopping the Project. Project monitoring will ensure that the Project is on track and that necessary reviews are undertaken to evaluate and measure impact. Project management and implementation will also be monitored through quarterly meetings of the Project Committee, consisting of key PIOJ staff and USAID Project management.

V. Summary of Analyses

1. Technical Analysis - With the growth and diversification of the food aid programs (PL 480 Title I, II and Section 416), there is an increasing need for food aid related studies and analyses, technical assistance, training, and other support, monitoring, and policy dialogue activities which are best funded from the development assistance account. Many of the complementary expenses necessary to maximize the development returns to food aid are technical assistance and training costs which require foreign exchange funding.

The objective of the Technical Analysis is to determine whether the design of this project is consistent with the body of knowledge regarding possible solutions to the problems being encountered. As noted earlier, this Project will fund a set of activities which will directly assist the GOJ and USAID in meeting the economic development objectives for which the local currency proceeds generated under the PL 480 programs are intended to be used. The Project will also fund certain self-help measures and related activities necessary for the implementation of the policy reform measures agreed to under the Title I Agreements.

The proposed Project conforms with Agency policy regarding both the integration of food aid and development assistance resources and the closer monitoring of food aid resources. It will also provide the Mission with a more efficient means of pursuing an ongoing, long term policy dialogue with the GOJ. This project is predicated on the appropriateness of a large PL 480 Program in Jamaica. Therefore, this technical analysis does not, and should not, examine the technical feasibility of undertaking monitoring, evaluation and policy dialogue which is mandated under the terms of the PL 480 Program and which is currently undertaken, albeit in a piecemeal fashion. Rather, this technical analysis, which is to be found in Annex E, examines the premise of the large food aid program and its appropriateness to Jamaica.

Once one concurs with the above premise, then an investment to improve the efficiency, effectiveness and impact of these programs is necessarily prudent. One is left only to analyze the administrative arrangements to establish their practicality, and to calculate the economic cost effectiveness of the proposed actions.

USAID/Jamaica concurs with the findings of this analysis and concludes that the technical rationale for the food aid program is sound and hence, so too is the implementation of this Project: its objective is to enable the GOJ and USAID to meet the statutory requirements and policy objectives of the PL 480 legislation. Currently, the PIOJ is the implementing agency for many of the food aid activities now funded under PD&S and also for other PL 480 activities not necessarily funded with PD&S funds -- such as implementation of the self help measures. Thus, in a historical context, the technical feasibility of the PIOJ undertaking these activities has been established. Therefore, no further technical feasibility issues will arise in the implementation of this Project.

2. SOCIAL SOUNDNESS ANALYSIS

In analyzing the factors affecting project selection and the relative merits of further development, the relationship of this project to the overall Food Aid Program cannot be over emphasized.

23'

Without the Food Aid Program, there would be no need for the Project. Therefore, in analyzing the social considerations of the Project, we must first analyze the social considerations of the Food Aid Program. The premise of the Social Soundness Analysis, which is to be found in Annex F, is that the Food Aid Program in Jamaica makes a positive contribution to the developmental process of the country.

The socio-cultural feasibility of the Food Aid Program has been tested in Jamaica for nearly twenty years. Many of the sub-components of the program have been operational for five to ten years (e.g., the food stamp program and the School Feeding Program). There are no socioeconomic feasibility issues regarding the implementation of this Project at this time.

The Food Aid Program provides Jamaica with its basic cereal (food) needs and thus helps the country meet one of the most basic human needs. Concomitantly, the Program makes a positive contribution to Jamaica's balance of payments constraint at a time when the demand for foreign exchange to service external debt is increasing. This balance of payments support allows the GOJ to devote additional scarce foreign exchange to the productive sectors, thus contributing to the efforts for equitable and sustainable growth.

Since concessional imports tend to be treated in the same manner as commercial imports (i.e. they are sold on the market) they do not expand demand for food by the needy as targeted direct feeding programs do. These commodities are a main caloric staple of the Jamaican diet, particularly among the rural poor; the per calorie cost is approximately one third of locally produced substitutes. Proper management of the Food Aid Program is clearly critical to the nutritional, and general, well being of the Jamaican people.

The rationale for the Project is to enhance the developmental impact of the Food Aid Program. Once the program activities are determined to be sound, then doing them more efficiently, more effectively and with greater impact is necessarily even more socially sound.

One of the intentions of this Project is to enhance the accessibility of the resources generated under the Food Aid Program to the intended beneficiaries. For example, a component of this Project is a public administration improvement activity to be undertaken by a local management/accounting firm to assist the GOJ in upgrading and improving the management of the local currency proceeds from Title I. With better management of the Title I resources, the probability of intended beneficiaries participating and benefiting from the Food Aid Program will increase. The Food Aid Monitoring and Support Project thus will have a positive overall impact on the quality of life and sustained social and economic development of Jamaica.

24'

3. ADMINISTRATIVE ANALYSIS

Given the multiplicity of activities under this Project and the numerous host government ministries and agencies involved, the primary responsibility for overall project implementation will reside with the USAID/Jamaica Food for Peace Officer and a PSC. The GOJ's implementing agency will be the Planning Institute of Jamaica (PIOJ). The PIOJ has a full time manager assigned to the food aid program who will be directly responsible for managing the GOJ's project implementation responsibilities. While the GOJ will implement individual components of the project through the PIOJ, MOF, MOE, and other relevant government entities, the overall orchestration of project implementation (e.g., sub-grants, contracts, proposed self help measure studies, etc.) will be handled by USAID in consultation with the PIOJ.

For an analysis of the GOJ institutions involved in the implementation of this Project, see Annex G.

