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

JAMAICA

PROJECT PAPER

AGRICULTURAL EXPORT SERVICES

AID/LAC/P-486

Project Number: 532-0165

UNCLASSIFIED

PROJECT DATA SHEET

1. TRANSACTION CODE

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE

3

2. COUNTRY/ENTITY

JAMAICA

3. PROJECT NUMBER

532-0165

4. BUREAU/OFFICE

Latin American and the Caribbean

5. PROJECT TITLE (maximum 40 characters)

Agricultural Export Services

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
 09 30 96

7. ESTIMATED DATE OF OBLIGATION
 (Under 'B' below, enter 1, 2, 3, or 4)

A. Initial FY 89

B. Quarter 4

C. Final FY 95

8. COSTS (\$000 OR EQUIVALENT \$1 = 5.50)

A. FUNDING SOURCE	FIRST FY 90			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	1,100	900	2,000	4,265	5,735	10,000
(Grant)	(1,100)	(900)	(2,000)	(4,265)	(5,735)	(10,000)
(Loan)	()	()	()	()	()	()
Other U.S. 1.						
Other U.S. 2.						
Host Country		150	150		1,790	1,790
Other Donor(s)		940	940		7,060	7,060
TOTALS	1,100	1,990	3,090	4,265	14,585	18,850

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant 2. Loan	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) ARDN	124	070			10,000		10,000	
(2)								
(3)								
(4)								
TOTALS					10,000		10,000	

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 increase the exports of selected non-traditional and traditional agricultural products.

14. SCHEDULED EVALUATIONS

Interim MM YY 0 1 9 3 Final MM YY 0 9 9 6

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.)

USAID/Jamaica Controller has reviewed and concurs with the proposed methods of implementation and financing included herein. As the Project is developed and implemented, any deviation from the preferred methods will be documented.

Robert Leonard
 USAID/Jamaica Controller

17. APPROVED BY

Signature: William R. Joslin
 Title: Director

Date Signed MM DD YY

09 14 89

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

MM DD YY

PROJECT AUTHORIZATION

Name of Country: Jamaica
Name of Project: Agricultural Export Services
Number of Project: 532-0165

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Agricultural Export Services Project for Jamaica involving planned obligations of not to exceed Ten Million United States Dollars (US\$10,000,000) in grant funds over a seven 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 Project is approximately seven years from the date of initial obligation.

2. The project will fund activities designed to enable Jamaica to increase the exports of selected non-traditional and traditional agricultural products. Examples of activities which will be funded under this Project include assistance in developing sub-projects with producer groups and associations to expand production and marketing of export crops; support to the Ministry of Agriculture and other key agencies in improving/expanding essential services to exporters; and export project design and management services.

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

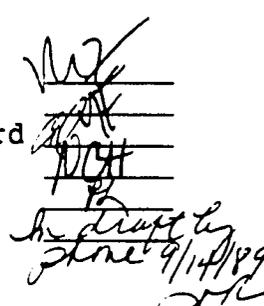
September 14, 1989

Date

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Clearances:

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CONT:RALeonard
OPEP:NHardy
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RLA:RJohnson



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NH
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In Draft by
John 9/14/89
JK

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LIST OF ACRONYMS

AIBGA	All Island Banana Growers Association
AIDP-II	Agro-Industrial Development II Project
BECO	Banana Export Company
CD/I	Crop Diversification and Irrigation Project
CP	Conditions Precedent
EEC	European Economic Community
EA	Environmental Assessment
FAO	Food and Agricultural Organization
GOJ	Government of Jamaica
GTZ	German Development Agency
HRP	Hurricane Reconstruction Project
IBRD	International Bank for Reconstruction and Development (World Bank)
IDB	Inter-American Development Bank
JBPA	Jamaica Banana Producers Association
MOA	Ministry of Agriculture
PASA	Participating Agency Service Agreement
PMU	Project Management Unit
PPC	Project Planning Committee
USAID	United States Agency for International Development
USDA/APHIS	United States Department of Agriculture/Animal and Plant Health Inspection Service

I. PROJECT SUMMARY AND RECOMMENDATIONS

A. Project Summary

Agricultural production in Jamaica has historically been export oriented; however, over recent years, there has been a dramatic drop in the production of traditional export crops. Since agricultural production is the third largest foreign exchange earner in Jamaica, further drops will seriously erode major gains achieved under the country's Structural Adjustment Program. In an effort to halt the decline, the Government of Jamaica (GOJ) has undertaken macro-economic reforms to assist the agricultural sector raise productivity levels and become more competitive in international markets. For example, several years ago the GOJ implemented a major new policy to correct basic price signals to the sector. Earlier this year, in another major step in establishing clear price signals for local producers, price subsidies on imported basic foods were sharply reduced. Even with more appropriate macro economic policies, however, Jamaica's agricultural performance lags. Under and unutilized land, which could be devoted to export crops, continues to exist, and yields per acre are lower than the developing country average for most export crops. Further, Jamaica's neighbors have demonstrated far greater export growth for the same crops, and the country is unable to meet quotas or special market access arrangements for its traditional export crops. A wide range of constraints exists; many are broader than the agricultural sector and, therefore, are addressed through other Mission activities. Other, more specific technical constraints will be addressed through the Agricultural Export Services Project.

This Project is designed to increase agricultural exports of traditional and non-traditional crops in Jamaica. The project will build on the existing GOJ policy to emphasize rural development and maximize broad based projects to reach small farmers. Export agriculture in Jamaica already involves significant numbers of small to medium sized farmers who are in need of more effective technologies and management practices to increase productivity, lower production costs and obtain greater returns. This approach is consistent with the Government of Jamaica's development policy and with AID guidance.

Because export agriculture in Jamaica is diverse, the project will work with an initial list of prioritized crops. As the project progresses, other priorities will be reviewed and revised depending on the actual exports achieved, changing market conditions, and changing institutional strengths. Generally, support services to export producers are inadequate. The project will focus on developing the agricultural technology and management systems in production, packaging, and marketing of export crops.

The project is to work through three components, (1) Export Production Sub-projects, which will be crop specific sub-projects in

extension and marketing with producers' organizations; (2) Production and Export Services, which will strengthen essential government services that support exporters; and (3) Export Project Design and Management Services, which will provide matching grants to producers through local financial institutions to solve technical problems for exporters.

The project will be financed with a \$10.0 million grant which includes an initial year FY 1989 obligation of US\$2.0 million, with a life of project of seven years.

Based on the analyses conducted for this project, which are summarized in the paper, and several other studies done on related subjects, the project is technically, economically, financially, socially, administratively, and environmentally sound. It is ready for implementation.

B. Project Design Issues

During the Washington Action Plan review of the New Project Description for this project, further information was requested on the proposed design of the third component, which makes use of financial institutions for matching grants to solve technical problems. Cables were exchanged (Annex I) and the Latin American and Caribbean Bureau provided guidance on design of this component. The Bureau suggested several points: that a modest initial effort be undertaken, and that an evaluation be conducted prior to committing the entire planned budget for this activity. The guidance has been followed and incorporated into the project design. The cable also reconfirmed the previously delegated authority to approve and authorize the project.

The project is designed to meet some of the recurrent costs of the Government of Jamaica and of private sector organizations. This design was reviewed against Agency guidance and found appropriate as the following were determined:

- (a) An acceptable policy framework for agricultural exports exists in Jamaica today;
- (b) The recurrent cost support has higher development impact than other investments;
- (c) The GOJ is unable to undertake the recurrent cost financing; and
- (d) The project budget reflects a phased plan for shifting the burden to the recipient government and/or private organizations.

C. Recommendations

USAID/Jamaica recommends authorization of \$10,000,000 in Development Assistance funds for the Agricultural Export Services Project.

Given the long-term commitment required for the effective development of agricultural exports, it is recommended that the Project be incrementally funded over a seven-year period.

D. Project Paper Design Team

USAID/Jamaica

- Stephen French, Director of the Agricultural and Rural Development Office
- Richard Owens, Deputy Director of the Agricultural and Rural Development Office
- Denise Rollins, Project Development Officer
- Charles Mathews, Director of the Office of Engineering, Energy and Environment
- Patricia Lerner, Chief of the Project Development and Support Division
- Mathias Gweshe, Financial Analyst

With the assistance of:

- Dr. Heather Royes, Consultant
- Dr. Huntley Manhertz, Consultant
- Dr. Winston Nesbeth, Consultant

E. Relationship to AID Strategy and Programs

Given its importance to Jamaica and its people, agriculture has been and will continue to be one of AID's most important priorities in Jamaica. Mission efforts in this sector aim to promote equity, support private sector led growth, and apply to the overall strategy of export diversification. This Project will play a key role in the Mission's long term development strategy by providing the technological base and institutional framework for increased and sustained production of non-traditional and traditional export crops, and by enhancing existing mechanisms to disseminate available production technologies which will improve productivity, employment, and incomes in rural Jamaica.

The Project is consistent with AID's priority areas of promoting the involvement of the private sector in development, supporting the transfer of technology, and strengthening indigenous institutions. The Project is also complementary to several ongoing or planned programs and projects, particularly the planned Export Development and Investment Promotion Project.

II. PROJECT BACKGROUND AND RATIONALE

A. Introduction

Jamaica is the third largest island in the Caribbean Sea and has a total land area of 4,411 square miles. There are three main physiographic regions on the island: (a) the interior mountain ranges, (2) the coastal plains and interior valleys, and (3) the

dissected limestone plateau and hilly uplands. The topography is rugged: only 949,000 acres have slopes less than 10°, while 741,000 acres consist of moderately steep or steep slopes and 717,000 acres have slopes greater than 30°. More than half of the island has an altitude above 300 m and about 1% lies above 1,500 m.

About 50% of Jamaica's 2.3 million people live in rural areas with agriculture accounting for 32% of the total work force. Ninety-three percent of farms have less than 10 acres (4 ha), but 65% of the cultivated land is on farms of 10 acres or more. Per capita income for the agricultural sector has remained low, being only a third to a half that for other sectors of the economy. According to the 1989 Social and Economic Survey, over 60% of agricultural workers are small farmers in their own right and 25% are female. Fifty percent of the agricultural workforce is over 50 years of age and 30% are over 60.

B. Background

Over the last 10 years, Jamaica's agricultural sector has suffered from both internal and external events that have seriously damaged the country's productive capacity, particularly its export earning potential and balance of payments. External forces such as major fluctuations in world commodity and energy prices placed Jamaica at a disadvantage on the income earning side and contributed to lower growth and higher debt. Natural disasters, such as Hurricane Gilbert, which hit the island in September 1988, completely destroyed many agricultural crops, particularly bananas, resulting in a decline in the sector by 4.4 percent during 1988. Internal forces have also negatively affected growth in agricultural production. Jamaica has failed to keep pace with advancements in technology -- the introduction of which could have contributed to higher yields and greater productivity. A research system not producing published results, and inadequate investment in specialized education, extension and infrastructure has left Jamaica behind where it should be in its agricultural development.

The most significant characteristic of Jamaica's agricultural sector is its low productivity -- both in comparison to productivity levels 10 years ago and to the productivity of other Caribbean Basin countries of similar topographical and climatic conditions. Low productivity has resulted in loss of market share for traditional export crops due to inability to meet quantity and quality requirements as well as an inability to compete with other countries in the production of non-traditional export crops.

Low productivity, however, is a prime indicator of a series of cross cutting constraints which the GOJ must tackle in order to enhance the over all productivity of the economy. These include: weakness in public sector research and extension programs, excessive

transportation costs, high cost of credit (interest rates and collateral requirements), zoning, the theft of crops in the field known as praedial larceny, and the absorption of labor in ganja or marijuana production (arguably the leading agricultural export commodity in Jamaica) which contributes to higher production costs for other crops, to name a few. In order to reverse the negative growth trends in agriculture, Jamaica must raise productivity levels, maintain quality, and begin to market its products as aggressively as its competitors. This will require new approaches to agricultural export production, including special emphasis on private provision of services, and a rationalization of GOJ policies and programs in support of agricultural exports.

Overall, Jamaica's agricultural sector has reached a turning point. Recent studies confirm that prospects are good for agricultural renewal and growth as the country redirects priorities to include encouraging broad based agricultural development, particularly for the export market. The Agricultural Export Services Project will serve as a catalyst to assist the sector by providing needed support services to public and private entities that work directly in agriculture. In addition, the project will provide technical assistance to companies involved in exporting agricultural products and in need of productivity enhancement.

J. The Problem

From a 1975 high of US \$219 million, agricultural exports in Jamaica have declined to US \$182 million by 1987, a period in which nearby countries have been registering strong growth. Both total agriculture and total food production appear to have bottomed out in 1982, and are increasing slowly; they only exceeded the 1980 level in 1988. At that time, the per capita index of total agricultural production was still only 96.3 compared to the 1980 base of 100, although the trend was clearly up and accelerating until Hurricane Gilbert in late 1988, which severely set back progress in the agriculture sector.

Agriculture's decline reflects neglect of the sector by a society which generally views farming as an unattractive occupation. The real measure of the decline in agriculture has been productivity. Jamaica has not kept pace with other developing countries in the application of technology to agriculture. Consequently, average agricultural yields of both export and domestic crops are considerably below developing country average yields, although some farmers obtain much higher yields, indicating that with the availability of suitable technology increased productivity is achievable. For example, coffee yields are 40% of those in Haiti and cocoa yields are 26% of Haitian levels. Sugar yields are 80% of those in the Dominican Republic. With some vegetables Jamaican yields are less than 25% of the levels in the Dominican Republic. Yields per acre are associated with productive efficiency -- economic yields increasing more rapidly than the costs associated with achieving them -- thus lowering unit costs. These lower unit costs provide the farmer with greater income and enable him/her to continue to produce profitably during periods of unfavorable

prices. Lower average unit costs also enable a country to exploit a comparative advantage and gain market share as less efficient producers are forced out when market price declines below unit costs of production. Low productivity is at the root of Jamaica's loss of market share for its traditional agricultural exports, and has also kept it from becoming more competitive in the area of non-traditional agricultural exports.

Historically, the value of Jamaican agricultural production has been heavily weighted towards its traditional export crops. These have included sugar and rum, bananas, citrus, coffee and coffee products, cocoa and cocoa products, and pimento (allspice). During the period 1983 to 1987 there was growth overall in these products, but it was erratic at best. For the most part, this was due to market conditions, disease problems, and price and quality competition.

Jamaica's non-traditional agricultural exports include a variety of root crops, fruits, vegetables, ornamentals, spices and flavorings. While the overall demand for these products is expanding, Jamaica has so far been unable to position itself to be able to compete with other producing countries in the Caribbean and elsewhere. Also, Jamaica must take steps to guard its special access to the markets for its traditional export crops as it has lost both market share and foreign exchange earnings due to its inability to either compete in open markets or produce up to capacity for guaranteed markets. Again, Jamaica's low yields indicate a potential for far greater production with simply improved application of known technologies. If Jamaica were able to improve yields on existing acreage of export crops to the developing world average yield, total volume and value of exports would increase substantially and market share would be similarly improved.

D. Constraints to Increased Agricultural Export Production

Active promotion of crop diversification and private sector investment in agriculture has been a priority of Jamaica since the early 1980's. Over the period 1983 to 1987, non-traditional agricultural exports virtually doubled in both volume and value, from 12,000 tons valued at US \$10 million in 1983 to 21,000 tons valued at US \$19 million in 1987. From 1984 to 1988 the volume of yam exports increased from 5,891 to 8,567 kg. During the same period, the value of yam exports rose from US\$3.8 million to US\$7.9 million. Cut flower and other ornamental horticulture exports increased from 360 tons in 1983 to 1,200 tons in 1987, and, prior to the September 1988 hurricane, were generating approximately US\$3 million a year in foreign exchange earnings. Products such as papaya, strawberries, winter vegetables, culinary herbs, and exotic fruits and vegetables were all exported on a commercial basis for the first time in this period. Initially in the domestic market,

and now increasingly for export, one of the most significant diversification developments has been the expansion of inland fish production from 140 tons in 1983 to 2,120 tons in 1987.

The volume of traditional export crops such as sugar, bananas, cocoa, coffee, citrus, pimento and coconut has fluctuated depending on the crop. Despite damage caused by Hurricane Gilbert increases were recorded in the production of sugar, coffee, and citrus, as the 1987/1988 crop year was completed prior to the hurricane. Consequently, the full effects of the hurricane are still being seen in the 1988/89 crop year. So far, however, the effect of the hurricane on various industries has been as follows. The banana crop has lost more than six months of exports, and substantial losses were recorded in cocoa, coffee and poultry industries, as well as in domestic crops. Prior to the hurricane, the banana industry was on target to meet an export level of some 46,000 metric tons for 1988. Production of bananas for the nine-month period before the hurricane was 28,050 metric tons -- 21 percent above the same period in 1987, with earnings of US\$15.7 million. Both volume and value of cocoa exports declined during 1988, (by 12 percent and 14 percent respectively) to 1,666 metric tons valued at US\$4.0 million. The declines in the 1987/88 crop are reflective of adverse weather conditions earlier in the crop year rather than the effect of the hurricane. The volume of coffee exports in 1988 increased by 4 percent over 1987 to reach 1,040 short tons, valued at US\$9 million (up 11 percent over 1987). With the passage of the hurricane it is estimated that 60 percent of the fields or 25,000 acres of bearing coffee and 3,000 acres of younger trees were damaged.