4. ECONOMIC ANALYSIS

This Project provides a funding source designed to improve the efficiency and targeting of the PL 480 Program which, would continue with or without the project. The project involves a true cost of \$2.05-2.1 million to increase the effectiveness of the \$30-40 million P.L. 480 Program. Economically, therefore, the project could be considered as more than justified if it were to result in a one year one time 10 percent increase in program effectiveness. Given the range of benefits in prospect, it seems reasonable to expect at least this much of a return. A full Economic Analysis is to be found in Annex H.

VI. Conditions and Covenants

The Project Grant Agreement will contain the standard conditions of a legal opinion and a statement of authorized representatives.

VII. Evaluation and Audit Arrangements

The Project will fund the services of a USPSC in the Office of Agriculture and Rural Development, who will assist the Food For Peace Officer/Director of the Office of Agriculture and Rural Development, with day-to-day management of the Project. This will include continuous liaison between USAID and the relevant counterpart agencies, as well as the design and management of a project information system that will provide a coordinated record of the activities undertaken and the data generated under the various project components towards achievement of the Project purpose. Data generated by the Project will be disaggregated by gender. The Project Officer will be supported by the USAID Project Committee, other USAID staff as required, and guidance provided through the semiannual review process.

25

At a mid point in project implementation, an internal assessment will be undertaken to determine the effectiveness and efficiency of the Project as a mechanism for planning and managing the Food Aid Program. This will include a review of the timeliness and appropriateness of inputs for all components of the Project, as well as progress towards achieving indicators set out in the logical framework matrix.

Decisions on further evaluation of the Project will be made based on issues arising from the project information system, the planned assessment or other aspects of the implementation process.

The major PL 480 programs supported by this project are audited as necessary. While a separate audit of this project may be determined at a later date to be appropriate, it may also be determined that the regular PL 480 program audits provide sufficient information on the support activities funded by this project.

26

A. PROJECT: FOOD AID SUPPORT AND MONITORING (532-0157)

PID APPROVAL IS DELEGATED TO THE MISSION DIRECTOR. HOWEVER, PROPOSED ASSISTANCE TO THE JAMAICA COLLEGE OF AGRICULTURE UNDER THIS PROJECT SHOULD BE LIMITED TO DETERMINING THE FEASIBILITY OF, ESTABLISHING A FOOD GRANT COLLEGE FOUNDATION. IN ADDITION:

I) THE PROJECT DESCRIPTION/ANALYSES SHOULD LAY OUT THE RELATIONSHIP OF THE PROJECT TO POLICY REFORM(S). THE PP ALSO SHOULD IDENTIFY THE PRIORITY AREAS/FOCUS FOR POLICY REFORMS. THERE SHOULD BE PROJECT EOPS AGAINST WHICH TO EVALUATE AND MEASURE SUCCESS.

II) THE MISSION NEEDS TO SORT OUT THE QUESTION OF PROJECT MANAGEMENT. IT IS NOT CLEAR WHETHER THE PROPOSED PROJECT MANAGER WOULD BE PROGRAM OR OE FUNDED. IF THE US PSC IS PROGRAM FUNDED, THAT INDIVIDUAL CANNOT

ASSUME RESPONSIBILITY FOR PROJECT MANAGEMENT.

B. PROJECT: AGRICULTURAL EXPORT SERVICES (532-0165)
(SEE PARAGRAPH 8. ABOVE)

FY 90

C. PROJECT: AGRICULTURAL EDUCATION (532-0082)

THE NPL WAS APPROVED, AND THE MISSION IS AUTHORIZED TO PROCEED WITH THE PP AMENDMENT. THE AMENDMENT SHOULD LAY OUT THE CONDITIONS WHICH WILL RESOLVE THE CONSTRAINTS IDENTIFIED IN THE RECENT EVALUATION. AID/W WILL MONITOR THE PROJECT THROUGH THE SAR PROCESS. THE MISSION SHOULD DISCUSS WHAT HAS BEEN SUCCESSFULLY NEGOTIATED WITH THE GOJ, AS WELL AS THE GOJ'S EFFORTS TO ADDRESS THESE CONSTRAINTS. IN THE SAR FOR THE PERIOD ENDING SEPTEMBER 30, 1989. THE MISSION REPRESENTATIVE NOTED THAT THE

BT
#0921

NNNN

27

FY TOTAL 25,000 25,000

FY 90 LEVELS ARE THE SAME AS THOSE IN THE CONGRESSIONAL PRESENTATION. FY 91 FIGURES ARE LAC PLANNING LEVELS, SUBJECT TO AVAILABILITY OF FUNDS, AND DO NOT HAVE PPC OR INTERAGENCY AGREEMENT.

3. SUMMARY OF PROJECT DECISIONS:

(\$000)

| NUMBER | TITLE | INCREMENT | LOP | INCLUDED IN FY 89/90 | RECO AP | ACTI |
|----------|----------------|-----------|-----------|-------------------------|------------|-------|
| FY 89 | | | | | | |
| 532-0157 | FOOD AID | 300(G) | 2,500(G) | | NO | DELEG |
| - | SUPPORT | | | | | |
| - | AND MONITORING | | | | | |
| 532-0165 | AGRICULTURAL | 1,000(G) | 7,000(G) | | NO | DELEG |
| - | EXPORT | | | | | (SEE |
| - | SERVICES | | | | | |
| FY 90 | | | | | | |
| 532-0082 | AGRICULTURAL | 560(G) | 3,560(G) | | NO | DELEG |
| - | EDUCATION | | 6,500(L) | | | |
| - | (AMENDMENT) | | | | | |
| 532-0155 | PRIMARY | 600(G) | 4,000(G) | | YES | DELEG |
| - | EDUCATION | | | | | |
| - | COMMUNITY | | | | | |
| - | DEVELOPMENT | | | | | |
| 532-0156 | MICRO | 750(G) | 2,000(G) | | YES | DELEG |
| - | ENTERPRISE | | | | | |
| - | DEVELOPMENT | | | | | |
| 532-0166 | TOURISM | 500(G) | 3,000(G) | | NO | PID T |
| - | SUPPORT | | | | | AID/W |
| 532-0154 | PRODUCTION AND | 25,000(G) | 25,000(G) | | YES | PAAD |
| - | EMPLOYMENT X | | | | | AID/W |
| FY 91 | | | | | | |
| 532-0167 | AGRICULTURAL | 500(G) | 7,000(G) | | NO | 91 AB |
| - | PRODUCTIVITY | | | | | |
| - | ENHANCEMENT | | | | | |
| 532-0150 | TECHNICAL/ | 700(G) | 3,500(G) | | YES | 91 AB |
| - | VOCATIONAL | | | | | |
| - | EDUCATION | | | | | |
| 532-0151 | INNER | 1,000(G) | 5,000(G) | | NO | 91 AB |
| - | KINGSTON | | | | | |
| - | DEVELOPMENT | | | | | |
| - | PHASE II | | | | | |
| 532-0164 | PRODUCTION | 25,000(G) | 25,000(G) | | NO | 91 AB |
| - | AND | | | | | |
| - | EMPLOYMENT XI | | | | | |

4. CROSS-CUTTING PROGRAM ISSUE:

DOES THE PLANNED PROGRAM PERMIT ADEQUATE FLEXIBILITY TO FUND NEW NEEDS THAT MIGHT ARISE AFTER FY 1991?

28

LOGICAL FRAMEWORK

| NARRATIVE SUMMARY | OBJECTIVELY VERIFIABLE INDICATORS | MEANS OF VERIFICATION | ASSUMPTIONS |
|--|---|--|--|
| <p><u>GOAL:</u> To enhance the developmental impact of food aid to Jamaica through improved resource planning, management, monitoring, analysis of impact and implementation of macro and micro-economic self-help measures.</p> | | <ul style="list-style-type: none"> -Quarterly analysis of GOJ disbursement records -Direct monitoring of the use and effectiveness of Title I local currency -Increased rate of success attaining self-help benchmarks agreed to in Title I Program | <ul style="list-style-type: none"> -Broad based GOJ and community support -Continuation of U.S. surplus food for a Title I Program |
| <p><u>PURPOSE:</u> To enable the GOJ and USAID to undertake multi-year planning and management of food aid resources</p> | <ul style="list-style-type: none"> -Efficient Management Information System for managing PL 480 Generated local currency -Improved institutional knowledge of nutrition/health issues to be addressed by food aid programs -Improved adherence to time limitations governing system movement of Title I currency to Special Account -Increased funds available for agricultural development | <ul style="list-style-type: none"> -Benchmarks for implementation of policy reform measures met | |

| NARRATIVE SUMMARY | OBJECTIVELY VERIFIABLE INDICATORS | MEANS OF VERIFICATION | ASSUMPTIONS |
|--|-----------------------------------|---|--|
| <u>OUTPUTS:</u> | | | |
| | ALL YEARS | | |
| -Policy studies for self help measures | 10 | -Title I disbursements to projects | |
| -Auction system for Sec. 108 operational | X | -Disbursements from IFI's to private sector | |
| -Evaluations and studies of food aid issues and feeding programs | 5 | agriculture | |
| -Establishment of College of Agriculture Foundation | X | | |
| -Management information system for GOJ local currency management | 3 | | |
| -People trained for local currency management information system | 15 | | |
| <u>INPUTS:</u> | | | |
| -Short term U.S. TA | See budget in section III.F. | -Person Months of TA completed and Evaluation | -Qualified Technical Assistance is available on timely basis |
| -Short term local TA | | | |
| -Long-term U.S. TA | | | |
| -Long-term local TA | | | |
| -Commodities | | | |
| -Surveys | | | |

no

SC(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

Yes, Country Checklist completed with FY89 PAAD 12/88. Yes.

A. GENERAL CRITERIA FOR PROJECT

- | | | |
|----|---|-----|
| 1. | <u>FY 1989 Appropriations Act Sec. 523; FAA Sec. 634A.</u> If money is sought to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified? | Yes |
| 2. | <u>FAA Sec. 611(a)(1).</u> Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? | Yes |
| 3. | <u>FAA Sec. 611(a)(2).</u> If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? | N/A |

- 4. FAA Sec. 611(b); FY 1989 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A

- 5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A

- 6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No; N/A

- 7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. The project is designed to enhance the developmental impact of the Food Aid Program. The Food Aid Program provides, amongst other things, balance of payments support and encourages the exploitation of Jamaica's comparative advantages. As such the project contributes to these goals.

- 8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). Some of the TA will be U.S. Privat Sector sourced. Emphasis on exploiting Jamaica's comparative advantages is a market oriented development approach which implies U.S. private sector involvement.

32

9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

The GOJ is contributing over 25% of the total cost of the project in local currency or in-kind contributions.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

The U.S. does not own any excess foreign currency.

11. FY 1989 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

No project funds go towards assistance for the production of commodities for export.

12. FY 1989 Appropriations Act Sec. 549. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

No

13. FAA Sec. 119(g)(4)-(6) & (10). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other

(a) No
 (b) No
 (c) No
 (d) No

wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

- 14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A

- 15. FY 1989 Appropriations Act. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A

- 16. FY 1989 Appropriations Act Sec. 538. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A

- 17. FY 1989 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A

- 18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). N/A

FUNDING CRITERIA FOR PROJECT1. Development Assistance Project Criteria

- a. FY 1989 Appropriations Act Sec. 548
(as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?