During 1988, the volume of pimento exports was 2,305 metric tons valued at US\$5 million -- increases in volume and value of 2 and 4 percent respectively, over 1987. Assessments of damage to pimento trees indicate that approximately 50 percent of the trees were either severely damaged or uprooted.

The principal constraints to more rapid growth in the agriculture sector in general, and export agriculture in particular, were detailed in the 1987 USAID Agriculture Sector Strategy, and the 1988 assessment of the Export Marketing Process in Jamaica. Essentially, two sets of constraints are operative when we look at export agriculture.

First, there are cross cutting constraints that plague all export industries in Jamaica and are not limited to agriculture. Most of these constraints are being addressed through the Mission's policy dialogue. In addition to the Mission's ongoing policy dialogue, a new project is in the process of development which will deal directly with cross cutting policy constraints that effect the Jamaican economy in general. The planned Export Development and Investment Promotion Project will focus on alleviating major constraints to all productive sectors in the economy, not only

agriculture. Many of these constraints, which are primarily financial, marketing and bureaucratic in nature, include:

- high cost of debt in terms of interest rates and collateral requirements, and inadequate equity and working capital financing;
- excessive paperwork required for several government departments makes export onerous and confusing. There are over seven stages of requirements necessary for export.
- export controls and increasingly tighter security measures to interdict contraband (ganja) which delay movement;
- high cost of transportation -- both domestically and internationally, and inadequate supply of vehicles; and
- delays in accessing foreign exchange.

The second set of constraints are those specific to agriculture. Praedial larceny, or the theft of crops in the field, is one of these constraints, but it is not something that can be addressed solely in an agricultural development project. Likewise, the problems of lack of farm laborers and resulting high costs for labor due to competition from ganja production cannot and will not be addressed by this project. The remaining agricultural sector specific constraints that will be addressed by this Project are:

- Low productivity caused by obsolete technologies and crop management techniques;
- Poor quality control including selection of varieties, handling, weighing, grading, and packing;
- Improper application of pesticides and/or post harvest treatments for export crops in order to meet importing nations' restrictions on chemical treatment and/or quarantine regulations;
- Lack of information regarding export markets including understanding the nature of demand for individual crops including meeting peak seasonal demand, and understanding relevant economies of scale and the level of commitment to continuous supply necessary to be a dependable exporter.
- The weak performance of agricultural service institutions reflecting reduced public budgets and fractionalized private sector institutions. Lack of recurrent cost funding means that government agencies have difficulty providing even essential agricultural services.

E. Rationale for the Agricultural Export Services Project

The rationale for this project emerges out of the Mission's assessment and experience that agriculture has great potential for growth and development and that the sector offers the best

opportunity to positively impact on the incomes of the rural population. With current productivity under performing, high value added for some agricultural products, and a comparative advantage in many products, this project will assist in modernizing the agricultural sector and prepare Jamaica to become more competitive in the world market.

F. Project Strategy

The project strategy is to focus on export crops that Jamaica has a comparative advantage in producing and relieving constraints to agricultural export crop development. Essentially, the strategy is to work with public and private institutions that directly impact on export agriculture and to pursue policy dialogue on a sectoral level, i.e., providing assistance on technical and institutional issues that impact directly on export agriculture.

An earlier project design proposed to work primarily with the Ministry of Agriculture (MOA), which is responsible for essential agricultural services in research, extension, crop protection and quarantine. However, project analyses and Mission experience revealed that constraints to MOA performance go well beyond the Ministry. Many of these constraints -- such as salary structure necessary to build and maintain an effective staff, and the budget necessary to provide adequate agricultural services -- are a part of the GOJ's basic financial policies which are often negotiated in a larger forum, such as with the IMF. As a result of these findings, the approach of simply upgrading through the Ministry of Agriculture was refocused. Additionally, USAID guidance emphasizes that a more private sector focus tends to be more beneficial in the long run. Therefore, this project has a design that works with both private and public sector institutions for the delivery of agricultural services.

The major constraints in agriculture relate to services, such as the application of technologies and management practices, and not to constraints such as macroeconomic policy or physical infrastructure. Therefore, the Project will address these constraints by strengthening the capacity of the public and private sectors to provide agricultural services. The public sector is unable to meet many of the recurrent costs involved in extending agricultural services, thus, the Project will provide funding to meet these costs. The project will encourage the use of private sector institutions such as producer associations, cooperatives, and financial institutions to deliver services, while helping to rebuild government capacity to develop and implement policy and essential controls such as setting grades or standards, controlling use of agricultural chemicals, and import/export controls. In the case of both the private and public sector institutions, the Project will provide operational support to build capacity while designing service systems to keep long term recurrent costs to a minimum. The Project has three components, two of which are largely private sector.

The project strategy places emphasis on flexibility in crop choice as Jamaica is a country with many different micro-climates and can and does produce a wide range of export crops. As markets evolve and new opportunities arise, risk taking and experimentation will be valuable assets in a project of this nature. This project, therefore, identifies crops for initial emphasis but anticipates change during the life of project. This is consistent with the GOJ emphasis on expanding traditional export crops while also supporting non-traditional crops.

G. Relationship to USAID Projects.

The Mission's experience with the sub-project approach used by the Hillside Agriculture Project as well as with the Jamaica Agricultural Development Foundation has helped shape the design of this Project. Likewise, both positive and negative experiences with the Agro 21 approach to crop diversification/export promotion under the Crop Diversification and Irrigation Project (CD/I) and Agro-Industrial Development II (AIDP-II) Projects have been taken into consideration.

The Hillside Agriculture Project has taught the Mission and the GOJ a number of lessons about the process of involving small farmers and producer associations in the project design and implementation process. As that project progresses, more will be learned about the technology adoption process especially as it relates to small farmers producing export crops such as coffee and cocoa. The experience under the CD/I and AIDP-II projects revealed several lessons regarding the most appropriate roles of the public and private sectors as well as the need to address the constraints related to public sector provision of services to the productive private sector.

Under the CD/I Project, the Mission attempted to make technical assistance available to a wide range of private farmers through the vehicle of a large private sector mother farm that was to have been associated with small farmer satellite farms. The Crop Diversification/Irrigation Project placed special emphasis on one export crop, winter vegetables. The project supported GOJ efforts to develop a new industry simultaneously with the establishment of large new farms in that industry on specific project lands. Too many new variables were required for the project's approach to work in the time frame pushed by the GOJ. When private investors did not come forward to establish winter vegetable farms as desired by the GOJ, the project placed major emphasis on stimulating production through the one farm that did emerge. This demonstrated that providing technical assistance to a private firm can be an important stimulus to assist the private sector to move into new areas of investment as it can mitigate some of the cost of risk taking; at the same time, the experience showed the problems of encouraging a particular crop instead of responding to market signals.

As already discussed in section D, Constraints, this project will complement the Mission's planned Export Development and Investment Promotion Project. By providing assistance to the agricultural sector to increase productivity and improve and expand critical support services for export agriculture, this project will help position the producers/exporters of agricultural products to better access and utilize the improved systems (financial, regulatory, transport, etc.), that will be addressed under the planned EDIP Project.

H. Relationship to Other Donor Programs

Other donors, both bilateral and multilateral, are active in Jamaica. Many of them are involved, to one degree or another, in the agricultural export sector.

1. The Food and Agriculture Organization (FAO) - was active in conjunction with the World Bank and the Ministry of Agriculture in the Export Crops Project described below which comes to an end in September 1989.

2. The International Bank for Reconstruction and Development (World Bank). Currently the World Bank is funding several large projects in the agricultural sector and negotiating a new sector loan with the GOJ. Much of the current World Bank support is focused on sugar and citrus, two crops that the USAID Project, in keeping with AID Policy Determinations, will not address. Under the Export Crops Project, which is currently scheduled to terminate in September of 1989, the World Bank has financed the construction and/or expansion and modernization of several major post-harvest facilities such as the export clearance and inspection center, and has also provided limited funding for targeted extension and farmer training support for agricultural exports. The new loan currently under negotiation with the GOJ is basically budgetary support with all of the conditionality related to the agriculture sector. The USAID Project will both complement and build on the Export Crops Project in that it will support production and institutional strengthening activities that will utilize both the upgraded facilities and technical resources financed under the World Bank/FAO project.

3. The Japanese. Assistance to Jamaica in the area of agricultural exports, including a government loan from Japan, is largely private sector in nature and restricted to coffee. Various Japanese private firms are involved in financing the production, processing and export of Jamaica's Blue Mountain Coffee to Japan where it retails for as high as US\$100/pound. A new Japanese firm has recently entered the picture and is working with a local producer/exporter to promote the production and export of Jamaican High Mountain Coffee at a price below that of Blue Mountain Coffee, but considerably higher than that now received by producers from the Coffee Board.

4. The Inter-American Development Bank (IDB). The IDB does not seem to be directly involved in any agricultural export projects or activities. For the most part since Hurricane Gilbert, their funding has been reprogrammed for credit programs run by the GOJ, and targeted on hurricane reconstruction. IDB also is funding several other activities in the general areas of land titling, agricultural research, and small farmer credit.

5. The European Economic Community (EEC). For the past several years the EEC has been active in the financing of citrus and low land coffee projects. It was recently announced that the EEC plans to make additional funds available during the next year or so for the resuscitation of small farmer banana production for export. It is not yet certain, but the EEC may also make available funding for a small farmer cocoa project sometime in the near future.

6. The German Development Agency (GTZ). In the past has been involved in the area of sugar and sugarcane energy. They recently made a grant to the National Development Foundation for small farmer on-lending. Most of this funding will go for a limited small farmer banana resuscitation loan program.

The Agricultural Export Services Project will not duplicate any current other donor financed project or program. It is expected that it will build upon projects such as the World Bank/FAO funded Export Crops project, and will complement other projects such as the current and planned German and EEC funded activities in bananas.

H. Relationship to GOJ Programs/Sector Strategy

The Agricultural Export Services Project is entirely consistent with the current GOJ development strategy for the agricultural sector. One of the major areas of emphasis in that strategy is exports. In fact, the GOJ's published statement on the sector says in part, "The development strategy for agriculture will emphasize the expansion of both traditional and non-traditional crops as sources of foreign exchange earnings..." It also states that the Government will "... collaborate with commodity associations and provide them with support to resuscitate traditional and non-traditional crops which are critical foreign exchange earners." The GOJ has a strong interest in rural development, and in seeing that the benefits of development are spread widely. This project's emphasis on export development with small and medium farmer participation is completely consistent with the GOJ policy goals of broad based rural development.

III. PROJECT DESCRIPTION

A. Project Goal and Purpose

The USAID goal to which this Project contributes is to foster economic growth and equity. This will be done by increasing the

production and productivity of selected non-traditional and traditional agricultural exports, particularly those produced by small and medium size farmers by improving their access to quality services and other resources.

The purpose of the Project is to increase the exports of selected non-traditional and traditional agricultural products. This will be accomplished by focusing project resources on enhancing productivity through improving/expanding export related services.

B. Project Description

In order to achieve the Project goal and purpose, project resources will be focused on three distinct, but related, project components:

(1) Export Production Sub-projects

This component will consist of developing sub-projects with producer groups and associations to expand the production and marketing of export crops. This component is designed to encourage and stimulate the production of non-traditional and traditional export crops by new producers, and to expand and diversify the production of farmers already involved in limited export production;

(2) Production and Post-Harvest Export Services

This component will support key public sector agencies in improving/expanding essential services to the producers and exporters of agricultural products; and

(3) Export Project Design and Management Services

This component will use the financial institutions with agricultural export borrowers as the vehicle to identify and solve problems related to increased output of commercial farms. This project component will seek to stimulate the identification, introduction, and testing of modern agricultural production technologies and management practices under actual export conditions.

The Project will focus on those traditional and non-traditional crops that have been identified as possessing the most potential for development and exporting. Sugar, citrus and edible oils are excluded in accordance with AID Policy Determinations 71 and 15. Although the crops below are currently the most promising, over the seven year life of the project, other crops may also fall into this category. The crops identified to date are:

Traditionals:

bananas

coffee

(initially excluding Blue Mountain, which is presently assisted by the Japanese)

cacao

(The Hillside Agriculture Project will continue to be the main support for this crop)

Pimento

Non-Traditionals:

Yams

Mangoes

Vegetables

Ornamental Horticulture

Aquaculture

Other Tropical Fruits

This project is intended to be supportive of any export crop which exhibits strong potential growth. Resources will be programmed against the above ranking taking into account the crops which are already receiving other project assistance and the strength of the institutions which are available to manage sub-projects. The priority list, however, will evolve as the market changes and institutional arrangements allow for change.

C. Description of Project Activities/Components

1. Export Production Sub-projects

The focus of this component will be to provide support through the development of sub-projects with existing producer associations and other private sector groups (which for the most part represent small and medium size farmers) to identify opportunities to introduce or expand export production by improving/expanding their ability to provide services to their membership. This component will address constraints in the areas of (a) low productivity caused by obsolete agricultural technologies, (b) poor post harvest practices and (c) inadequate market information. The target group of beneficiaries is small to medium farmers' groups which presently or potentially could profitably produce export crops.

The objective of this sub-project component is to work with organizations (private or public) with close linkages to producers who can stimulate the broad based acceptance and application of cost reducing, yield increasing technologies and management practices including post harvest activities, as applicable.

The criteria for considering sub-projects will be:

- (A) An organization's ability to provide broad based services to the small and medium sized farmers to expand production, and marketing of the crop involved.
- (B) The technical proposal recommended will be reviewed to ensure that it promotes yield increasing technologies and management practices which will result in lower per unit production costs and/or reduce or eliminate post harvest constraints in packing, transportation, or marketing. This would be reflected in appropriate economic and financial rates of return which will increase farmers' income. The information needs of the small and medium sized farmer to produce and market for export will receive special emphasis in each sub-project.
- (C) The sub-project must demonstrate sustainability or cost effectiveness and that the sub-project will continue to expand without continued donor or GOJ support.

An example of the kind of sub-project envisioned in this project would be continued assistance to the banana industry. This may be similar in approach to the initial grant given to the All Island Banana Growers Association (AIBGA) under the Hurricane Reconstruction Project (HRP). That project, along with other donor loan funds, is providing funds for the AIBGA to significantly expand its services, credit, and extension programs to small and medium scale banana farmers. However, for Jamaica to be a competitive banana exporter after the potential restructuring of banana markets in Europe after 1992, the scale of production will have to continue to grow quickly, and low cost methods of production, packing, and shipping expanded. The major opportunity is in bringing small and medium sized farms up to export quality production. Continued investment in improved production technologies and cost reducing management systems will be necessary. This will probably require continued technical assistance, training, upgrading facilities, and commodity assistance which could be readily provided through a sub-project with a growers organization.

2. Production and Post-Harvest Export Services

This component will provide institutional support to key public sector agencies in improving and expanding services to the producers and exporters of agricultural products. This component will assist in the areas of plant protection and quarantine, pesticide residue

analysis and other lab services and in establishing a new regulatory framework for the approval/use/monitoring of agricultural chemicals, grades and standards. These problems are crucial, because exports have already been jeopardized by pesticide residues detected in vegetable (calaloo and hot pepper) exports to the U.S. as a result of the use of unapproved pesticides. These are all vital services for export development, and are also areas with which Jamaica has experienced problems in the past. In addressing these constraints, this component will emphasize technical assistance, long or short term as needed, and, to a lesser extent, training and commodities essential for expanding capacity in these services. To an even more limited extent, commodity export facilities may be upgraded. An example of the need for improved export facilities may be installing a mango hot water dip system, if lack of this treatment is identified as a critical constraint to exporting that crop to the US.

The objective of this component is to provide support for essential public sector functions which must be made effective for agricultural exports to grow. The constraints addressed by this component, which have been identified to date include (a) inadequate plant protection and quarantine systems, (b) improper application of pesticides and/or post harvest treatments, (c) poor quality control in selection of varieties, handling, grading, and packing, and d) lack of information on export markets.

The criteria for consideration of specific activities under this component are:

- A) that the service is essential to increased exports and can best be provided by a government agency.
- B) that project funding of technical assistance, training, commodities, or limited work on facilities will result in a significant improvement in the service provided.
- C) that the GOJ will provide the necessary counterpart staff and budget to the activity during and after the component activity so that the improved performance developed will continue and/or increase in the future.

An example of the type of assistance to be provided under this component is the placement in the MOA on a continuing basis of an USDA Animal and Plant Health Advisor to provide assistance with the implementation of more effective quarantine and pre-clearance programs. This individual will provide advice and training to the GOJ and exporters so that crops can be exported free of harmful pests or diseases. Quarantine laws may need to be updated and then put into a Jamaican quarantine manual, an important tool in protecting agricultural trade. This could be prepared by a local consultant with some guidance by the advisor. One goal is to strengthen and expand GOJ and industry participation in the inspection and pre-clearance program for products exported to the U.S. coupled with a realistic fee structure so that the program will have the potential to eventually become substantially self financing.