N/A

- b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental

(a) Project provides monitoring and evaluation support to Direct Feeding Programs for the urban and rural poor; (b) N/A; (c) Project will fund studies required for implementation of PL 480 Title I Self-Help Measures; (d) Assists in targeting Food Aid to pregnant and lactating women (e) N/A

institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

c. FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1989 Appropriations Act (Development Fund for Africa). Does the project fit the criteria for the source of funds (functional account) being used?

Yes

d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

Yes

e. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

Jamaica is contributing at least 25% of the project cost.

f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes

26

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

Project is designed to enhance developmental impact of Food Aid Program. The Food Aid Program is designed to assist the most needy of Jamaica's poor. Local Currency Generation fund a plethora of Projects aimed at assisting the poorest in the society.

h. FY 1989 Appropriations Act Sec. 536. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

No

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No

i. FY 1989 Appropriations Act. Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?

No

If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?

No

- j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes

- k. FY 1989 Appropriations Act. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? AID competitive procurement procedures, with special attention to Gray Amendment will be followed in obtaining any TA from the USA.

- l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: Yes

 - (a) stress the importance of conserving and sustainably managing forest resources; No
 - (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (a) N/A
 - (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (b) N/A
 - (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (c) N/A
 - (e) help conserve forests which have not yet been degraded by helping to increase (d) N/A
 - (e) N/A

production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k)/utilize the resources and abilities of all relevant U.S. government agencies?

- (f) N/A
- (g) N/A
- (h) N/A
- (i) N/A
- (j) N/A
- (k) To whatever extent necessary the Project will utilize the resources and abilities of relevant USG agencies. ;

m. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b)/take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

n. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? N/A

o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? (a) No (b) No (c) No (d) No

p. FY 1989 Appropriations Act. If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in accordance with the policies contained in section 102 of the FAA; N/A

(c) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa;

(d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups;

(e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

41'

9. FY 1989 Appropriations Act Sec. 515.

If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified?

N/A



ANNEX D

LETTER OF REQUEST

ANY REPLY OR SUBSEQUENT REFERENCE TO THIS COMMUNICATION SHOULD BE ADDRESSED TO DIRECTOR GENERAL, PLANNING INSTITUTE OF JAMAICA, 39-41 BARBADOS AVENUE.

PIOJ

012784

PLANNING INSTITUTE OF JAMAICA

TELEX 3529, PLANJAM JA

P.O. BOX 634, KINGSTON, JAMAICA.

012784

August 28, 1989

Mr. Stephen French
Director
Agriculture & Rural Development Office
USAID
6B Oxford Road
Kingston 5.

Dear Mr. French;

This is a formal request from the Government of Jamaica to the United States International Development Agency (USAID) for assistance through the Food Aid Monitoring and Support Project. This assistance will enhance the developmental impact of food aid to Jamaica and will enable the government to undertake multi-year planning and management of food aid resources.

Yours sincerely,

Pamella Reid (Miss)
for Director General

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| DATE RECEIVED | | 8/29 |
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| ATTENTION | | |

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TECHNICAL ANALYSIS

As pointed out in the 1987 "Food Aid Disincentives Study" by Donald McClelland, in regard to the consumption of cereals, 100% of the wheat requirement, 93% of the rice, and 97% of the corn are imported. Furthermore, 91% of the vegetable oil and 100% of the soybeans are imported. As McClelland stated, "the conclusion is striking. Jamaica produces well under 10% of all of its staple food requirements; the remainder, over 90%, must be imported." The U.S. is the major source of all of these commodities, whether imported commercially or concessionally. The McClelland study shows that the current pattern of imports already reflects an assumption that import substitution in agriculture is of limited value to Jamaica, compared to export promotion.

The McClelland study was undertaken to specifically address the question of whether the high level of food aid conflicts with the Mission's efforts to increase domestic agricultural production. McClelland used the best available information to test the assumption that the high level of imports would not be counter productive to a total program to increase agricultural production.

In this context, McClelland analyzed the food aid program within the framework of the role of agriculture in the Jamaican economy; domestic food production and consumption and the food gap; the Government's food self sufficiency effort through import substitution; and, possible alternatives to food aid. McClelland concluded the following:

"1. Attempts at import substitution have been less than successful as the returns to labor for corn and rice are far below those of other domestically produced crops. Jamaica does not have a comparative advantage in the production of rice, corn or soybeans and wheat production is technically not feasible. Given this conclusion, a strategy of export promotion is more appropriate than a strategy of import substitution.

2. Additional considerations in support of the conclusion that the PL 480 Title I program is not having a substantial disincentive effect on domestic food production in Jamaica are:

- Jamaica produces no wheat because it is technically not feasible to do so,
- Jamaica produces about 7% of its rice requirement; although the government's target was to produce 42% by 1988/89, the target was not reached, largely because it is more profitable to grow alternative crops on the land the government designated for rice, and

-- Jamaica produces about 3% of its corn requirement, measured as a percentage of requirements for animal feed. The government's target was to produce 34% by 1988/89. Corn has been dropped from the program because it is not economically feasible to produce and, as with rice, it is more profitable to produce other crops.

3. Concessional imports (including PL 480 Title I Food Aid) tend to substitute for commercial imports. If food aid shipments were interrupted, the government would probably allocate foreign exchange to purchase food on commercial terms on the world market.