3. Export Project Design and Management Services

Experience with other projects has shown that private sector institutions serving agriculture, whether producer organizations or cooperatives, often suffer from lack of middle management skills and provide technical assistance at a high cost per beneficiary. The one set of private organizations which are able to readily retain good management and deal very effectively with a wide range of clients are the financial institutions. This component will make use of financial institutions servicing agricultural exporters as a means of providing short term technical assistance through matching grants to solve problems in export production and marketing. All too often, technical staff leave government positions and move to the private sector, transferring many agricultural problem solving skills to the private sector; and, at the same time, the farmers or investors lack agricultural problem solving skills altogether. With high credit costs, private farmers and investors are typically short of operating funds to solve technical and management problems. Consequently, agricultural export projects continue to use inefficient technologies and management practices when more effective approaches are known. The constraints to be addressed by this component will be the entire range of pre-harvest technologies and practices through post-harvest handling, treatment, and shipping. Two types of technical assistance are proposed: (1) feasibility studies and (2) short term problem solving. Individual sub-grants with the financial institutions will set matching grant percentages, time limits in working days for the program (perhaps not to exceed 90 days) and individual grant size limits in order to be assured that the technical assistance grants are utilized as broadly as possible to assist the entire commercial agricultural export industry.

The priority for matching grants will be short term technical assistance for problem solving during implementation of export oriented agricultural production projects. The proposed approach for both types of activities will be to fund a fixed percentage of the costs so that a farmer/investor's seriousness in undertaking the project will be measured by his/her willingness to fund a substantial portion of the costs. The net effect will be to create private sector incentives to stimulate the development, funding, and effective management of agricultural export projects by the Jamaican private sector.

This form of assistance would be administered by private sector banks that lend to the agricultural sector. The development banks already provide some forms of technical assistance and training to their clients. For all of the banks, it will offer the opportunity to improve the quality of their loan portfolio in agriculture by solving problems which reduces risks. Therefore, the banks are assumed to provide primary staffing for the activity and the grant assistance provided for operating costs are limited largely to the expenses associated with additional reporting requirements needed by

USAID which would not be a normal part of bank operations. The project will begin with a pilot, matching grant program directed through the private development banks (National Development Foundation, Jamaica Agricultural Development Foundation, and Trafalgar Development Bank), as the USAID is already working with these institutions. The initial two year pilot will be implemented with an annual budget of US\$300,000. The remaining US\$1.8 million would be committed to this component if an evaluation confirmed that this program was successful. The program could be expanded -- both in size and breadth -- if the evaluation so indicates.

This program of matching grants would be carried out by the participating financial institutions with GOJ and USAID approval of the program criteria for selection of beneficiaries, but no direct GOJ and USAID approval of individual investors/farmers for grant funding. The implementing financial institutions will agree, however, to specific procedures for direct purchase of technical assistance on behalf of investors which will be identified in the financial institution grant agreement. Both kinds of grants will indicate quantitative targets for increasing agricultural exports. The GOJ and USAID will receive copies of all technical and progress reports for both forms of grants.

Although the specific program will be covered in sub-grants with the individual financial institutions involved, the basic criteria for selection of beneficiaries and awarding of grants are expected to be as follows:

Feasibility Studies:

- Having under consideration an export project in agriculture with a need for professional assistance in analysis or presentation of the project concept for which the farmer/investor expects to seek financing;
- Investor/farmer provision, from his/her own resources, of a substantial fixed portion of the cost of the technical assistance required to fully develop the feasibility study; and
- The technical assistance is to be performed by an outside independent consultant (local or offshore) who is not related in any way to either the investor or implementing financial institution, and selected competitively according to AID procedures.

Project Implementation Technical/Management Assistance:

- Having an export project in agriculture beyond the feasibility stage so that it is ready for consideration for funding, already approved for funding, or already ongoing with a specific technical constraint which can be addressed through short term technical assistance;

- Providing a major portion of the costs of the technical assistance from their own resources; and
- The technical assistance is to be performed by an outside independent consultant (local or offshore) who is not related in any way to either the investor or implementing financial institution, and selected competitively according to AID procedures.

D. Project Beneficiaries

The Project beneficiaries will be small to medium sized farmers producing for export markets. In Jamaica there are an estimated 150,000 small farmers who practice mixed farming which includes some export crops. The project will benefit all farmers producing export crops to some extent, including the entire small farmer exporter group. The second component, which expects to strengthen MOA export support systems, can be said to benefit the entire small farmer group.

The beneficiaries in the first component will be a function of which specific crop a particular sub-project addresses. One of the initial target crops is bananas. Thus, the main beneficiaries for this crop will be the small and medium banana producers with one to twenty five acres who lost ground in the industry for many reasons. During the 1970's the small and medium banana growers had problems with maintaining improvements in grading and quality procedures within the prevailing prices. In the 1980s large banana estates were favored by the government as they appeared to be Jamaica's best chance to meet quality standards. Now the small and medium farmer is recognized as essential if Jamaica's banana exports are going to be sufficiently large in scale to create a shipping volume which will be competitive in the changing markets after Europe's reforms in 1992.

The third component works through the mechanism of financial institutions to reach export farms which may also be small or medium sized depending on the crop. In commercial operations such as export farms, the beneficiaries are not only the owner/investors but also all of the people employed directly or indirectly by these commercial operations.

Furthermore, commercial operations and small to medium size mixed crop farmers also produce for the domestic and tourist markets, in addition to the export market. The social analysis found that the majority of small farmers do not make a clear distinction between export and domestic markets. A significant increase in export production will, therefore, have a spillover effect for the domestic market. While the farmers are the project's primary beneficiaries, and those employed on farms or in post harvest activities are the secondary beneficiaries, consumers in general will receive some tertiary benefits in greater food availability at a lower cost.

Women play a major role in the harvest and post-harvest preparation of agricultural commodities for export such as sorting, grading, washing, packaging. They also do most of the small scale domestic agricultural marketing known as "higglering." Expanded export production, with some associated domestic marketing of export crops will, therefore, have a direct positive impact on the employment of women in these harvest and post harvest activities. Women play a role on the production side, with some women owning or controlling land, participating in land preparation, and planting or crops management. The female small farmer seems to be older than her male counterpart, having been either left behind by the family, widowed, or occupying "family land."

E. End-of-Project Status

By the end of the AID-financed implementation period, it is expected that Jamaica will be in a better position to take advantage of its potential strength as an exporter of high value agricultural products and to support a prosperous and expanding agricultural export economy that will be more broad based and diversified.

Expected outputs include:

1. Improved yields for selected export crops
2. Increased export earnings from selected export agricultural crops.
3. Increased investment in the agricultural sector.
4. More efficient public sector support services for export agriculture.
5. More efficient private sector services for export agriculture. r of services to their members and they will be better managed through technical assistance provided by the Project.
6. 1200 farmers will be better informed on the nature of export crop demand and on appropriate technology through training sessions conducted locally.
7. 12 senior level officials from the Ministry of Agriculture or from producer groups will benefit from long-term training and, thus, they will be better informed on technical aspects of agricultural exports such as pesticide and/or other crop treatments for export crops.

8. 200 small and medium sized producers will improve the business operation of their businesses through technical assistance provided through the IFIs.
9. 3 development finance institutions will improve the quality of their loan portfolios by offering technical assistance in problem solving to their clients.

IV. COST ESTIMATE AND FINANCIAL PLAN

The total cost of the seven year project is estimated to be US\$18,850,000. USAID will contribute US\$10 million to the project to finance sub-projects under Export Development, sub-grants under the Export Project Design and Management Services component, foreign and local long and short term technical, offshore and local commodities and operational support costs. The GOJ and local private sources are expected to contribute the equivalent of US\$8,850,000 which is 47% of the total project cost.

Under the Export Production Sub-project component, the MOA will enter into host country contractual agreements with existing producer associations and private sector groups. These agreements will finance all local costs while all foreign exchange costs will be contracted for directly by USAID. It is projected that the breakdown between GOJ entities and private groups to be equal. The projected GOJ and private sector contribution totals \$580,000 for salaries and travel costs of participants and operational support costs. AID's projected cost totals \$3.7 million for technical assistance, training, commodities and operational supports.

Under the Production and Post-Harvest Export Services component, AID will provide funds for institutional development of various public sector agencies. AID funds are budgeted for technical assistance, training, commodities, operational support and for upgrading facilities. The GOJ will contribute to training and operational support costs.

USAID will enter into direct contractual agreements with the implementing institutions under the Export Project Design and Management Services component. Here again, the agreements will only finance local costs; the costs which require foreign exchange will be procured directly by AID. Project funds will be used to finance the cost of foreign and local technical assistance including studies and for local operational costs. The Institutions will provide in-kind funds for operational costs while the private sector investors will provide a large percentage of matching funds for technical assistance.

The Project Management Unit operating costs will be shared by USAID and the GOJ. The project will also contribute funds for commodities including vehicles to support the PMU. Audit and evaluation funds are provided at estimated requirements over the

life of the Project. The contingency/inflation rate of 5 per cent is low but is warranted in that the level of person years/months for technical assistance and other project support costs could not be estimated during project design. Cost factors will not be known until the sub-projects and grants are negotiated. It is anticipated that funds under the various components will require adjustments as the Project progresses.

A. Summary Cost Estimate and Financial Plan - Table I is a summary of the cost estimates and financial plan for the total life of the project. The Project will finance both long term and short term technical assistance at approximately US\$4.6 million, commodities at US\$1.5 million, training at US\$.7 million, upgrading facilities at US\$.4 million, and operational support at US\$2.1 million. Evaluations/audits and contingency and inflation are estimated at US\$.7 million.

B. Costing of Project Outputs/Inputs is presented in Table II and the Projection of Expenditures by Fiscal Year are presented in Table III.

C. Methods of Implementation and Financing - The methods of implementation and financing are all in accordance with the Agency's current guidelines. Except for the direct sub-grants under the Export Project Design and Management Services Component, all local costs will be financed under host country contracts and purchase orders through the PMU. USAID will provide detailed contracting instructions and accounting and reporting requirements through Project Implementation Letters. The PMU will be instructed to open a special bank account into which the first advance and subsequent payments will be deposited. The PMU will follow current GOJ accounting and USAID has reviewed their systems under a current active project and found the accounting and internal controls to be adequate to account and safeguard Project funds. The recipients of subgrants under the Export Production and Export Project Design components will also be required to open special bank accounts and to maintain separate accounting to allow an adequate audit trail.

Project funds are provided to contract periodically with local chartered accounting firms to perform reviews to ensure that the internal controls, accounting and reporting systems are adequately maintained through the life of the Project.

TABLE 1 SUMMARY COST ESTIMATE AND FINANCIAL PLAN
 (IN \$100,000)

SUBJECT	EX		AID		TOTAL	G01	MAGNETIC SECTOR	MAGNETIC SECTOR	GRAND TOTAL
	LC	LC	LC	LC					
1. EXPORT PRODUCTION SUBPRODUCTS									
TECH ASSISTANCE	600	400	1000	0	1000	0	0	0	1000
OPERATING	100	200	300	40	340	0	40	0	380
COMMODITIES	600	275	875	0	875	0	0	0	875
OPERATIONAL SUPPORT	100	1345	1445	250	1695	0	250	0	1945
SUBTOTAL	1400	2220	3620	290	3910	0	290	0	4200
2. PRODUCTION AND EXPORT SERVICES									
TECH ASSISTANCE	800	500	1300	0	1300	0	0	0	1300
OPERATING	200	200	400	150	550	0	0	0	550
COMMODITIES	250	175	425	0	425	0	0	0	425
OPERATIONAL SUPPORT	50	175	225	1000	1225	0	0	0	1225
OPERATING FACILITIES	50	350	400	0	400	0	0	0	400
SUBTOTAL	1300	1400	2700	1150	3850	0	0	0	3850
3. EXPORT PROJECT DESIGN AND NIGHT SERVICES									
TECH ASSISTANCE	0	300	300	0	300	0	0	0	300
TECH ASSISTANCE - FEASIBILITY STUDIES	1100	630	1730	0	1730	0	0	0	1730
OPERATIONAL SUPPORT	0	110	110	0	110	0	0	0	110
SUBTOTAL	1100	1040	2140	0	2140	0	0	0	2140
4. PROJECT MANAGEMENT UNIT									
VEHICLE	40	0	40	0	40	0	0	0	40
COMMODITIES	60	60	120	0	120	0	0	0	120
OPERATIONAL SUPPORT	0	350	350	350	700	0	0	0	700
SUBTOTAL	100	410	510	350	860	0	0	0	860
5. AUDITS/EVALUATION									
	80	120	200	0	200	0	0	0	200
TOTAL	4050	5450	9500	1790	11290	0	7060	0	18350
6. CONTINGENCY/INFLATION									
	215	285	500	0	500	0	0	0	500
GRAND TOTAL	4265	5735	10000	1790	11790	0	7060	0	18850

TABLE II - Costing of Project Outputs/Inputs
(US\$000)

OUTPUTS	-----INPUTS-----											
	Technical Assistance		Training		Commodities		Operational Support		Facilities Upgrading		Totals	
	GOJ USAID	NGO	GOJ/ USAID	NGO	GOJ/ USAID	NGO	GOJ/ USAID	NGO	GOJ/ USAID	NGO	GOJ/ USAID	NGO
Improved Yields	750	0	300	80	290	0	350	150	0	0	1,690	230
Efficient Private Sector	1,967	5,700	0	0	265	0	382	180	0	0	2,614	5,880
Responsive Public Sector	350	0	300	150	440	0	255	625	350	0	1,695	775
Informed Farmers Export Market	350	0	50	0	25	0	225	625	0	0	650	625
Farmers Informed of Services	623	910	50	0	15	0	143	155	0	0	831	1065
Increased Employment & Investment	550	0	0	0	495	0	775	275	0	0	1,820	275
TOTALS	4,590	6,610	700	230	1,530	0	2,170	2,010	350	0	9,300	8,850
Contingency/ Inflation and Evaluations/Audit											700	
GRAND TOTALS	4,590	6,610	700	230	1,530	0	2,130	2,010	350	0	<u>10,000</u>	<u>8,850</u>

TABLE III PROJECTION OF EXPENDITURE BY FISCAL YEAR

(US \$000)

COMPONENT	FY 1990		FY 1991		FY 1992		FY 1993		FY 1994		FY 1995		FY 1996		TOTAL	
	AID	GOJ NGO	AID	GOJ NGO												
EXPORT PRODUCTION SUBPROJECTS																
TECH. ASSISTANCE	125	0	175	0	195	0	195	0	195	0	95	0	20	0	1000	0
TRAINING	25	5	50	15	75	15	75	15	50	15	25	9	0	7	300	30
COMMODITIES	80	0	150	0	230	0	225	0	200	0	45	0	25	0	955	0
OPERATIONAL SUPPORT	95	50	300	50	400	75	300	75	300	75	100	75	50	100	1445	500
EXPORTION & EXPORT SERVICES																
TECH. ASSISTANCE	150	0	225	0	250	0	225	0	225	0	200	0	25	0	1300	0
TRAINING	25	10	50	20	100	40	80	30	80	30	35	10	30	10	400	150
COMMODITIES	25	0	50	0	75	0	100	0	100	0	50	0	25	0	425	0
OPERATIONAL SUPPORT	25	100	50	100	50	100	50	100	50	200	0	200	0	200	225	1000
DISPATCHING FACILITIES	0	0	50	0	100	0	100	0	50	0	25	0	25	0	350	0
EXPORT PROJECT DESIGN & MGMT																
TECH. ASSIST. - FEAS. STUDIES	50	150	50	150	70	200	70	200	70	200	0	0	0	0	310	900
TECH. ASSIST. - PROBL. SOLVING	240	720	240	720	500	1500	500	1500	500	1270	0	0	0	0	1980	5710
OPERATIONAL SUPPORT	10	20	10	20	30	60	30	30	30	30	0	0	0	0	110	160
PROJECT MANAGEMENT UNIT																
VEHICLE	30	0	0	0	0	0	0	0	0	0	0	0	0	0	30	0
COMMODITIES	30	0	15	0	15	0	15	0	15	0	15	0	15	0	120	0
OPERATIONAL SUPPORT	50	50	50	50	50	50	50	50	50	50	50	50	50	50	350	350
AUDIT/VERIFICATIONS	0	0	50	0	0	0	100	0	50	0	0	0	0	0	200	0
TOTAL	960	1105	1515	1125	2040	2040	2115	2000	1965	1870	640	343	265	367	9500	8350
CONTINGENCY/INFLATION	51	0	75	0	111	0	111	0	105	0	34	0	13	0	500	0
GRAND TOTAL	1011	1105	1590	1125	2151	2040	2226	2000	2070	1870	674	343	278	367	10000	8350

TABLE IV: METHODS OF IMPLEMENTATION AND FINANCING
(US\$000)

INPUT	METHOD OF IMPLEMENTATION FINANCING		AMOUNT
1. TECHNICAL ASSISTANCE			
Long term (foreign)	AID Direct	Direct Payment	\$ 800
Long term (local)	HC Contracts	Advance Reimbursement	400
Short term (foreign)	AID Direct	Direct Payment	1,700
Short term (local)	HC Contracts	Advance Reimbursement	100
2. TRAINING			
Long term (foreign)	AID Direct	Transfer of Funds	300
Short term (local)	HC Contracts or P.O.s	Advance Reimbursement	200
3. COMMODITIES			
Foreign	AID Direct/ PSA	Direct Payment & Bank L/Com	1,020
Local	HC Contracts or P.O.s	Advance Reimbursement	235
4. EXPORT PRODUCTION			
Sub-Projects	HC Agreements/ Contracts	Advance Reimbursement	2,220
5. EXPORT PROJECT DESIGN			
Management Sub- Agreements	AID Direct	Advance Reimbursement or Direct Payment	1,300
6. OPERATIONAL SUPPORT			
Project Management Unit	HC Contracts or P.O.s	Direct Payment	525
Export Production Sub-Projects	Direct Contracts	Direct Payment	150
7. FACILITIES UPGRADING	HC Contracts	Advance Reimbursement	350
8. EVALUATION/AUDIT	Direct Contract	Direct Payment	200
9. CONTINGENCY			500
Total			\$10,000

V. IMPLEMENTATION ARRANGEMENTS

A. Implementation Plan Overview

The US\$10 million grant for the Agricultural Export Services Project will be obligated by a bi-lateral Project Agreement between USAID and the Government of Jamaica. The Project will be incrementally funded, and annual obligations will be based on estimates of expenditures for the fiscal year. An initial US\$2.0 million will be obligated in FY 89 in the Project Agreement, and the remaining funds will be obligated through annual amendments to the Project Agreement, subject to the availability of funds.