4. Under these circumstances, virtually any level of food aid that is sold at prices not exceeding established demand could be provided to Jamaica without hampering domestic food production. However, food aid is not costless in a country burdened with very high per capita international debt so any foreign exchange savings possible is essential. Most of Jamaica's international debt is to bilateral and multilateral donors so even the concessional terms represented by Title I food aid must be viewed with caution. One interesting aspect of the current Title I program structure is that twenty five percent on the program is on Section 108 cash payment terms which results in no increased foreign debt with the provision of essential consumption commodities. Nonetheless, to prevent additional Title I debt from becoming a further constraint to development, the country should not import more food than required to meet full cost domestic market demand and whatever amounts are necessary for donor funded direct feeding such as the school feeding program. Grant food aid such as the Title II sales programs through JADF can fund essential food imports and use local currency generations for agricultural development without having any impact on Jamaica's balance of payments constraint. To the extent that such grant food aid meets demand which otherwise would have had to have been met through debt financed concessional food aid, it actually has a positive effect on relieving the balance of payments constraint. This is a particularly important contribution when the demand for foreign exchange to service external debt is increasing.

5. One analyst, S. K. Pollard, in his April 1988 draft entitled "Food Deficit Assessment Analysis For Jamaica," suggests that the current level of food imports and production in recent years is more than sufficient to meet domestic demands. This is enforced by similar conclusions in other analyses such as the USDA's "World Food Needs and Availabilities 1988/89: Winter" assessment which shows the food import level required to satisfy average consumption over the past five years (the status quo level) is higher than the food import level required to satisfy nutrition based needs. Although there are no surpluses on the market which go unsold, or any other evidence of wasted or unnecessarily spoiled commodity, there is other evidence of

overnutrition in Jamaica, with even a noticeable portion of the population simply overweight. These analyses suggest that there is a potential for improved efficiencies and savings in the food supply system. The current GOJ wants to find these efficiencies through its policy of removing remaining food subsidies and finding ways to more effectively target direct feeding food aid programs.

6. Food aid which allows a country time to develop export agriculture while at the same time meeting consumers' needs, is never a satisfactory long term solution. An emphasis on food self-reliance which encourages the production of those commodities in which Jamaica has a comparative advantage must be associated with an effort to reduce the consumption of imported commodities to the minimum necessary to efficiently meet consumer requirements. Most food needs are satisfied on the commercial market so this may entail efforts to alter current diets and taste preferences by first eliminating all subsidies or even pricing imports above their landed costs. Another aspect is the targeted feeding program including both food stamps and school feeding which expands demand beyond the normal market. As commercial market costs are increased to prevent or discourage inappropriate consumption, then the poorest segment of the population that spends a large portion of its income on food suffers considerably. It becomes very important to make government feeding programs effective and responsive."

ANNEX F

SOCIAL SOUNDNESS ANALYSIS

According to Johnson and Pollard in their July 1988 study titled, "The Role of the PL 480 Program in Jamaican Food and Agricultural Policy", there are two general views held. One is that food aid provides a positive impetus to development by:

(1) increasing food supplies to meet increases in employment without putting pressure on food prices and hence wages; (2) when foreign exchange is scarce, food aid can be used to maintain consumption levels without immediate expenditure of foreign exchange; (3) providing fiscal resources to the government; and, (4) governments use resources earned through the domestic sale of food aid for capital development and enhanced resource allocation of domestic food production. An alternative view is that food aid is a disincentive to food production by increasing local supplies, decreasing prices and reducing local production.

Johnson and Pollard conclude that the evidence attesting to the positive or negative consequences of food aid varies by the specific country under analysis and that the administration of food aid denotes whether positive benefits are acquired or negative consequences encountered. In the case of Jamaica, the conclusion reached in the Technical Analysis of this Project is that the food aid program in Jamaica does not provide a disincentive to local agriculture given Jamaica's inability to produce the food aid commodities (e.g., rice, wheat and corn) at a comparative advantage, and, the fact that these commodities are substitutes for commercial imports and not additional imports. Nevertheless, Johnson and Pollard conclude that the policy makers need to be aware that alternatives to food aid, such as enhancing the foreign exchange earnings of the traditional and non-traditional agricultural export sectors, must be emphasized so that food aid becomes less important.

From a nutritional point of view, the case for food aid is also supported by Dr. Derrick Boyd's "Economic Management, Income Distribution and Poverty in Jamaica". In chapter 9, page 144, Boyd provides the following:

The Nutrition and Dietetics Division of the Ministry of Health (MOH) constructed a minimum basket of goods for a five-person household... The estimated costs of the MOH basket is shown in the Table below for 1983-85. It shows that between December 1983 and August 1984 the least-cost basket increased in price by 32%, and over the following year, August 1984 to July 1985, the price increased by a further 26%. In all, over the 18-month period between December 1983 and July 1985 the least-cost basket showed an increase in price of 67%. Over the six year period June 1979

to July 1985 the least-cost basket increased in price by a phenomenal 429%. On the whole minimum wage covered less than 40% of the value of the basket over the period.

Ministry of Health Least Cost Basket of Goods (Five-person household)

| Period | Cost J\$ | % Change % | Minimum Wage J\$ | % of Cost % |
|----------------|-------------|---------------|---------------------|----------------|
| June 1979 | 24.27 | - | .. | .. |
| September 1983 | 65.31 | 69.1 | 30.00 | 45.9 |
| December 1983 | 77.00 | 17.9 | 30.00 | 39.0 |
| August 1984 | 101.60 | 31.9 | 40.00 | 39.4 |
| July 1985 | 128.40 | 26.4 | 52.00 | 40.5 |

Boyd further points out that, "the nutrient cost tables prepared by the Nutrition and Dietetics Division of the Ministry of Health for August 1984 show that the cheapest sources of kilocalories are cornmeal, flour, brown sugar and rice". With the exception of brown sugar, the other three commodities represent the vast bulk of the commodities provided by the Title I Program. Furthermore, Boyd points out that, "... estimates show that cornmeal provides eleven times more kilocalories per J\$ than yams at the October 1984 prices. This margin is very unlikely to be eroded by increases in the relative price of cornmeal to yams. In fact, the available evidence suggest that the nutrient cost of locally produced food has increased relative to imported foods."