Funds will be earmarked in a manner appropriate to the activity to be funded. In the case of Component I sub-projects Production and Export Services, and the Project Management Unit, local costs will be earmarked by Project Implementation Letters (PIL) following requests from the GOJ. These PILs will summarize the activities to be funded, and specify reporting requirements. In the case of foreign exchange costs and for audits/evaluations, funds will be earmarked by Project Implementation Orders (PIO) that specifies the activity to be funded. The Chairman of the PCC will sign all earmarking documents as the representative of the Government of Jamaica.

Funds will be committed in the most expeditious manner possible per the activity to be funded. For sub-projects, local costs will be committed by a sub-project agreement, signed by the Permanent Secretary in the Ministry of Agriculture (PS-MOA) and, in the case of Component III, local costs will be committed by sub-grant agreements signed by USAID and the implementing institution, such as National Development Foundation of Jamaica, Trafalgar Development Bank and Jamaica Agricultural Development Foundation. For other activities, local costs will be committed via PILs, while all foreign exchange costs will be under AID direct contracts.

Disbursement will take place per the terms of the committing documentation. For sub-projects and sub-grants to non-profit organizations, an advance/reimbursement mechanism will be used wherever possible based on quarterly projections of expenditure. For other activities, disbursement will take place per the terms of the contract, work order, or purchase order. The MOA will establish a special bank account for this Project and will be the paying agent for all their direct contracting.

The primary implementing agency for the Project will be the Ministry of Agriculture (MOA), which will be responsible for the majority of Project activities. The MOA will undertake a full range of responsibilities in agricultural development including research, extension, marketing, credit, inspection and quarantine, planning and economic analysis, and data collection. However, other agencies may implement discreet activities which impact on export agriculture. For example, the Ministry of Industry and Commerce (MIC) has major responsibility for pesticide residue analysis. In

this instance, the MIC would be the implementing agency and funds for the activity would be committed by a PIL co-signed by the PS-MOA. Other activities such as this will be identified during the course of the project and, thus, the agencies with responsibility in those areas would implement those activities. Special accounting, reporting and payment mechanisms will be developed in each case.

A Project Coordinating Committee (PCC) will be established to determine policy and to coordinate project activities. The PCC will develop sub-project and sub-grant approval criteria, approve sub-project and sub-grant proposals, and will create conditions necessary for accomplishment of overall Project goals.

The PCC will consist of representatives of the MOA and USAID, and will be chaired by the Permanent Secretary of the MOA, or his/her designee, who will also be the authorized signatory for earmarking and committing documents. The PCC will meet monthly in the initial start-up phase of the Project, and thereafter quarterly as needed. In the initial start-up of the Project, the PCC will concentrate on setting policy for sub-project and sub-grant approval and developing the Project procurement plan and training plan.

The PCC will be assisted in carrying out its functions by a Project Management Unit (PMU) which will have responsibility for the day-to-day management and monitoring of the Project, i.e., recommending priorities for individual activities within the components, developing proposals with potential implementing organizations, providing focus and support to sub-project activities, and maintaining the Management Information System (MIS) for accounting and reporting of project activities. The PMU will report directly to the Permanent Secretary of the Ministry of Agriculture. Under Component II, the Ministry will directly implement activities under its purview. The Component II functions are those public sector functions which can only be implemented through the Ministry.

In order to be assured of the best quality staff, rates paid to the PMU will be established by the PCC to attract qualified personnel. The PMU will initially be comprised of a minimum of three professionals: (1) a senior Technical Officer, (2) an Accountant, and (3) an Administrative Assistant/Secretary. The PMU will be headed by a senior Technical Officer. Rates to be paid are tentatively set at no less than J\$150,000 per year for the Senior Technical Officer, no less than J\$80,000 for the Accountant, and no less than J\$40,000 for the Administrative Assistant/Secretary.

The GOJ recognizes the need for good project management and, therefore, will contribute counterpart funds to defray additional costs incurred by Jamaican members of the PCC above their normal allowances. In addition, the GOJ will ensure that the PMU is provided with adequate space, telephones, and supplies to undertake defined responsibilities.

AGRICULTURAL EXPORT SERVICES PROJECT

Implementation Plan By Quarters of U.S. Fiscal Year

	1989		1990		1991		1992		1993		1994		1995		1996	
	Quarter	1234	1234	1234	1234	1234	1234	1234	1234	1234	1234	1234	1234	1234	1234	1234
1. Preproject Activity																
Project Agreement Signed		X														
Conditions Precedent Met		X														
Procurement Plan Developed		X														
2. Export Production Subprojects																
Short-term Technical Assistance			XX	XXXX												
Long-term Technical Assistance			X	XXXX	XX											
Local Training			XX	XXXX	XX											
Off-shore Training				XXXX												
Commodities			XX	XXXX	XX											
Operational Support			XX	XXXX	XX											
3. Production and Export Services																
Short-term Technical Assistance			XX	XXXX												
Long-term Technical Assistance		X	XXXX	XX												
Local Training			X	XXXX	XX											
Off-shore Training			X	XXXX												
Commodities			X	XXXX	XX											
Operational Support		X	XXXX	XX												
Upgrading Facilities			X	XXXX	XX											
4. Export Project Design and Management Services																
Feasibility Studies Technical Asst.			XX	XXXX												
Problems Solving Technical Asst.			XX	XXXX												
Operational Expenses			XX	XXXX												
5. Project Management Unit																
Office Space/Support		X	XXXX	XXX												
Senior Technical Officer		X	XXXX	XXX												
Accountant			XX	XXXX	XXX											
Admin. Asst./Secretary			XXX	XXXX	XXX											
Vehicle			XX	XXXX	XXX											
Spare Parts/Maintenance			XX	XXXX	XXX											
Office Equipment/Supplies			XXX	XXXX	XXX											
6. Audits/Evaluations																
Audits							XX									
Evaluations			XX					XX								

The number of sub-grants under this Project are expected to be relatively few. It is anticipated that there will be probably two sub-grants under Export Production Sub-projects component and possibly three under the Export Project Design and Management Services component in the first year of project implementation. Although the criteria for each component is different, the PCC will have overall responsibility for reviewing and approving sub-projects and sub-grants.

The table entitled "Implementation Plan by Quarters" along with Table III, the Projection of Expenditures by Fiscal Years, together show the timing of when the individual components and their key elements are planned to be implemented. The implementation schedule is for USAID expenditures to grow quickly from roughly US\$1 million in the first full year of implementation to US\$1.6 million in the second, and over two million in the third. The project will expend over two million in each of the third, fourth, and fifth years, and then be phased down in the sixth year and completed in the seventh. The plan is ambitious given that rapid improvements in agricultural exports are needed right away, but it also is structured so that the project can still function well with any major redesign if unavoidable delays set the schedule back by six months.

B. Project Components:

1. Export Production Sub-projects. The priorities established in the technical analysis of the project will be the ranking use to select initial sub-projects. Organizations serving farmers in these crops will be invited to develop sub-project proposals for PCC consideration. As mentioned above, the Project Management Unit will assist the producer organizations in developing proposals for sub-project which meet criteria for project funding. The sub-projects will be multi-year in nature and will make use of the resources available in the component for the first three to five years. PILs will be used to reach agreement with the GOJ on target crops, and confirm available funding levels for new sub-grant activity.

2. Production and Export Services. The GOJ has already requested the continuation of PASA technical assistance in the Plant and Animal Health area which is one area identified for long term technical assistance in this component. Through the PCC mechanism specific activities to be strengthened will be identified and agreed upon. In this component, the Ministry of Agriculture will directly implement the technical services for export agriculture. Other Ministries may also be assisted to a more limited extent where their responsibilities directly relate to agriculture, as is the case with Ministry of Industry and Commerce which will be establishing a pesticide residue testing and monitoring program. The long or short term technical assistance and training provided will be in any appropriate Ministry division which has the responsibility for the activities involved, but the Project Management Unit will coordinate the overall Project. This Project will not be used to construct new

export processing facilities, but may provide for modification or upgrading of facilities to maximize utilization. Equipment for specific crop treatments for export may be funded under this component. The GOJ and USAID will agree in PILs on the technical assistance, training, commodities, and facility improvements which maximize use of GOJ services to export crops.

3. Export Project Design and Management Services. This component will initiate pilot sub-grant activity with the development banks that are familiar with USAID grant procedures and reporting/information requirements. The first group of pilot programs are to be with the National Development Foundation, the Jamaica Agricultural Development Foundation, and/or the Trafalgar Development Bank. The Project Management Unit will assist in the design, presentation, and review of these sub-grants to ensure that they are consistent with project criteria. After PCC review and approval, AID direct grants will be used to implement these pilot grants. The project will initially utilize only enough resources (US\$600,000) to test the private sector matching grant approach. The activity will be expanded to commercial and merchant banks with significant agricultural portfolios after the Ministry of Agriculture and USAID have reviewed the performance of the initial pilot and determined the validity of the program for a larger effort.

B. USAID Management

Project management responsibility will rest with the Agriculture and Rural Development Office (ARDO), with support from various other Mission offices represented on the Project Committee. For the third component -- Export Project Design and Management Services -- the Private Enterprise Division will assist specifically in working with the National Development Foundation and the Trafalgar Development Bank.

C. Procurement Procedures.

Under the Project, there will be a number of major procurement actions, both local and off-shore. All technical assistance and commodities are anticipated to be of either local or U.S. source and origin. Commodity procurement will include vehicles, computer equipment, lab equipment, and other miscellaneous equipment and supplies. Based on previous Mission experience with Host Country procurement procedures, it has been determined that the most advantageous procurement mechanism would be for the Mission to enter into a long-term arrangement with a Procurement Services Agent (PSA). The PSA will be required for all Project funded off-shore commodity procurement activities. Technical assistance will be sought from both local and U.S. sources. Short term and long term, off shore technical assistance will be contracted directly by the Mission. As appropriate, buy-in arrangements with AID/W centrally funded contracts will be used for financing of US TA. Also, USAID has a standing contractual arrangement with the University of Florida for technical assistance in agriculture

through which the Project can draw on the services of over 1,000 scientists, a third of which have international experience. Local short term technical assistance will be contracted directly through Host Country Contracting.

The Project Management Unit will provide an initial Procurement Plan for the first set of project activities within four months after being formed. The sub-grants or sub-projects may be shown as handling their own procurement of locally available commodities. Overseas procurement may be done through the PSA mechanism mentioned above. The Procurement Plan will provide specific lists of commodities necessary for the Ministry of Agriculture to implement component two.

During the process of selecting the PSA, as well as during the implementation of those project activities requiring long or short-term technical assistance, the Mission will make every effort to comply with Gray Amendment requirements. This will include efforts to ensure that Gray Amendment firms are aware of and included in the competitive procedures for selecting the PSA. In terms of technical assistance and off-shore training, the Mission will actively pursue arrangements with Gray Amendment firms and the Historically Black Colleges and Universities.

VI. MONITORING PLAN

A. Monitoring, Reporting and Auditing

1. AID Monitoring

To ensure adequate monitoring of the various project components, a USDH officer will be assigned overall responsibility for the project. The USDH will be assisted on a part time basis by a FSN Program Assistant. Also, under Component 2, the Mission intends to contract with USDA/APHIS, by means of a PASA, for the services of a Senior Plant Protection Officer. This individual, besides serving as an advisor to the Ministry of Agriculture and the industry, will serve as an in place chief of party in the development of short term technical assistance needs and will provide support in the implementation of the Project.

2. PMU Role in Project Monitoring

The Project Management Unit to be set up in the Ministry of Agriculture will be directly involved in the monitoring of all three project components. It will be responsible for setting up and implementing a computerized Management Information System that will be utilized to monitor and report on all aspects of the project, including both financial reports and progress towards achieving project and sub-project objectives.

3. Reporting

There are different reporting requirements for each project component as follows:

- (A) The Export Production Sub-projects. Each sub-project, in addition to monthly financial reporting, will submit a monthly status report detailing progress made toward goals set out in the sub-project. These reports will be submitted to the PMU for review. In turn, the PMU will present the reports to the PCC for its review and consideration.
- (B) The Production and Export Services. The long term technical assistance provided through the USDA/APHIS PaSA will be a focal point for regular project management. Monthly status reports will be submitted on progress achieved. Again, these reports will be channeled to the PCC through the PMU.
- (C) The Export Project Design and Management Services. The development banks will submit monthly disbursement reports to USAID as part of the sub-grants in this component and monthly status reports on the matching grant programs. The latter report should highlight problems solved through short term technical assistance, and will again go through the PMU to the PCC.

4. Audit Plan

Management and/or compliance audits will be conducted on the project components as specified concerns are raised through implementation in accordance with AID management procedures.

VII. SUMMARIES OF PROJECT ANALYSES

A. Technical Analysis Summary

All indicators suggest that Jamaica should be doing far better in agricultural exports. Nearby countries are producing similar crops at far greater efficiency (better yields) and have seen much stronger growth in export earnings. At the same time farmers receive a far better return on their labor for export crops than they do for domestic consumption crops. Jamaica's value added gain in agriculture exceeds all other commodity exports. Agricultural production has the largest positive employment impact. All of the technical data confirm, agricultural exports are an area of tremendous potential, which is substantially under performing.

The technical analysis prepared for this project complements other major studies conducted on the agricultural sector, export development and agricultural service institutions. The technical study emphasized a review of costs of production and returns for major export crops. It provides a good basis to prioritize the initial crops to target at the beginning of the project.

The technical analysis for the project shows that eleven major crops or crop groups all meet technical requirements to justify an agricultural export project. The following criteria were considered in ranking crops for priority attention under the proposed project:

1. Gross returns per acre
2. Level of foreign exchange earnings
3. Employment potential
4. Size of export market
5. Surety of export market
6. Investment costs
7. Willingness of farmers to produce the crop
8. Tradition of producing crop
9. Need for assistance

Based on the above factors, the technical analysis proposed that initial priority attention be given to these crops as ranked below. The ranking as follows:

<u>Traditional</u>	<u>Non-traditional</u>
1. Bananas	1. Yams
2. Coffee	2. Mangoes
3. Cocoa	3. Papaya
4. Pimento	4. Vegetables
	5. Ornamental Horticulture
	6. Aquaculture
	7. Other tropical fruits

B. Administrative/Institutional Analysis Summary

The agricultural sector in Jamaica encompasses the work of a number of agencies of differing status which devote all or part of their efforts to direct agricultural support.

In countries which have made satisfactory progress in agricultural development, it is recognized that the agricultural sector needs the support of strong institutions, often in the public sector, which supply essential services. In the 1980s, the Ministry of Agriculture (MOA) provided assistance to small farmers through its extension, marketing and technical services and undertook planning, research, regulatory, land and water resource responsibilities. However, all of these activities were limited by continuing budgetary problems and resulting institutional weaknesses. The MOA lacks the qualified staff and funds necessary to carry out useful research. Consequently, a long list of institutions do whatever research is being done for the sector. Through the Agricultural Research Project run by the Jamaican Agricultural Development Foundation, USAID is supporting a major effort to make this research more relevant, higher quality, and more broadly available.

The Production and Extension Division of the Ministry of Agriculture has the prime responsibility for agricultural extension, which is provided through regional and parish offices. As with research, the Commodity Boards and other producer organizations are engaged in extension for their own farmers. Other institutions, such as the Jamaican Agricultural Society, are also actively engaged in extension. Extension, therefore, suffers along with research from fragmentation and inefficiency.

Marketing of the traditional export crops is performed primarily through the commodity boards: Coffee Industry Board, Cocoa Industry Board, Citrus Growers Association, Banana Export Company, Jamaica Sugar Holdings. In the case of pimento, the export division of the Ministry of Agriculture provides the marketing function, which seems to consist of servicing traditional government to government contracts in Eastern Europe.

The Jamaica Export Trading Company provides export marketing intelligence services, particularly for non-traditional commodities. Now there is a large number of individuals exporting non-traditional crops. The Marketing and Credit Division of the Ministry of Agriculture oversees such activities as quality and standard inspection, pre-clearance inspection of products exported to the U.S. market, and inspection of vegetable products imported into Jamaica.