Boyd thus concludes that, "in terms of nutrients per J\$ and also in terms of convenience and ease of preparation, imported foods are more attractive to the consumer since cereals, which are almost entirely imported, feature as the best of these foods... Overall, therefore, the evidence suggests a worsening of the nutritional status of children in Jamaica. The hospital statistics and the significant increases in the cost of items in the low income food basket all suggest an increase in the malnutrition trend in the near future for Jamaica. The Food Aid Program ... is by far the most import component of the government's welfare schemes."

The largest component of the GOJ's food aid Program is the Food Stamp Program. In Dr. Stan Johnson's 1988 study titled, "Food Stamp Program Evaluation", he investigated the proportions of households and thus the population that are in the groups receiving less than 50 percent of the recommended daily allowance (RDA) on average. These groups were examined by geographical and socioeconomic characteristics. In reviewing the following tables it is important

to recall which people are eligible for food stamps - the elderly, indigent, pregnant and lactating woman and children under the age of five years. The following set of tables demonstrates the relationship between level of income and the incidence of malnutrition:

Table 1. Percentage of households with household head greater than 65 years of age by total expenditure class with adult equivalent average daily per capita availabilities of food energy, protein, and iron below 50 percent of the RDA.

| Expenditure Group | Food Energy (Kcal) | Protein (Gm) | Iron (Mg) |
|-------------------|--------------------|--------------|-----------|
| \$0-24,000 | 13.25 | 12.91 | 7.84 |
| \$24,000+ | 2.27 | 0.00 | 0.00 |

Table 2. Percentage of households with children less than 5 years of age by total expenditure class with adult equivalent average daily per capita availabilities of food energy, protein, and iron below 50 percent of the RDA.

| Expenditure Group | Food Energy (Kcal) | Protein (Gm) | Iron (Mg) |
|-------------------|--------------------|--------------|-----------|
| \$0-24,000 | 14.81 | 12.58 | 6.40 |
| \$24,000+ | 1.79 | 0.89 | 0.89 |

Table 3. Percentage of households within the 1st quartile of per capita total expenditure by region with adult equivalent average daily per capita availabilities of food energy, protein, and iron below 50 percent of the RDA.

| Region | Food Energy (Kcal) | Protein (Gm) | Iron (Mg) |
|-------------|--------------------|--------------|-----------|
| Kingston | 39.00 | 33.50 | 22.50 |
| Other Towns | 37.70 | 31.15 | 18.03 |
| Rural | 27.77 | 28.30 | 14.55 |

In regard to the School Feeding Program, Johnson concludes that:

The needs for regular and affordable nutritional support for pre-primary and primary school children, especially in poor urban and rural areas, are real and assume particular significance when seen in the light of the effects of economic adjustment policies; the School Feeding Program does support efforts to achieve better class attendance and performance by pupils, especially in poorer rural communities; and does represent a significant opportunity to generate additional resources for strategic reinvestment for the further development of pre-primary and primary education and the achievement of national human resources development objectives.

In accepting the above assessment, the conclusion is reached that the SFP is suitably developmental in concept and orientation and has sought to go beyond school feeding as an end in itself and has recognized the need to treat feeding also as a means to achieve broader education and human resource development goals.

The Social Soundness of the Title I Program

The Title I Program is by far the largest component of the Food Aid Program. As stated previously, the FY89 Title I program is currently at US\$40 million with the possibility of further amendments adding an additional US\$5 million. While this is an aberration due to hurricane Gilbert, a level of US\$30 million annually over the next five years is planned. Specific guidance exists on the programming and use of the local currency proceeds generated from the sale of commodities financed under the Program. Specifically, the Title I agreement states that, "The proceeds accruing to the GOJ from the sales of commodities financed under this Agreement will be used for agriculture and rural development, in a manner designed to increase the access of the poor in Jamaica to an adequate, nutritious, and stable food supply. In the use of proceeds for these purposes, emphasis will be placed on directly improving the lives of the poorest of Jamaica's people and their capacity to participate in the development of their country".

Furthermore, one of the self-help measures in the FY 1989 Agreement states that, "The GOJ agrees to allocate the local currencies generated from the sales of commodities provided under the agreement to support development programs in the following sectors: Agriculture, Rural Development, Nutrition (such as the Food Stamp and School Feeding Programs), Health and Education."