Jamaica's agriculture institutions are structurally weak and lack maturity. However, institutional reform will not be a central focus for this project. The institutions are means to the end of agricultural export development, and the funds for the project are better focussed on limited targeted interventions which remove constraints for agricultural exporters. Thus, this project will, work on strengthening the extension, and post harvest support services essential for expanded exports but will not attempt to change the structure of the export production institutions. Two of the three components in the project will support problem solving for the entire agricultural export industry, while some activities will concentrate on one crop.

For example, three producer organizations are responsible for bananas. The All Island Banana Growers Association (AIBGA), the Banana Export Company (BECO), and the Jamaica Banana Producers Association (JBPA). AIBGA has some donor project development funds and is expanding its capability in extension and credit programs. However, the organization has historically concentrated on supply inputs for banana production. It also operates six public boxing plants for its members on a cooperative basis.

BECO was established in 1985 as a marketing company owned by producers of bananas. It replaced the Banana Company which was a general purpose organization serving the banana industry. The BECO is solely an exporting company for bananas and has been the sole exporter of bananas for 10 years. It pays a market price to growers who deliver export quality fruit to the port of export.

JBPA is a private company with interests in the St. Mary Banana Estates and Eastern Banana Estates. The company owns Sunburst which is the largest exporter of non-traditional crops to the United Kingdom.

The three development finance institutions that will be involved in the implementation of Component III of the Project (TDB, NDF, and JADF), all have previous experience with the provision of technical assistance to their clientele, as well as in working with and administering USAID funds. Trafalgar Development Bank may be viewed as serving the top end of the private sector, i.e., larger more established firms as well as some new entrants into agriculture. The National Development Foundation is at the other end of the spectrum in that it deals exclusively with small and micro enterprises. JADF falls somewhere in between the others. All three organizations are headed up by professional management with extensive experience in private sector lending, and all are governed by private sector led Boards of Directors. Based on previous experience under other Mission funded programs and projects, they all possess the management, monitoring, and reporting systems necessary to effectively carry out their planned functions under the Project.

C. Economic and Financial Analysis Summary

Agricultural exports are essential to Jamaica's development and ranks third among the foreign exchange earnings sectors of the country. The government's recent removal of subsidies on imported foodstuffs has created the atmosphere for the farming fraternity to be more price conscious and in essence, better prepared on an export oriented agricultural setting.

The introduction of the Agricultural Export Services Project will impact positively on economic and financial viability of agriculture in general, particularly agricultural exports to hard currency areas will show significant increase.

The Project components (crop specific export production; production and export services; and export project design management services) are classified among the critical variables that have to be tackled in order to stimulate sustained agricultural exports for both the traditional and non-traditional crops. Besides, this Project with its string of economic benefits will institutionalize agricultural exports in a more open system than is presently offered by the current system. Other interests are restricted from venturing into exporting the agricultural products that are controlled by the various commodity boards, government marketing companies, and other government led marketing arrangements, thus limiting the development of new markets for these products (coffee, banana, etc.) which in turn limits the foreign exchange earning potential for the country and also fosters uncompetitiveness in prices for agricultural products.

The economic benefits will have immediate impact on yams and bananas in so far as these untapped export potential are concerned. Bananas from Jamaica have a guaranteed export market far above current export levels; less than one-fourth of banana quotas were filled in 1987, the year before the crop was devastated by Hurricane Gilbert. Banana yields are expected to be increased by 12.5 percent as a result of the Project, and all of the increased yield is expected to be exportable at prices that would have prevailed in the absence of the Project. Yams have been experiencing steady increase in export earnings moving from US\$3.8 million in 1984 to US\$7.9 million in 1988. The estimated additional US\$8 million in foreign exchange earnings over the life of project is US\$1 million annually.

Although the Project will also impact positively on all other export crops, the benefit to the Jamaican economy will accrue over an extended period because most of these other crops (traditional and non-traditional) have longer growing cycles. Consequently, there is a greater lag in the realization of project benefits based on increased output from these crops. The cumulative employment increase over the LOP is estimated to be 1,200 full time jobs.

The Project is financially viable for all three components which are all consistent with the GOJ's policies on increasing agricultural production, productivity and foreign exchange earnings. The increased foreign exchange earnings is estimated at US\$19 million over the life of project and the overall average return on investment for the Project is estimated at 7%. This figure is relatively low because a significant part of the total Project costs will be going into services offered under two components (Production and Post Harvest Export Services and Export Project Design and Management Services) which would not have direct revenue inflows, but will add indirectly to higher revenue throughout the agriculture export sector. That portion of Project costs going into the export production sub-projects component show highly favorable return on investment of 27%. This higher return on investment is more indicative of the general positive derivatives to the Jamaican economy from the Project, namely, increase of exports from other crops, facilities to handle large volumes of exports and the conduciveness of an export oriented system to increase production of crops.

D. Social Soundness Analysis Summary

The social soundness analysis for the project concluded that this agriculture export project will be of direct benefit to the target group of small to medium sized farmers. It will also have a positive impact on the employment of women whose role in Jamaican agriculture is predominately in post harvest activities.

The social groups involved in agricultural exports include: small and medium farmers, investors or weekend farmers, big farmers (often part of a corporation), cooperatives, producer marketing organizations (non-profit), individual exporters, trading houses, government officials, overseas officials, overseas wholesalers/retailers and consumers. These numerous and varying groups must function together in order to activate the process successfully.

To increase agricultural exports, it is necessary to involve groups of small and medium farmers who are already contributing to some export commodities and have a positive growth potential. For example, cocoa, yams and pimento are all small farmer crops. Small farmers also contribute 20 percent of the overall coffee and banana crops. Non-traditional crops are now grown largely by small farmers, despite a surge of large farmers going into production in the 1984 - 1986 period. Each of the components of this project have been structured, and will be managed to maximize the participation of small and medium sized farmers in exports. It is anticipated that the greatest production gains can be made on these farms, and that the employment benefits of the program will have the widest impact with this emphasis.

In order to encourage and stimulate agricultural exports in Jamaica, it is necessary to motivate and assist target groups that are unable to increase and improve the sector. Crop specific technical assistance and training associated with Ministry level guidance on export agriculture will help to solve basic information gaps. The two factors that are prevalent throughout are: the lack of information regarding the overall exporting process (horizontal) and the lack of information related to specific requirements for the individual's subsector (vertical). This situation is aggravated by the general constraints in the agricultural sector and conflicting instructions through the system. A topical example is the problem of acceptable chemicals (herbicides, pesticides, fertilizers) for the United States' market. As experience and information spreads into the farming community, dissonance and confusion cause farmers to regard exporting as problematic and counter productive.

Another predominant condition at this time, is the lack of distinction by most farmers between export and domestic markets. Their decisions rest mainly on the highest price they can get for their produce. "Earning foreign exchange to assist the national economy" is a concept that is beyond their sphere, and one that is regarded with suspicion and cynicism. The project will concentrate on demonstrating the benefits of exporting to this group of farmers, in particular.

E. Environmental Concerns

1. Environmental Determination

An Environmental Determination for the Project was prepared for the Project Identification Document. It was reviewed and a deferred

positive determination was made. The determination required that a Condition Precedent as described below be part of the project agreement. The Washington cable is Annex VIII.

VIII. CONDITIONS, COVENANTS, AND NEGOTIATING STATUS

A. Conditions and Covenants

USAID will sign a standard Project Grant Agreement with the Ministry of Finance. The Project Agreement will contain standard conditions precedent of a legal opinion and statement of authorized representatives. Standard covenants, a special covenant, and a special Condition Precedent on the environment will be included.

A special covenant will address the issue of sustainability of essential GOJ agricultural services for export crops. The GOJ will acknowledge the necessity to either provide a long term budgetary commitment for the recurrent costs of export related agricultural services, or to initiate a system of user fees for such services prior to systematically building and expanding the services through this project.

The Project Agreement will contain a Condition Precedent (CP) stipulating that an Environmental Assessment (EA) is required before the commitment of project funds for (1) procurement of or use of pesticides, or (2) activities that may directly and negatively effect: (a) soil conservation, (b) bio-diversity or (c) tropical forests. The CP will also stipulate that project implementation plans will be modified, as appropriate, to incorporate recommended mitigation measures developed under the EA and, thus, requirements and/or recommendations from the EA may result in changes in project design and funding allocations.

B. Negotiating Status

This Project has been designed with consultation and contributions of various Government of Jamaica and private sector agencies and organizations. In addition, it has been discussed with other U.S. Government agencies and various other donor agencies/organizations. The Ministry of Agriculture has been involved in the design of the Project from very early in the process. The Planning Institute of Jamaica (PIOJ) and the Ministry of Finance have also been involved in the discussions and review of the Project. Finally, the three development finance institutions have been consulted regarding component III, and have signaled their willingness to participate in the project. The terms and conditions as presented in this Project Paper have been fully discussed with and are acceptable to the GOJ. (See Letter of Request in Annex VI.)

IX. EVALUATION ARRANGEMENTS

Since this is a seven-year project, the Mission plans to arrange at least two formal project evaluations. The first evaluation will be conducted at the end of the third full year of project implementation, roughly January of 1993, and will cover all three project components. However, depending on the rate of disbursement under the third component of the project, this component may be evaluated earlier in order to address the AID/W concerns regarding this pilot activity (Attachment III).

The first formal evaluation will focus for the most part on (a) the effectiveness of implementation procedures and arrangements, (b) linkages between the project components, especially the provision of assistance to producer associations under Component 1 to encourage export production, and the assistance to the GOJ and other providers of support services under Component 2, (c) the impact of assistance provided (TA, training, operations support, etc.) to the commodity associations and other private producer groups to improve their service provision capabilities, (d) the impact of project funded inputs on the services provided to producers/exporters of agricultural products by the GOJ and private agencies, and (e) the efficiency of the project implementation arrangements (procurement methods, grant mechanisms, financial accounting, project monitoring, etc). It is expected that this evaluation will be carried out at the end of the third full year of project implementation, approximately 1993.

The second, and final, formal evaluation of the Project will be carried out during the last year of project implementation in 1996 and will focus on project impact and attainment of the project purpose. It will assess the impact of the Project in increasing both traditional and non-traditional agricultural exports, as well as diversifying the country's agricultural export base. At the farm level, changes in land use, agricultural practices, level of technology used on farm, productivity, and farm incomes will be assessed on a gender disaggregated basis.

The Management Information System that will be developed and implemented by the Project Management Unit for normal project monitoring and reporting purposes, will be designed to generate the various types of data and information that will be utilized in the evaluation of the project.

SUBJECT: JAMAICA ACTION PLAN REVIEW, FY 1990 - 1991

1. SUMMARY: THE FY 1990-1991 JAMAICA ACTION PLAN (AP) WAS REVIEWED TUESDAY, APRIL 12 BY THE ACTION PLAN REVIEW COMMITTEE (COMMITTEE) CHAIRED BY WILLIAM WHEELER, DIRECTOR LAC/DP. USAID WAS REPRESENTED BY MISSION DIRECTOR WILLIAM JOSLIN AND PROGRAM OFFICER NANCY EARLY. THE MISSION WAS COMMENDED ON ITS WELL WRITTEN, DETAILED AP AND CONGRATULATED FOR BEING ABLE TO COMPLETE AND TRANSMIT IT TO AID/W IN A TIMELY FASHION. THE MISSION WAS ALSO COMMENDED FOR THE EXCELLENT AND HIGHLY PROFESSIONAL MANNER IN WHICH IT HANDLED THE HURRICANE DISASTER EMERGENCY AND RECOVERY PROGRAM AND THE COLLABORATIVE, COLLEGIAL WORKING RELATIONS IT DEVELOPED WITH THE VARIOUS A.I.D. OFFICES. THE PRIMARY DECISIONS RESULTING FROM THE REVIEW ARE SUMMARIZED BELOW:

(A) THE PORTFOLIO MORTGAGE RATIO WILL BE HELD TO BETWEEN

2.0 AND 2.5 TIMES THE CURRENT DA OBLIGATION LEVEL AND MORTGAGES WILL BE REVIEWED AGAIN IN THE NOVEMBER SAR AND NEXT YEAR'S AP. PARTICULAR ATTENTION WILL BE PAID TO

NOT INITIATING PROJECTS AT UNREALISTICALLY LOW INITIAL FUNDING LEVELS.

(B) ONCE POST-HURRICANE ECONOMIC STABILIZATION APPEARS TO BE UNDER CONTROL AND THE JAMAICAN PROGRAM ADEQUATELY SUPPORTED BY THE IMF AND WORLD BANK, THE ISF PROGRAM SHOULD MOVE TO FOCUS ON STRUCTURAL ADJUSTMENT ISSUES THAT ARE CRITICAL TO THE GROWTH OF KEY SECTORS, SUCH AS AGRICULTURE, TOURISM AND THE PRIVATE SECTOR.

(C) THE MISSION WILL INCLUDE AN ANALYSIS OF DESIRED P.L. 480 CONDITIONALITY AS PART OF THE ISF CONCEPT PAPER AND PAAL. THE FY 1990 ISF DOCUMENT SHOULD INCLUDE DESIRED FY 1991 P.L. 480 CONDITIONALITY SO THAT IT CAN BE INCORPORATED IN THE EARLY P.L. 480 NEGOTIATIONS IF APPROVED BY THE DCC. ISSUES SUCH AS THE COMPLEMENTARITY OF THE PROPOSED CONDITIONALITY, LOCAL CURRENCY PROGRAMMING, AND NEGOTIATION STRATEGY, INCLUDING THE

3 POSSIBILITY OF A CLOSER LINKING OF THE TWO PROGRAMS SHOULD ALSO BE EXPLORED IN THE CONCEPT PAPER AND PAAD.

4 (D) PRIOR TO AUTHORIZATION OF THE AGRICULTURAL EXPORT SERVICES PROJECT (532-0165), THE MISSION IS REQUESTED TO CABLE AN IN-DEPTH DESCRIPTION OF THE PROJECT COMPONENT DEALING WITH GRANTS TO THE PRIVATE SECTOR FOR TECHNOLOGY/MANAGEMENT IMPROVEMENTS. PROJECT DEVELOPMENT SHOULD ALSO INCLUDE DISCUSSION OF THE RELATIONSHIP OF THE PROJECT TO THE EXPORT DEVELOPMENT AND INVESTMENT PROMOTION PROJECT. AID/W WILL RAISE ANY PP ISSUES IT MIGHT HAVE IMMEDIATELY AFTER RECEIVING THE PID.

5 (E) THE MISSION HE/AIDS PROGRAM IS REALISTIC; AIDS FUNDING COULD POSSIBLY BE EXPANDED AND SHOULD BE REQUESTED IF AND WHEN IT CAN BE ABSORBED WITHIN THE PROGRAM AS PREVIOUSLY DESIGNED. IN BOTH HE AND AIDS, AS MUCH SHOULD BE DONE AS POSSIBLE, BUT SECTORAL ABSORPTIVE CAPACITY IS A SERIOUS CONSTRAINT.

6 (F) A STAFFING STUDY SHALL BE CARRIED OUT BY THE MISSION, WITH A COPY TO AID/W BY SEPTEMBER 30, 1989. EVERY EFFORT SHOULD BE MADE TO MAINTAIN STAFF AND OE EXPENSES AT THE LOWEST REASONABLE LEVEL. THE MISSION IS ADVISED THAT FURTHER OE FUNDING STRINGENCIES ARE TO BE EXPECTED.

7 (G) THE MISSION'S HUMAN RESOURCES STRATEGY WAS APPROVED. END SUMMARY.

8 2. THE MISSION WILL BE GUIDED IN PREPARING THE FY 1991 ABS BY THE FOLLOWING PLANNING LEVELS (DOLS. 000) FOR FY 1990 AND FY 1991:

-	FY 1990	FY 1991
ARDN	7,550	6,520
PCP	700	700
EE	700	900
AIDS	300	320
CS	- 0 -	- 0 -
ERAI	2,500	2,920
ESL	4,250	4,700
- DA TOTAL	16,000	16,000

- EST. TOTAL 25,000 25,200

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					
502-2157	FOOD AID	300(G)	2,500(G)	NO	DELEG
-	SUPPORT				
-	AND MONITORING				
502-2165	AGRICULTURAL	1,200(G)	7,000(G)	NO	DELEG
-	EXPORT				(SEE →
-	SERVICES				
FY 90					
502-2162	AGRICULTURAL	550(G)	3,560(G)	NO	DELEG
-	EDUCATION		6,520(L)		
-	(AMENDMENT)				
502-2155	PRIMARY	620(G)	4,200(G)	YES	DELEG
-	EDUCATION				
-	COMMUNITY				
-	DEVELOPMENT				
502-2160	MICRO	750(G)	2,000(G)	YES	DELEG
-	ENTERPRISE				
-	DEVELOPMENT				
502-2166	TOURISM	500(G)	3,320(G)	NO	PID 1
-	SUPPORT				AID/
502-2154	PRODUCTION AND	25,320(G)	25,320(G)	YES	PRAL
-	EMPLOYMENT X				AID/
FY 91					
502-2187	AGRICULTURAL	500(G)	7,000(G)	NO	91 A2
-	PRODUCTIVITY				
-	ENHANCEMENT				
502-2150	TECHNICAL/	700(G)	3,500(G)	YES	91 A2
-	VOCATIONAL				
-	EDUCATION				
502-2151	INNER	1,000(G)	5,000(G)	NO	91 A1
-	URBAN				
-	DEVELOPMENT				
-	PHASE II				
502-2164	PRODUCTION	25,000(G)	25,000(G)	NO	91 A2
-	AID				
-	EMPLOYMENT VI				

4. CROSS-CUTTING PROGRAM ISSUES:

502-2154 PRODUCTION AND EMPLOYMENT X
 502-2155 PRIMARY EDUCATION COMMUNITY DEVELOPMENT
 502-2160 MICRO ENTERPRISE DEVELOPMENT
 502-2166 TOURISM SUPPORT
 502-2187 AGRICULTURAL PRODUCTIVITY ENHANCEMENT
 502-2150 TECHNICAL/VOCATIONAL EDUCATION
 502-2151 INNER URBAN DEVELOPMENT PHASE II
 502-2164 PRODUCTION AID EMPLOYMENT VI

A. DISCUSSION: IT WAS NOTED THAT A HEAVY MORTGAGE WOULD BE CREATED IF ALL OF THE MISSION'S PLANNED PROJECTS WERE APPROVED AND FUNDED AS PROPOSED. THE MISSION-PREPARED TABLE (AP ANNEX V) INDICATED THAT, ASSUMING ALL PROJECT FUNDING AND OYB PROJECTIONS WERE ACTUALIZED, THERE WOULD BE NO FUNDS AVAILABLE FOR NEW PROJECTS IN FY 1991-93. SOME FUNCTIONAL ACCOUNTS - NOTABLY HE AND AIDS - WOULD BE SUBSTANTIALLY OVER-MORTGAGED. IT WAS FURTHER NOTED THAT OVERALL USG BUDGETARY SHORTFALLS COULD PUT PROJECTED FY 92 LEVELS UNDER PRESSURE, ESPECIALLY ESF.