By enhancing the developmental impact of the Food Aid Program, the Project will benefit (both directly and indirectly) a wide cross section of the Jamaican population. Direct beneficiaries of the program are the 300,000 recipients of food stamps and approximately 250,000 school children who are beneficiaries under the School

Feeding Program, and 40,000 malnourished children under the Ministry of Health's Supplementary Feeding Program. These beneficiaries are recipients of food granted under the Title II program or, in the case of the food stamp program, the recipients are provided with a food stamp funded from the local currencies generated under the Title I program. Indirect beneficiaries include a plethora of groups with myriad socioeconomic characteristics. The list of GOJ bilateral and multilateral projects receiving local currency support from Title I reflows includes, but is not limited to, the following:

- * Rural Farm Credit
- * Jamaica Agricultural Research
- * Land Titling
- * Blue Mountain Coffee
- * Development of Wildlife Conservation
- * Primary Education Assistance Program
- * Training of Basic School Teachers
- * Vocational Training and Development Institute
- * Health Management Improvement
- * Rehabilitation Services for the Handicapped
- * Family Life/Family Planning
- * Rural Electrification
- * Road Improvement and Maintenance
- * Major Water Supply
- * Shelter for the Homeless

At the current exchange rate of J\$5.5 to US\$1.0, the planned level of Title I local currency generations will be between J\$125 to J\$165 million per year over the next five years (depending on the level of Section 108 and assuming no devaluation). The GOJ has a special account established for the deposit of the local currency generations. Quarterly reporting on the disbursement of funds from this account to the various agreed upon projects is provided for, thus assuring the distribution of benefits to the indirect beneficiaries.

ANNEX G

ADMINISTRATIVE AND INSTITUTIONAL ANALYSIS

I. THE PLANNING INSTITUTE OF JAMAICA - The PIOJ was established April 9, 1984, with the mandate to:

1. Initiate and coordinate planning for the economic, financial, social, cultural and physical development of Jamaica;
2. Monitor the implementation of plans so initiated or coordinated;
3. Provide consultancy activities for Government Ministries, agencies and statutory bodies; and,
4. Manage technical cooperation agreement programs.

The PIOJ is composed of the Director General's Office and, a Planning Secretariat and six technical divisions. The six divisions are: Macro-Economics, Industry/Energy and Agriculture, Population/Manpower and Social Planning, Research and Publications, and Technical Cooperation. The full time Project Manager assigned to this Project is located within the Technical Cooperation Division. This Division is responsible for coordinating the various activities of the donor agencies and the implementation of their projects with the various ministries within the GOJ.

Placement of the GOJ's Project Manager within the Technical Cooperation Division of the PIOJ provides many advantages. As this Division has the responsibility for coordinating all of the various donor agency activities there is less likelihood of a duplication of efforts. Furthermore, all of the various food aid programs with the major international donors and the GOJ are centralized in this office (e.g., CIDA, UN World Food Program, EEC Food Aid, etc.) in addition to the PVO's such as Food for the Poor and the NGO's such as the International Institute for Cooperation in Agriculture. Other Divisions within the PIOJ which have been and will to continue to be beneficial to implementation of the food aid program are the Macro-Economics Division and the Industry/Energy and Agriculture Division. The latter is primarily responsible for the formulation and translation of Government's economic policies in order to obtain the country's economic objectives. This division is structured to conduct studies and analyze domestic, regional and international matters in areas of national income, external trade and tariffs, balance of payments, fiscal policy, and regional planning. The Industry/Energy and Agriculture Division has the responsibility for monitoring and coordinating policies in industry, energy and agriculture.

II. MINISTRY OF FINANCE - The International Loan Monitoring Unit of the

- 52

Ministry of Finance (MOF) is responsible for managing the local currency proceeds generated from the sale of PL480 Title I commodities. Three professional staff members are assigned full time to this Unit. This Unit manages a portfolio amounting to over J\$200 million annually.

The Project will provide funding for a management systems review of this Unit. Currently, the Unit operates under a rather out-dated system of maintaining account files which are updated by the old hand calculator and pencil method. The public administration assessment to be funded under the Project will review the current system with the aim of designing a new computer based management information system for the tracking and monitoring of the local currency proceeds generated from the sale of Title I commodities. Specifically, the system will be designed to operate using data from the GOJ's budget expenditure information system rather than data generated solely for this project. This new system will be compatible with the systems used by the PIOJ, the JCTC, and USAID/Jamaica.

ECONOMIC ANALYSIS

The Project will provide U.S.\$2.5 million to fund six areas of activity. For these purposes, prospective benefits can be viewed as falling into three categories, as follows:

A. Activities, such as the upgrading of the GOJ's local currency management system, where the benefits will consist mainly of improvements in the efficiency of GOJ operations;

B. The provision of a funding source, either substituting for a previous source such as PD&S, or providing for future studies and activities for which no source had as yet been identified. The Mission, and ultimately the GOJ, will benefit from the reliability and convenience of an on-hand funding source as opposed to an often difficult to access outside source. Such benefits are impossible to quantify. On the other hand, where project funds are substituted for PD&S or TC&TG funding, there is no increase in costs (from an Agency-wide point of view); and,

C. Benefits to ultimate beneficiaries of PL 480 programs in cases where project efficiencies, or new initiatives attributable to the Project, result in benefits which would not otherwise have been achieved. Programs arising from future food and nutrition studies fall into this category.

From the foregoing it is clear that there is no possibility of applying standard cost:benefit analysis whereby a stream of discounted benefits are estimated and compared to a stream of costs. The costs of the project are known, but the benefits, apart from taking a variety of forms, are not amenable to quantification. Only qualitative judgments can be made. The project components are assessed separately below. It will be noted that most of the components fall into more than one of the benefit categories discussed above.

1. Upgrading Local Currency Management System (\$275,000): This component of the Project will finance a management review of the GOJ's local currency management system and the design and implementation of a computer based management information system integrating the various GOJ agencies managing Title I local currencies. This component deals with local currency attributions to GOJ programs that would proceed with or without the project. For the most part, therefore, there are no ultimate beneficiaries beyond the anticipated improvements in efficiency. The project benefit will arise from improved productivity in GOJ program management, thereby freeing resources to other, presumably productive, uses. The value of the benefit could be calculated, at least in theory, as the present operating cost of GOJ local currency management times the

percentage improvement in efficiency to be effected. Current operating costs are not known, and the extent of savings is a matter of conjecture.