1. THE MISSION DIRECTOR ACKNOWLEDGED THE VALIDITY OF THE ISSUE AND AGREED TO RE-EXAMINE FUTURE NEW PROJECT DEVELOPMENT IN LIGHT OF OVERALL ANTICIPATED FUNDING

LEVELS. HOWEVER, HE POINTED OUT THAT SOME LOP COSTS MAY BE SUBJECT TO DOWNWARD REVISION AND THAT PROJECTIZATION OF SOME PORTION OF PROPOSED ESF FUNDING - PERHAPS EVEN THE SECOND FY 1989 TRANCHE - WAS UNDER CONSIDERATION.

C. DECISION: IT WAS AGREED THAT THE MORTGAGE RATIO WOULD BE HELD TO BETWEEN 2.2 AND 2.5 TIMES THE CURRENT OBLIGATION LEVEL AND MORTGAGES WOULD BE REVIEWED AGAIN IN THE NOVEMBER SAR AND NEXT YEAR'S AP. PARTICULAR ATTENTION WOULD BE PAID TO NOT INITIATING PROJECTS AT UNREALISTICALLY LOW INITIAL FUNDING LEVELS.

B. ISSUE: SHOULD THE ESF PROGRAM MOVE AWAY FROM AN EMPHASIS ON MACROECONOMIC ISSUES TO A MORE FOCUSED SECTORAL GROWTH APPROACH? WILL THERE BE A NEED TO TEMPORARILY REFOCUS ON FINANCIAL DESTABILIZATION THAT HAS OCCURRED OVER THE PAST SIX MONTHS? HOW WILL THE POLICY INITIATIVES OF THE NEW GOVERNMENT AFFECT THE ESF PROGRAM?

A. DISCUSSION: JAMAICA FACES A SIZABLE PUBLIC SECTOR

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DEFICIT AS A RESULT OF THE HURRICANE AND RELIEF AND RECONSTRUCTION POLICIES THAT ARE GENERATING INFLATIONARY PRESSURES AND REDUCING THE COMPETITIVENESS OF THE EXCHANGE RATE. THE GOJ IS NEGOTIATING A NEW STAND-BY AND WILL UNDOUBTEDLY DEVELOP NEW POLICY INITIATIVES THAT MAY REQUIRE MODIFICATION IN ESF AND/OR P.L. 480 CONDITIONALITY. ONCE THE SHORT-TERM STABILIZATION ISSUES ARE DEALT WITH, ESF CONDITIONALITY AND FINANCIAL SUPPORT MAY BE ABLE TO MOVE ON TO CRITICAL SECTORAL GROWTH ISSUES.

B. DECISION: ONCE STABILIZATION APPEARS TO BE UNDER CONTROL AND ADEQUATELY SUPPORTED BY THE IMF AND WORLD BANK, THE ESF PROGRAM SHOULD MOVE TO FOCUS ON ISSUES THAT ARE CRITICAL TO GROWTH OF KEY SECTORS SUCH AS AGRICULTURE, TOURISM AND THE PRIVATE SECTOR.

C. ISSUE: SHOULD P.L. 480 CONDITIONALITY BE MORE CLOSELY INTEGRATED WITH ESF CONDITIONALITY? SHOULD THE P.L. 480 PROGRAM BE REVIEWED BY THE BUREAU SIMULTANEOUSLY WITH THE ESF PROGRAM?

A. DISCUSSION: THE MISSION DIRECTOR EXPLAINED THE NATURE AND MODALITIES OF THE USAID-GOJ POLICY DIALOGUE PROCESS, ESPECIALLY HOW TITLE I SELF HELP CONDITIONALITY WAS INTEGRATED INTO THE OVERALL POLICY DIALOGUE. THE POLICY DIALOGUE IS AN ONGOING, YEAR-ROUND PROCESS OF

CONSULTATION, GENERALLY TIED TO NO PARTICULAR SET OF DEVELOPMENT FUNDING NEGOTIATIONS. THUS, ANY ASSISTANCE NEGOTIATIONS, BE THEY ESF, DA OR P.L. 480, WOULD RELATE GENERALLY TO THE OVERALL POLICY DIALOGUE AS WELL AS TO THE SPECIFIC OBJECTIVES OF THE GIVEN AID PACKAGE.

B. DECISION: IT WAS AGREED THAT THE MISSION WOULD INCLUDE AN ANALYSIS OF DESIRED P.L. 480 CONDITIONALITY AS PART OF THE ESF CONCEPT PAPER AND PAAD. THE FY 1990 ESF DOCUMENT SHOULD INCLUDE DESIRED BY 1991 P.L. 480 CONDITIONALITY SO THAT IT CAN BE INCORPORATED IN THE EARLY P.L. 480 NEGOTIATIONS IF APPROVED BY THE DCC. ISSUES SUCH AS THE COMPLEMENTARITY OF THE PROPOSED CONDITIONALITY, LOCAL CURRENCY PROGRAMMING, AND NEGOTIATING STRATEGY, INCLUDING THE POSSIBILITY OF A CLOSER LINKING OF THE TWO PROGRAMS, SHOULD ALSO BE ADDRESSED IN THE CONCEPT PAPER AND PAAD.

C. THE QUESTION OF USING 10 GENERATIONS TO MEET THE NEEDS OF THE PRIVATE SECTOR, AS WELL AS A.I.D.'S SUPPORT OF THE SECTOR WAS DISCUSSED. IT WAS POINTED OUT THAT THE MISSION DIRECTOR THAT THE PROGRAM IS TRYING TO GET ARII TO BECOME A PRIVATE SECTOR ENTITY, PARTICULARLY UNDER THE 10 GENERATION IS, IS GENERALLY ACCEPTED. IT WAS AGREED THAT THE OVERALL POLICY DIALOGUE OF PRIVATE SECTOR ASSISTANCE TO THE GOJ WOULD BE REVIEWED IN THE ESF CONCEPT PAPER AND PAAD. THE MISSION DIRECTOR STATED THAT THE GOJ IS CURRENTLY REVIEWING THE 10 GENERATION PROGRAM AND THAT THE MISSION WILL BE ABLE TO PROVIDE INPUT ON THIS PROGRAM IN THE ESF CONCEPT PAPER AND PAAD.

THE HOPE AND EXPECTATION EXPRESSED THAT THE MANLEY GOVERNMENT WOULD CONTINUE ITS STATED SUPPORT OF THE PRIVATE SECTOR. THE MISSION DIRECTOR REPORTED THAT THE MASCA INVESTMENT PROGRAM, TOURIST HOTELS, APPEARED TO BE ON TRACK.

c. ISSUE: SHOULD THE DEVELOPMENT OF THE AGRICULTURAL EXPORT SERVICES PROJECT (532-2165) BE DEFERRED TO FY 1992?

A. DISCUSSION: THE MISSION DIRECTOR CLARIFIED THE PROJECT DEVELOPMENT SCHEDULE, INDICATING THAT HE EXPECTED THE PP TO BE COMPLETED IN JUNE, WITH FUNDS OBLIGATED IN JULY (NOT SEPTEMBER). CONCERN WAS EXPRESSED ABOUT THE PROJECT COMPONENT DEALING WITH GRANTS TO THE PRIVATE SECTOR FOR TECHNOLOGY/MANAGEMENT IMPROVEMENTS.

B. DECISION: PRIOR TO AUTHORIZATION, THE MISSION WAS REQUESTED TO GIVE AN IN-DEPTH DESCRIPTION OF THAT COMPONENT FOR AID/W REVIEW. AID/W WILL RAISE ANY OTHER PP ISSUES IT MIGHT HAVE IMMEDIATELY AFTER RECEIVING THE PP. PROJECT DEVELOPMENT SHOULD ALSO INCLUDE DISCUSSION OF THE RELATIONSHIP OF THE PROJECT TO THE EXPORT DEVELOPMENT AND INVESTMENT PROMOTION PROJECT. THAT PROJECT WILL BE AUTHORIZED IN AID/W. IT WOULD BE HELPFUL TO INCLUDE A DISCUSSION OF THIS RELATIONSHIP IN THE PP.

C. THE MISSION WAS ADVISED THAT AN OVERALL EXAMINATION OF ACTIVITIES IN THE HOUSING SECTOR, INCLUDING THE ISSUING OF NEW BORROWINGS UNDER THE EG, WOULD TAKE PLACE IN CONNECTION WITH THE UPCOMING SEMI ANNUAL REVIEW.

D. THE COMMITTEE STATED THAT THE MISSION HUMAN RESOURCES STRATEGY HAD MET AID/W ANALYTICAL REQUIREMENTS AND WAS APPROVED. HOWEVER, SOME CONCERN WAS RAISED ABOUT FUTURE ASSISTANCE TO UMI, AND THE COMMITTEE AGREED

THAT THE UP-COMING EVALUATION OF THE U.I PROJECT WAS CRITICAL.

11. ISSUE: HAS THE MISSION ALLOCATED SUFFICIENT RESOURCES TO ITS HEALTH PORTFOLIO? ARE THESE RESOURCES SUFFICIENT TO PAY ITS MORTGAGE IN THE OUT YEARS?

A. DISCUSSION: THE EXISTENCE OF ADEQUATE ABSORPTIVE CAPACITY IN THE SECTOR WAS QUESTIONED.

B. DECISION: THE MISSION HE/AIDS PROGRAM IS REALISTIC; AIDS FUNDING COULD POSSIBLY BE EXPANDED AND SHOULD BE REQUESTED IF AND WHEN IT COULD BE ABSORBED WITHIN THE PROGRAM AS PREVIOUSLY DESIGNED. IN BOTH HE AND AIDS, AS MUCH WOULD BE DONE AS POSSIBLE, BUT SECTORAL ABSORPTIVE CAPACITY IS A SERIOUS CONSTRAINT.

12. ISSUE: GIVEN THE HIGH OPERATING COST OF THE JAMAICA MISSION, SHOULD THE MISSION REVIEW ITS STAFFING?

A. DISCUSSION: THE QUESTION OF JAMAICA STAFF AND OE LEVELS VIS A VIS PROGRAM LEVELS WAS DISCUSSED, ALONG WITH THE RELATED QUESTION OF PROGRAM FUNDED PSO'S.

B. DECISION: A STAFFING STUDY WILL BE CARRIED OUT BY THE MISSION, WITH A COPY TO AID/W BY SEPTEMBER 30. EVERY EFFORT SHOULD BE MADE TO MAINTAIN STAFF AND OE EXPENSES AT THE LOWEST REASONABLE LEVEL. THE MISSION IS

ADVISED THAT FURTHER OE FUNDING STRINGENCIES ARE TO BE EXPECTED.

13. ISSUE: DO THE SUBSTANCE AND PROCEDURES FOR PROVIDING LOCAL CURRENCY FOR UNDP ACTIVITY CONFORM TO A.I.D.'S LOCAL CURRENCY POLICY?

A. DISCUSSION: IT WAS NOT CLEAR WHETHER THE LOCAL CURRENCY GOING TO UNDP IS TO FINANCE PROJECT COUNTERPARTS OF ITS OPERATING COSTS.

B. DECISION: MISSION SHOULD DETERMINE USE OF FUNDS AND IS DETERMINED TO BE UTILIZED FOR UNDP OPERATING COST. ARRANGEMENTS SHOULD BE MADE TO REQUIRE THE GOJ TO COVER EXPENSES FROM ITS OPERATING BUDGET. THE MISSION HAS SUBSEQUENTLY ADVISED THAT FUNDS ARE NOT BEING USED TO COVER UNDP OPERATING COSTS.

14. THE MEETING CLOSED WITH REWARDED CONGRATULATIONS TO THE MISSION FOR ITS EXCELLENT AF.

15. PRIOR TO THE ACTION PLAN REVIEW, A MEETING OF THE MISSION'S STAFF WAS HELD AT THE AF TCC. PLACE ON APRIL 12, CHAIRMAN BY JEFF AWANS, DEPUTY DIRECTOR IAC/D. THE MISSION WAS REPRESENTED BY PROGRAM OFFICER, VANCE HENRY. THE FOLLOWING DECISIONS WERE MADE AND RECORDED IN THE AF ACTION PLAN 15:

A. PROJECT: FOOD AID SUPPORT AND MONITORING (532-3157)

AID 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 PF ALSO SHOULD IDENTIFY THE PRIORITY AREAS/FOCUS FOR POLICY REFORMS. THERE SHOULD BE PROJECT GOALS 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 OF FUNDED. IF THE US PSC IS PROGRAM FUNDED, THAT INDIVIDUAL CANNOT

ASSUME RESPONSIBILITY FOR PROJECT MANAGEMENT.

B. PROJECT: AGRICULTURAL EXPORT SERVICES (532-2165)
(SEE PARAGRAPH 2. ABOVE)

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C. PROJECT: AGRICULTURAL EDUCATION (532-2052)

THE MPD WAS APPROVED, AND THE MISSION IS AUTHORIZED TO PROCEED WITH THE PF AMENDMENT. THE AMENDMENT SHOULD LAY OUT THE CONDITIONS WHICH WILL RESOLVE THE CONSTRAINTS IDENTIFIED IN THE RECENT EVALUATION. AID/P 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

MISSION IS WELL AWARE OF THE CONSTRAINTS AND THE STEPS NECESSARY TO ALLEVIATE THEM.

D. PROJECT: PRIMARY EDUCATION COMMUNITY DEVELOPMENT (532-2155)

PIA APPROVAL IS DELEGATED TO THE MISSION. THE ISSUE OF SUSTAINABILITY IS TO BE ADDRESSED IN THE PP. DURING PROJECT DEVELOPMENT THE MISSION SHOULD CONSIDER CHANGING ITS PRIMARY FOCUS FROM SUPPORTING THE MINISTRY OF EDUCATION'S ROLE IN CONSTRUCTION TO INCREASING COMMUNITY INVOLVEMENT IN THE EDUCATIONAL SYSTEM.

E. PROJECT: MICRO-ENTERPRISE DEVELOPMENT (532-0156)

PIA APPROVAL IS DELEGATED TO THE MISSION. HOWEVER, THE CONCERN WAS EXPRESSED THAT THE PROJECT NOT SOLELY BE A MECHANISM JUST TO TRANSFER RESOURCES TO A NUMBER OF MICRO-ENTERPRISES. APPROVAL IS SUBJECT TO THE FOLLOWING CONDITIONS:

I) THE PP ANALYSES WILL ADDRESS THE POLICY AND REGULATORY ENVIRONMENTS AS THEY AFFECT JAMAICAN MICRO-ENTERPRISES. THE PROJECT SHOULD ADDRESS THOSE CONCERNS/CONSTRAINTS AND MAKE PROVISION TO MODIFY THEM SO THAT THE POLICY AND REGULATORY ENVIRONMENT IS SUPPORTIVE OF THE GROWTH OF MICRO-ENTERPRISES; AND

II) THE PP ANALYSES WILL ALSO ADDRESS THE ISSUE OF SUSTAINABILITY, I.E., THE POTENTIAL OF THE PROPOSED

IMPLEMENTING AGENCIES TO CONTINUE PLANNED ACTIVITIES BEYOND THE COMPLETION OF THE PROJECT.

F. PROJECT: TOURISM SUPPORT (532-0166)

THE MISSION IS COMMANDED FOR ITS EFFORTS TO UNDERTAKE A PROJECT IN THIS RELATIVELY UNCHARTED AREA. HOWEVER, DUE TO THE POTENTIAL FOR POLICY ISSUES THE DECISION WAS MADE TO REVIEW THE PIA IN A.I.D./W. TWO QUESTIONS MUST BE ADDRESSED IN THE PIA: (1) WHAT ASPECTS OF TOURISM SHOULD A.I.D. BE INVOLVED IN AND (2) WHY SHOULD THE TOURISM INTERESTS IN JAMAICA FUND NEEDLE ASSISTANCE?

G. PROJECT: PRODUCTION AND EMPLOYMENT? (532-2154)

THE PIA IS APPROVED, AND THE MISSION IS AUTHORIZED TO PROCEED WITH DEVELOPMENT OF THE CONCEPT PAPER. THE NATURE OF ASSISTANCE AND THE NATURE OF CONDITIONALITY IS DESCRIBED IN PARAGRAPHS 5 AND 6 ABOVE.

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PROJECT: PRODUCTION AND EMPLOYMENT? (532-2154)

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PROJECT: PRODUCTION AND EMPLOYMENT? (532-2154)

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ALTHOUGH IT SHOULD START IN FY 1991, THE MISSION IS ENCOURAGED TO START THE PROJECT DEVELOPMENT EFFORT EARLY. THE NPJ PRESENTS A SOUND NOTION, AND AID/W FORESEES NO SERIOUS PROBLEMS.

I. PROJECT: TECHNICAL/VOCATIONAL EDUCATION (532-2150)

THIS PROPOSED PROJECT WILL ALSO BE INCLUDED IN THE ABS. TWO ISSUES MUST BE ADDRESSED: THE MOE'S DESCRIPTIVE/INSTITUTIONAL CAPACITY AND THE GOJ'S APPROPRIATE ROLE IN TECHNICAL/VOCATIONAL EDUCATION IN GENERAL. THE ENVIRONMENT FOR THE PROJECT IS NOT CLEAR NOW.

J. PROJECT: INNER KINGSTON DEVELOPMENT - PHASE II (532-2151)

THIS PROJECT WILL ALSO BE INCLUDED IN THE ABS.

K. PROJECT: PRODUCTION AND EMPLOYMENT XI (532-2154)

THIS ACTIVITY WILL ALSO BE INCLUDED IN THE ABS.

L. GENERAL COMMENT:

THE FY 1991 PROJECTS ARE ALL APPROVED FOR INCLUSION IN THE FY 1991 ABS, AS ALL THE NPDS CONFIRM THE MISSION'S STRATEGY.

M. OVERALL NUMBER OF PROJECTS:

THE MISSION REPRESENTATIVE CLARIFIED THAT, ALTHOUGH USAIL/JAMAICA IS PROPOSING TO INITIATE ELEVEN PROJECTS IN THE FY 89-91 PERIOD, THERE ARE A NUMBER OF PROJECTS WHICH WILL BE COMPLETED IN THE NEAR TERM. THE REAL EFFECT IS A NET DECREASE IN THE NUMBER OF PROJECTS FROM 32 IN FY 1988 TO AN ESTIMATED 25 BY THE END OF FY 1991.

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SUBJECT: AGRICULTURAL EXPORT SERVICES PROJECT 532-2165
GRANTS TO THE PRIVATE SECTOR

REFS: (A) BY 1990/91 ACTION PLAN (P) BROWN/WHEELER
MEMO DATED 4/17/89 (C) STAT# 154921

1. SUMMARY

THE ACTION PLAN REVIEW INCLUDED SOME RESERVATIONS ABOUT THE PROPOSED COMPONENT OF THE SUBJECT PROJECT WHICH IS TO USE MATCHING GRANTS TO PROVIDE TECHNICAL ASSISTANCE TO THE PRIVATE SECTOR FOR IMPROVEMENTS IN THE APPLICATION OF TECHNOLOGIES IN THE PRODUCTION, PROCESSING AND THE MANAGEMENT OF AGRICULTURAL EXPORTS. THIS CABLE PROVIDES A DESCRIPTION IN GREATER DETAIL OF THIS PROPOSED COMPONENT AND REQUESTS CONCURRENCE WITH ITS INCLUSION IN THE PROJECT. END SUMMARY.

2. THE PROBLEM:

JAMAICA'S COMPARATIVE ADVANTAGE IN AGRICULTURE RESTS PRIMARILY WITH THE EXPORT OF HIGH VALUED TROPICAL PRODUCTS. BECAUSE OF THE MANY MICROCLIMATES PRESENT IN JAMAICA AND THE MANY ACTUAL AND POTENTIAL EXPORT CROPS, THE USSS AND AGRICULTURAL SECTOR STRATEGY POINT TO A FOCUS ON A BROAD RANGE OF BOTH TRADITIONAL AND NON TRADITIONAL EXPORT CROPS FOR THE AID AGRICULTURAL PROGRAM. TWO MAJOR CONSTRAINTS MAKE THIS A CHALLENGE FOR JAMAICA. ONE MAJOR CONSTRAINT IS THE POOR LEVEL OF APPLIED AGRICULTURAL TECHNOLOGIES AS DEMONSTRATED BY THE VERY LOW YIELD ACHIEVED BY JAMAICA IN MAJOR EXPORT CROPS. THE OTHER MAJOR CONSTRAINT TO PROMOTING EXPORTS IS THE RISK AND HIGH MANAGEMENT COSTS INHERENT IN DEALING WITH EXTERNAL MARKETS WHERE PRICES AND DEMAND ARE NOT WITHIN THE INFLUENCE OF THE PRODUCER/EXPORTER.

CUB EXPERIENCE HAS SHOWN THAT THE PROVISION OF TECHNICAL ASSISTANCE CAN ADDRESS BOTH OF THESE CONSTRAINTS. TECHNICAL ASSISTANCE CAN BRING NEW

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INFORMATION AND TECHNOLOGIES TO IMPROVING CROP PRODUCTION TO RAISE YIELDS AND LOWER COSTS. TECHNICAL ASSISTANCE CAN ALSO DEAL WITH PROCESSING, PACKAGING, AND ORGANIZING TO MEET MARKET SEGMENTS. TECHNICAL ASSISTANCE CAN MITIGATE SOME OF THE COSTS ESSENTIAL TO TAKING RISKS IN EXPANDING EXPORTS. THE QUESTION IS HOW IS THE TECHNICAL ASSISTANCE TO BE STRUCTURED TO REACH THE FARMERS AND INVESTORS WHO CAN POTENTIALLY EXPAND EXPORTS.

3. BACKGROUND

THE NEW PROJECT PROPOSES TO DELIVER TECHNICAL ASSISTANCE IN ESSENTIALLY THREE DIFFERENT WAYS. ONE COMPONENT WILL STRENGTHEN ESSENTIAL GOVERNMENT OF JAMAICA SERVICES SUCH AS PLANT PROTECTION AND PESTICIDE RESIDUE ANALYSES WHICH ARE ESSENTIAL TO EXPORT AGRICULTURE. ANOTHER WILL ENTAIL TRADITIONAL SUBPROJECTS IN MAJOR CROPS PARTICULARLY THOSE WITH PRODUCER ORGANIZATIONS SUCH AS BANANAS, ORNAMENTAL HORTICULTURE OR YAMS. FINALLY, THE THIRD MECHANISM IS THE INNOVATIVE USE OF MATCHING GRANTS FOR TECHNICAL ASSISTANCE IN THE PRIVATE SECTOR. THE PROPOSED THIRD MECHANISM DERIVED FROM PREVIOUS EFFORTS TO MAKE TECHNICAL ASSISTANCE AVAILABLE THROUGH THE PRIVATE SECTOR.

A PRIVATE SECTOR DELIVERY MECHANISM FOR TECHNICAL ASSISTANCE IS IMPORTANT IN JAMAICA, BECAUSE PUBLIC SECTOR SUPPORT SERVICES FOR AGRICULTURE ARE WEAK AND TO A LARGE EXTENT NOT ABLE TO BE CHANGED BY AN AID PROJECT AND THE POLICY DIALOGUE ALONE. THIS PROJECT, THEREFORE, WILL ADDRESS ONLY FOCUSED PUBLIC SECTOR INTERVENTIONS ABSOLUTELY ESSENTIAL FOR EXPORTS AND WILL NOT SEEK TO BROADLY STRENGTHEN INSTITUTIONS. THE COST OF BUILDING EFFECTIVE PUBLIC SECTOR INSTITUTIONS WOULD EXCEED THIS PROPOSED PROJECT. IT ALSO WOULD LIKELY COLLAPSE ON POLICY ISSUES WHICH ARE UNSOLVABLE SUCH AS PROBLEMS OF PROVIDING AN ADEQUATE SALARY FOR PUBLIC SECTOR AGRICULTURAL SCIENTISTS AND MANAGERS WITHOUT DOING THE SAME FOR ALL GOVERNMENT OF JAMAICA PUBLIC SERVANTS AT GREAT EXPENSE.

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IN ANOTHER PROJECT WE ATTEMPTED TO MAKE TECHNICAL ASSISTANCE AVAILABLE TO A WIDE RANGE OF PRIVATE FARMERS THROUGH THE VEHICLE OF A LARGE PRIVATE SECTOR MOTER FARM AND ASSOCIATING IT WITH SMALL FARMER SATELLITE FARMS. THE CROP DIVERSIFICATION AND IRRIGATION PROJECT PLACED SPECIAL EMPHASIS ON ONE EXPORT CROP, WINTER VEGETABLES. THE PROJECT SUPPORTED GOJ EFFORTS TO DEVELOP A NEW INDUSTRY SIMULTANEOUSLY WITH THE ESTABLISHMENT OF LARGE NEW FARMS IN THAT INDUSTRY ON SPECIFIC PROJECT LANDS. TOO MANY NEW VARIABLES WERE REQUIRED FOR THE PROJECT APPROACH TO WORK IN THE QUICK TIME FRAME PUSHED BY THE GOJ. WHEN PRIVATE INVESTORS DID NOT COME FORWARD TO ESTABLISH ANY WINTER VEGETABLE FARMS AS THE GOJ DESIRED, THE PROJECT PLACED A GREAT DEAL OF EMPHASIS ON STIMULATING PRODUCTION THROUGH ONE FARM THAT DID EMERGE. THIS DEMONSTRATED THAT PROVIDING TECHNICAL ASSISTANCE TO A PRIVATE COMPANY CAN BE AN IMPORTANT STIMULUS TO MOVE INTO NEW AREAS AS IT CAN MITIGATE SOME OF THE COSTS OF RISK TAKING WHICH IS IN THE JAMAICAN NATIONAL INTEREST. HOWEVER, THE INITIAL TECHNICAL ASSISTANCE TO THAT MOTER FARM PROVED FAR STRONGER THAN THE OUTREACH TO SATELLITE FARMERS. THE PROJECT DID SUCCEED WITH THE MOTER FARM APPROACH ON ANOTHER SUBPROJECT IN DAIRY WHERE A STRONG EXISTING FARM NEEDING ADDITIONAL PRODUCTION HAD A STRONG INCENTIVE TO DEVELOP CONTRACT PRODUCERS. HOWEVER, THE LIMITATIONS OF THIS APPROACH ARE OBVIOUS. FROM THIS EXPERIENCE IT IS CLEAR THAT BROAD BASED TECHNICAL ASSISTANCE WITHOUT TOO MUCH COMMITMENT TO A PARTICULAR TECHNOLOGY PACKAGE, OR SPECIFIC LOCATION, OR SPECIFIC MANAGEMENT GROUP WOULD LIKELY PRODUCE MORE MEANINGFUL RESULTS IN JAMAICA. WITH THE WINTER VEGETABLE FARM NOT ONLY DID THE FARM AND CROP THE PROJECT WAS SUPPORTING FAIL, BUT ALSO FUNDING WAS UNAVAILABLE FOR A BROADER GROUP OF FARMERS WHO MAY HAVE HAD A BETTER CHANCE OF SUCCEEDING. THIS NEW PROJECT ATTEMPTS TO TRANSFORM THESE LESSONS LEARNED INTO A NEW DESIGN WHICH PROVIDES TECHNICAL ASSISTANCE ON A MATCHING GRANT BASIS ACROSS THE BOARD TO ALL INVESTORS WITH BANKABLE EXPORT PROJECTS. IT THUS RESPONDS TO MARKET DRIVEN INITIATIVES RATHER THAN USING A PLANNING APPROACH.

2. THE PRIVATE SECTOR TECHNICAL ASSISTANCE MATCHING GRANT STRUCTURE

BASED ON THE ABOVE BACKGROUND, THE TECHNICAL ASSISTANCE PROVIDED WILL BE IN THE FORM OF MATCHING GRANTS FOR A WIDE RANGE OF AGRICULTURAL EXPORT PROJECTS THROUGH A VARIETY OF FINANCIAL INSTITUTIONS. THIS COMPONENT WILL SEEK TO IDENTIFY, INTRODUCE AND TEST MODERN AGRICULTURAL PRODUCTION TECHNOLOGIES AND MANAGEMENT PRACTICES UNDER COMMERCIAL CONDITIONS, USING A MATCHING GRANT APPROACH FOR FEASIBILITY STUDIES TO DEVELOP BANKABLE EXPORT AGRICULTURE PROJECTS AND FOR TECHNICAL ASSISTANCE TO HELP IMPLEMENT EXPORT PROJECTS. THE TARGET GROUP UNDER

THIS COMPONENT WILL BE PRIVATE INVESTORS OR INVESTOR GROUPS LOOKING FOR ASSISTANCE IN THE PREPARATION AND IMPLEMENTATION OF EXPORT ORIENTED AGRICULTURAL PRODUCTION PROJECTS. THE PROPOSED APPROACH WOULD BE TO FUND A FIXED PERCENTAGE (SAY 33 PERCENT) OF THE COSTS OF TECHNICAL ASSISTANCE TO PREPARE BANKABLE FEASIBILITY STUDIES FOR PROJECTS WHICH WILL INCREASE AGRICULTURAL EXPORTS. SIMILARLY, WE WOULD FUND NEEDED TECHNICAL ASSISTANCE THROUGH MATCHING GRANTS (PERHAPS 50 PERCENT) FOR PROJECTS ACCEPTED FOR BANK FINANCING IN THE AGRICULTURAL EXPORT SECTOR. THE NET EFFECT WOULD BE TO CREATE PRIVATE SECTOR INCENTIVES TO STIMULATE THE DEVELOPMENT, FUNDING, AND MORE EFFECTIVE MANAGEMENT OF AGRICULTURAL EXPORT PROJECTS BY THE JAMAICAN PRIVATE SECTOR. PROJECT INPUTS UNDER THIS COMPONENT WOULD BE LIMITED TO LOCAL TECHNICAL ASSISTANCE (AND WHEN NEEDED, OFFSHORE TECHNICAL ASSISTANCE) FOR THE PREPARATION OF THE FEASIBILITY STUDIES AND ALSO ON THE PRODUCTION/MANAGEMENT AND ONCE PROJECTS WERE ACCEPTED FOR FINANCING BY THE PRIVATE FINANCIAL INSTITUTIONS.

THIS FORM OF TECHNICAL ASSISTANCE COULD BE RUN THROUGH THE PRIVATE SECTOR COMMERCIAL OR DEVELOPMENT BANKS. ONE APPROACH MAY BE TO BEGIN A PILOT MATCHING GRANT PROGRAM THROUGH THE PRIVATE SECTOR DEVELOPMENT BANKS

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(NATIONAL DEVELOPMENT FOUNDATION, JAMAICA AGRICULTURAL DEVELOPMENT FOUNDATION, AND THE TRAFALGAR DEVELOPMENT BANK), AS WE WORK CLOSELY WITH THESE INSTITUTIONS ANYHOW. THEN AFTER THE MECHANICS FOR IMPLEMENTATION HAVE BEEN PERFECTED, THE PROGRAM CAN BE TRANSFORMED AND EXPANDED TO WORK THROUGH THE COMMERCIAL AND MERCANTILE BANKS LENDING TO AGRICULTURE.

2. PROGRAM CRITERIA

THE PROGRAM WOULD BE CARRIED OUT BY IMPLEMENTING INSTITUTIONS, INITIALLY DEVELOPMENT BANKS, WITH USAID APPROVAL OF PROGRAM CRITERIA FOR SELECTION OF BENEFICIARIES BUT NO USAID APPROVAL OF INDIVIDUAL INVESTOR/FARMERS FOR GRANT FUNDING. IN ORDER TO INCREASE THE NUMBER OF BENEFICIARIES ABLE TO ACCESS AID FUNDING MAXIMUM GRANT SIZE WOULD BE SET. BOTH KINDS OF GRANT PROPOSALS WOULD HAVE TO INDICATE QUANTITATIVE TARGETS FOR INCREASES IN EXPORTS OR EXPORT EMPLOYMENT TO BE CREATED. USAID WOULD RECEIVE WRITTEN COPIES OF TECHNICAL REPORTS FROM BOTH FORMS OF GRANTS.

THE BASIC CRITERIA FOR SELECTION OF BENEFICIARIES AND AWARDED GRANTS WOULD BE:

A. FEASIBILITY STUDIES:

- HAVING AN EXPORT PROJECT IN AGRICULTURE READY FOR DEVELOPMENT TO PRESENT FOR BANK FUNDING.
- INVESTOR/FARMER PROVIDING TWO THIRDS OF THE COSTS OF THE TECHNICAL ASSISTANCE TO DEVELOP THE FEASIBILITY STUDY FROM OWN RESOURCES.
- USING AN OUTSIDE CONSULTANT (LOCAL OR INTERNATIONAL) NOT RELATED IN ANY WAY TO THE INVESTOR OR IMPLEMENTING INSTITUTION AND SELECTED COMPETITIVELY ACCORDING TO AID STANDARDS TO UNDERTAKE THE TECHNICAL ASSISTANCE.