2. Self-Help Measures (\$500,000): Heretofore, the special studies required under Self-Help requirements of Title I have been funded from one of two sources: USAID/Jamaica's PD&S funds or the GOJ's own resources. In so far as this component will involve substituting this project for PD&S as a funding source, the comments in Section A.2 apply. Where the project provides funding that the GOJ itself would have had to provide, two areas of benefit may be concerned. First, the studies are likely to be better performed, as the GOJ will not be tempted to hire less expensive but less qualified consultants. Secondly, where foreign consultants are involved (that is, in cases where the GOJ would have hired foreign consultants in the absence of a project), the GC will benefit from the foreign exchange saving involved.

(a) Better studies: The benefit of higher quality self-help studies can best be seen by reviewing the results of a successful one. An example would be the FY 1987 requirement to investigate the pricing structure in the dairy industry and implement an increase in the price of NFDM to make it equal to or more expensive than the equivalent cost of whole milk at the farmgate in Jamaica. Implementation of the measure, pursuant to the findings of the study, has led to a dramatic rise in local production of milk over the past three years. Besides milk producers, the entire economy has benefitted from the substitution of an economically viable domestic product for an imported product. It is, of course, not possible to assess future benefits of self-help studies not yet identified, but it is not unreasonable to expect benefits of a type and magnitude similar to those occurring as a result of the milk study, and which might not occur in the absence of this project.

(b) Foreign exchange savings: The benefit from future foreign exchange savings (in cases where the project will fund studies previously funded by the GOJ) does not need elaboration. Initial benefits to the GOJ will, by definition, equal the costs of the studies themselves. Further benefits will depend on the uses to which the saved foreign exchange are put.

3. Monitoring of Title II and Section 416 Programs (\$350,000) The Title II and Section 416 programs, involving school feeding and other direct feeding programs, have been monitored using PD&S funding. In the case of the School Feeding Program, monitoring has been undertaken by the World Food Program (WFP) under a PD&S funded grant agreement with USAID/Jamaica. The project will assume the costs of reimbursement to WFP, and the cost of any other Title II monitoring requirements. The project benefit in this instance arises from the provision of a permanent in-house funding source, as discussed in Section A.2.

- 5 -

4. Management of the Section 108 Program (\$50,000) Section 108 programs have been underway since 1987, funded from TC&TG accounts. Under this program, recently, an auction system was developed as the most cost efficient way of allocating funds for lending to small businesses. Depending on developments with respect to the new system, new departures may be required, such as a possible redirection of funds toward agriculture, as discussed earlier. Basically, therefore, the benefit of this component arises from its value as an alternative in-house funding source. However, given the complexity of the Section 108 program, and the likely need for both fine tuning and changes in program direction, the value of the project as a secure funding source for Section 108 activities is more than perfunctory.

5. Health and Nutrition Surveys (\$450,000) This component of the project will support surveys and evaluations to assess certain aspects of the food aid program as well as the linkages between these programs and health and nutritional outcomes, the purpose being to assist the GOJ in analyzing policy options in order to maximize the impact of food aid resources. In the absence of this project, funding no doubt would have been found for at least some of the forthcoming studies. However, since alternative funding had not been identified as the project was in preparation, it seems fair to say that this represents new funding for a perceived requirement. Benefits from this component will accrue to school children, food stamp recipients, and the needy in general who stand to gain from an efficient, well targeted food aid program. The current annual cost of the Food Stamp Program, the School Feeding Program and other GOJ food assistance programs is about \$12 million. The total cost of this component is \$450,000 over a five year period, or \$90,000 a year. If the insights provided by these studies were to provide policy makers with sufficient information to effect only a one percent annual improvement in the GOJ's Food Aid Programs (\$120,000), the benefit/cost ratio for this component of the project would be positive.

Project Costs: Gross and Net - As mentioned above, certain components of the project involve substitution of a new funding source (the project) for AID funding sources previously relied upon. Calculation of the amount of such replacement funding is in part a matter of interpretation; for example, how to account for certain self-help studies funded in the past from a variety of sources, some of which might be tapped in the future in the absence of a Food Aid Monitoring Project. Based on certain assumptions with regard to such gray areas, the amount of such replacement funding is estimated at from \$400,000 to \$450,000 (see footnote below for calculation). Thus, the "net cost" of the project, meaning in this case the cost to the Agency, as opposed to the Mission, is \$2.05-2.1 million.

N.B. Replacement cost includes the annual cost of those activities currently funded from PD&S, TC&TG, and other sources: School Feeding Monitoring, \$100,000; Food Aid PSC, \$75,000; Section 108 auction/pre-qualification of IFI's, \$75,000; and various surveys, evaluations and self-help measures, \$150,000-\$200,000.

Conclusion - The project involves a true cost of \$2.05-2.1 million to increase the effectiveness of the \$30-40 million P.L. 480 Program. Economically, therefore, the project could be considered as more than justified if it were to result in a one year one time 10 percent increase in program effectiveness. Given the range of benefits in prospect, it seems reasonable to expect at least this much of a return.

TYPE OF BENEFIT BY PROJECT COMPONENT

| | <u>Improvement in Management</u> | <u>Substitute Funding</u> | <u>Improved Benefit Ultimate Beneficiaries</u> |
|---------------------------------------|----------------------------------|---------------------------|--|
| - GOJ Local Currency Management | Yes | | Unlikely |
| - Self Help Studies | | In Part | Yes |
| - Title II and Section 416 Monitoring | Possible | Yes | Possible |
| - Section 108 Funding | | Yes | |
| - Food & Nutrition Studies | | In Part | Yes |