B. FOR IMPLEMENTATION TECHNICAL/MANAGEMENT ASSISTANCE:

- HAVING AN EXPORT PROJECT IN AGRICULTURE BEYOND THE FEASIBILITY STAGE SO THAT IT IS ALREADY APPROVED FOR BANK FUNDING OR ONGOING.
- PROVIDING ONE HALF OF THE COSTS OF THE TECHNICAL ASSISTANCE TO INCREASE EXPORTS.
- USING AN OUTSIDE CONSULTANT (LOCAL OR INTERNATIONAL) NOT RELATED IN ANY WAY TO THE INVESTOR OR IMPLEMENTING INSTITUTION AND SELECTED COMPETITIVELY ACCORDING TO AID STANDARDS TO UNDERTAKE THE TECHNICAL ASSISTANCE.

C. RELATIONSHIP TO AGENCY GUIDANCE

AGENCY GUIDANCE INDICATES GRANTS TO PRIVATE ENTERPRISES IN DEVELOPING COUNTRIES ARE PERMITTED TO FINANCE DIRECT TRAINING AND TECHNICAL ASSISTANCE.

ALTHOUGH SUCH ASSISTANCE SHOULD BE PROGRAMMED IN A WAY THAT PROVIDES ACCESS FOR MANY ENTERPRISES RATHER THAN ONE ENTERPRISE. THE STRENGTH OF THIS TECHNICAL ASSISTANCE GRANT PROPOSAL IS THAT IT USES THE MATCHING GRANT MECHANISM TO ASSURE THE BROAD ACCESS TO THE TECHNICAL ASSISTANCE IN AGRICULTURAL EXPORTS AS REQUIRED BY GUIDANCE.

7. THE MISSION HAS REVIEWED THE RELATIONSHIP BETWEEN THIS COMPONENT UNDER THE AGRICULTURAL EXPORT SERVICES PROJECT AND THE PROPOSED COMPONENTS OF THE EXPORT DEVELOPMENT AND INVESTMENT PROMOTION PROJECT PER REF. C PARA. 1.(D). ALTHOUGH THERE IS A GENERAL PARALLEL INTEREST IN EXPORT DEVELOPMENT USING THE PRIVATE SECTOR, THE AGRICULTURAL EXPORT SERVICES PROJECT COMPONENT IS MUCH MORE SPECIFICALLY FOCUSED ON AGRICULTURAL EXPORTS THROUGH A MORE HIGHLY STRUCTURED APPROACH. THE MISSION SEES NO DIFFICULTY IN IMPLEMENTING THE TWO PROJECTS ON PARALLEL BUT SEPARATE TRACKS.

8. ACTION

REQUEST CABLED CONCURRENCE TO PROCEED WITH THE PROJECT COMPONENT. ASSUME AID/W CONCURRENCE AT THIS TIME WILL MEET THE REQUIREMENTS OF THE ACTION PLAN CABLE, REF. C., SO THAT THE ISSUE WILL NOT NEED TO BE REFERRED TO

WASHINGTON AGAIN. ADVISE.
(DRAFTED:ARDO:SFRENCH/APPROVED:DIR:WJOSLIN)
GIBSON
BT
#5833

NNNN

SUBJECT: AGRICULTURAL EXPORT SERVICES PROJECT
(532-0165), MATCHING GRANTS

REF: (A) KINGSTON 05833, (E) TELCON, J. EVANS, LAC/DR -
R. OWEN, USAID JULY 19, 1989

1. ON JUNE 19, 1989, IN A MEETING CHAIRED BY JEFF EVANS, LAC/DR, THE LAC BUREAU REVIEWED USAID'S PROPOSAL TO PROVIDE MATCHING GRANTS FOR TECHNICAL ASSISTANCE FOR PRIVATE SECTOR AGRICULTURAL EXPORT INDUSTRIES UNDER THE SUBJECT PROJECT. REVIEW WAS BASED ON INFORMATION PROVIDED IN REFTEL AUGMENTED BY INFORMATION PROVIDED IN REF B. REF B CLARIFIED THAT: USAID'S CURRENT PLAN IS THAT GRANTS WOULD ACTUALLY BE MADE BY IMPLEMENTING INSTITUTIONS FROM FUNDS PROVIDED BY A.I.D. FOLLOWING CRITERIA ESTABLISHED BY A.I.D.; EIGHT PERCENT OF TECHNICAL ASSISTANCE WAS EXPECTED TO BE SHORT TERM; PRELIMINARY PROJECT BUDGET PROJECTED U.S. DOLS. 2.4 MILLION WOULD BE UTILIZED FOR MATCHING GRANTS BUT THAT THIS AMOUNT MIGHT BE REDUCED AS DESIGN PROGRESSED. BASED ON THIS INFORMATION, LAC CONCURS IN INCLUDING THIS COMPONENT UNDER THE PROJECT, DELEGATES AUTHORITY TO

MISSION DIRECTOR TO APPROVE PID, AND CONCURS IN MISSION DIRECTOR UTILIZING PREVIOUSLY DELEGATED AUTHORITY TO APPROVE AND AUTHORIZE PROJECT. IN DESIGNING THE PROJECT, USAID IS REQUESTED TO CONSIDER THE GUIDANCE BELOW.

2. GUIDANCE

A) SINCE THE MISSION'S PLAN IS TO INITIATE A PILOT MATCHING GRANT PROGRAM FOCUSED ON TECHNICAL ASSISTANCE TO PREPARE FEASIBILITY STUDIES (BUSINESS PLANS) AND TO PROVIDE SHORT TERM PROBLEM SOLVING SUPPORT, WE BELIEVE THE PROJECT SHOULD LIMIT INITIAL FUNDING FOR THIS EFFORT TO SEVERAL HUNDRED THOUSAND DOLLARS AND REQUIRE AN EVALUATION OF THE USE AND IMPACT OF THE TECHNICAL ASSISTANCE BEFORE EXPANDING FUNDING BEYOND THIS AMOUNT. A.I.D.'S SHARE OF THE COSTS OF BUSINESS PLAN DEVELOPMENT AND SHORT TERM T.A. WOULD NOT REQUIRE A LARGE AMOUNT OF FUNDS FOR ANY ONE ENTERPRISE AND THE INITIAL LEVEL OF

LOGICAL FRAMEWORK

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
PROJECT GOAL: Promote economic growth and equity	-Substantial increase in agricultural GDP. -Broadened base of Ag Sector ownership	-BOJ Data -MOA Data -STATIN Data -PIOJ Data	-No major disruptions in the economy -Maintenance of positive macroeconomic situation supported by ESF/Title I policy dialogue
PROJECT PURPOSE: Increase the exports of selected non-traditional and traditional agricultural products	EOPS - 8 % annual growth in the volume of selected non-traditional agricultural exports - 8 % annual growth in the volume of selected traditional agricultural exports	-MOA Data -STATIN Data -PIOJ Data	-GOJ policies for Ag Exports remain positive -Investment/transportation constraints by addressed Other Projects
OUTPUTS: -Improved yields for export crops agricultural exports -Increased export earnings from agricultural exports -Increased investment in the agricultural sector -More efficient public sector support services for the -More efficient private sector services for export agriculture -Development IFIs improve quality of loans	-500 farmers receive technical extension services over -250 farmers increase US\$ value of exports of selected crops -200 matching grants thru IFIs -12 senior level public officials receive long term training -12 Producer groups receive technical assistance 3 IFIs receive TA	-BOJ Data -STATIN Data -PIOJ Data -MOA Data -JAMPRO Records Project Records and Evaluations including monitoring data and surveys.	Export crops not addressed by the project such as sugar and citrus receive other donor support to sustain growth in a manner parallel to crops supported by the project. No natural or man disasters prevent delivery of services
INPUTS: -Short term local TA -Short term U.S. TA -Long term local TA -Long term U.S. TA -Commodities -Training -Facilities Upgraded	-Project Budget	-Project Records	-Inputs are appropriate and are provided/ available on a timely basis

FUNDING NOTES ABOVE SHOULD PROVIDE YOU WITH SUBSTANTIAL EXPERIENCE TO DETERMINE WHETHER TO CONTINUE OR EXPAND THIS PROGRAM.

F) TO SELECT THE TA, REFTEL NOTES THAT YOU ENVISION COMPETITIVE SELECTION ACCORDING TO A.I.D. STANDARDS. IMPLEMENTING INSTITUTIONS SHOULD AGREE TO SPECIFIC PROCEDURES FOR DIRECT PURCHASE OF TA ON BEHALF OF INVESTORS, AND SUCH PROCEDURES SHOULD BE APPROVED BY A.I.D. AND IDENTIFIED IN A.I.D. GRANT AGREEMENT. YOU WILL HAVE TO DEVELOP THE DETAILS OF THIS APPROACH WITH THE IMPLEMENTING INSTITUTIONS BUT IN DOING SO YOU WILL WANT TO DEVELOP PROCEDURES THAT ENSURE FAIRNESS AND ACCOUNTABILITY WHILE ALLOWING THE INVESTORS DISCRETION TO HAVE THE BENEFITS OF TA THEY FEEL BEST MEETS THEIR NEEDS. YOUR RLA SHOULD REVIEW THE PROCEDURES FINALLY DEVELOPED. EAGLEBURGER

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 FY 89 PAAD 12/88. YES.

A. GENERAL CRITERIA FOR PROJECT

1. FY 1989 Appropriations Act Sec. 523; FAA Sec. 634A. 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. FAA Sec. 611(a)(1). 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? N/A.
3. FAA Sec. 611(a)(2). 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.

STATUTORY CHECKLIST

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. (a)-(f) The project is designed to increase agricultural exports by encouraging private producers to improve and expand production and productivity. One component of the project will work directly with producer groups and associations, including credit unions and cooperatives, to increase services to the productive export sector. The project is geared specifically to increase productivity of small and medium sized producers.
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). Much of the technical assistance to be provided will come from U.S. private sources.

STATUTORY CHECKLIST

- 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. Jamaica is contributing over 25% of the total cost of the project in local currency or in-kind contributions.
- 10. FAA Sec. 612(1). 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 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? The project is aimed at increasing export agricultural production in areas where Jamaica has a comparative advantage and for which there is world demand, such as bananas, yams, ornamental horticulture, and the like. These commodities are not expected to cause injury to U.S. producers.
- 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 No.
No.

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STATUTORY CHECKLIST

- 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? No.
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)? No.
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.

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FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FY 1999 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?

No. The agricultural commodities to be supported by the project will primarily be exported to the North America and Europe, and are commodities which do not compete with U.S. commodities.

No. Research activities will benefit local agricultural exporters.

b. FAA Secs. 102(b), 111, 113, 281(a). (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

Project will primarily target small and medium-sized farmers who represent 90% of all farm production. (b) Project will provide assistance to producer groups and associations, such as cooperatives, to assist them in providing a greater number of services to their members. (c) Project will assist farmers who are currently exporting or wish to export increase productivity, which leads to increased foreign exchange earnings for the country. (d) Thirty percent of the farmers are women; thus, this project will benefit women producers as well. (e) N/A.

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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 approximately at least 25% of the project costs.

- 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.

STATUTORY CHECKLIST

- 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 provide technical assistance and training to strengthen both public and private institutions. The needs of the institutions have been identified through the Project analyses and through discussions with representatives of the institutions. Local technical assistance will be encouraged by the project.
- 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.

STATUTORY CHECKLIST

- 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: (a) stress the importance of conserving and sustainably managing forest resources; (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; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase Yes.

No.

N/A.

N/A.

N/A.

The project focusses on increasing agricultural exports which tend to be traditional stable crops.
No virgin land will be brought into production for the project crops.

STATUTORY CHECKLIST

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?

N/A.

N/A.

N/A.

N/A.

N/A.

The project provides assistance to Jamaica in the form of a senior specialist from USDA/APHIS. Other TA from US agencies will be considered as necessary.

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.

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- 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? No.
- 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? No.
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.

STATUTORY CHECKLIST

(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?

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9. FY 1989 Appropriations Act Sec. 515.
If deob/ceob 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

[Handwritten mark]



ANNEX VI

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

PIOJ

PLANNING INSTITUTE OF JAMAICA

TELEX 3529, PLANJAM JA

P.O. BOX 634
KINGSTON,
JAMAICA

FAX #92-64670

13th September 1989

C-18-15-1-1

Mr. William Joslin
Mission Director
United States Agency for International
Development
6B Oxford Road
Kingston 5.

Dear Mr. Joslin,

Re: Agricultural Export Services Project

This letter constitutes a formal request by the Government of Jamaica to the United States Agency for International Development (USAID) for assistance to implement an Agricultural Export Services Project.

Through this project the Government will foster economic growth and equity by promoting the expansion of production and productivity of selected traditional and non-traditional agricultural exports, particularly those produced by small and medium size farmers. This will be achieved by giving these farmers greater access to quality services and resources.

As you are aware the Government of Jamaica is committed to assisting the sector and recognizes that in so doing export agriculture is an area requiring serious attention because of its potential to increase employment and generate foreign exchange earnings. This project is therefore designed to give attention to three areas which will lead to increased productivity levels and make our export crops more competitive on the world market. These are as follows:-

- o crop specific assistance to introduce technologies to improve productivity of agricultural exports;
- o assistance to improve the quality and quantity of export agriculture-related services provided by the public sector;
- o assistance in financing problem solving interventions directly related to export agriculture.

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Mr. William Joslin

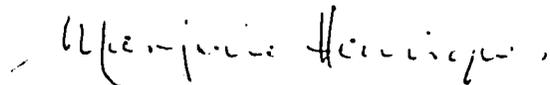
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13th September 1989

The Agriculture sector was hard hit by Hurricane Gilbert and consequently export agriculture was severely affected. The Government is convinced however that with concentrated and focussed assistance in this sector, Jamaica's ability to earn foreign exchange will be enhanced, with positive effects on the economy as a whole.

The Government of Jamaica is therefore requesting grant assistance in the amount of approximately US\$10 million in order to implement this project.

Yours sincerely,



Marjorie Henriques (Mrs.)
for Director General.

/sc

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SUBJECT: ENVIRONMENTAL THRESHOLD DECISION FOR
AGRICULTURAL EXPORT SERVICES PROJECT (532-2165)

FOR A. DEGEORGES

REF: (A) TELCON JWILSON/ROWENS, 08/31/89

1. DEPUTY ENVIRONMENTAL OFFICER, JOHN WILSON, HAS REVIEWED THE PID FOR THE SUBJECT PROJECT AND IS IMPRESSED WITH THE PROJECT'S POTENTIAL FOR INCREASING AGRICULTURAL PRODUCTIVITY AND EXPORTS, WHILE PROMOTING ENVIRONMENTALLY SOUND AGRONOMIC PRACTICES. IFO WILSON APPRECIATES THE MISSION'S CONCERN IN PROMOTING AND ASSURING ENVIRONMENTALLY SOUND PRACTICES IN THE PROJECT, AND THANKS THE MISSION FOR ITS COOPERATION (REF A) IN DEVELOPING THE ENVIRONMENTAL THRESHOLD DECISION FOR THE PROJECT.

2. THE BUREAU ENVIRONMENTAL THRESHOLD DECISION IS A DEFERRED POSITIVE DETERMINATION. BECAUSE SOME ACTIVITIES OF THE PROJECT MAY HAVE SIGNIFICANT ENVIRONMENTAL EFFECTS BUT THE PROJECT AGREEMENT WILL BE

SIGNED BY A.I.D. AND THE GOJ BEFORE AN ENVIRONMENTAL ASSESSMENT CAN BE DONE, SEC. 216.3(A)(7) REQUIRES THAT A CONDITION PRECEDENT (CP) BE INCLUDED IN THE AGREEMENT. THIS CP WILL STIPULATE THAT AN ENVIRONMENTAL ASSESSMENT (EA) IS REQUIRED BEFORE THE OBLIGATION OF PROJECT FUNDS FOR: (1) PROCUREMENT OR USE OF PESTICIDES, OR (2) ACTIVITIES THAT MAY DIRECTLY AND NEGATIVELY EFFECT A) SOIL CONSERVATION, B) BIODIVERSITY, OR C) TROPICAL FORESTS. THE CP WILL ALSO STIPULATE THAT PROJECT IMPLEMENTATION PLANS WILL BE MODIFIED, AS APPROPRIATE, TO INCORPORATE RECOMMENDED MITIGATION MEASURES DEVELOPED UNDER THE EA, AND THUS, REQUIREMENTS AND/OR RECOMMENDATIONS FROM THE EA MAY RESULT IN CHANGES IN PROJECT DESIGN AND FUNDING ALLOCATIONS.

3. THE STIPULATIONS OF THE CP ARE LIMITED SO AS NOT TO INTERFERE WITH THE INITIATION OF OTHER PROJECT ACTIVITIES EXCEPT FOR THOSE CITED IN PARAGRAPH 2 ABOVE.

4. THE SCOPE OF WORK FOR THE EA SHOULD BE SENT TO THE BUREAU ENVIRONMENTAL OFFICER FOR REVIEW AND CONCURRENCE.

5. LAC/IR/E WANTS TO ASSIST THE MISSION IN WHATEVER WAY IT CAN IN BOTH FACILITATING THE SIGNING OF THE PROJECT AGREEMENT, AND IN DEVELOPING THE EA. BAKER