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JAMAICA

Action Plan FY 1986-87

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FY 1986-87 ACTION PLAN

PART I

USAID
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Jamaica

FY 1986-87 ACTION PLAN

PART I

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Introduction

USAID's program strategy calls for a significant increase in balance of payments support and a perceptible shift towards intensified support of export growth and maintenance of basic social services. This shift affects FY 85 activities and will continue in effect through FY 87. It is the result of an unexpected near-medium term fall-off in foreign exchange earnings occasioned by a contraction in the mining sector, at least a short-term drop in expected tourism receipts and a growing debt service burden. Expected contraction in 1985/86 GDP of four to seven percent, occasioning inevitable further unemployment already in the 25 percent range, and continued pressure on budgetary outlays present challenges for the U.S. and other donors and more importantly for the Government of Jamaica. The considerable increase in AID resources proposed must be reinforced by substantial increases in other donor resources and private capital flows. Under the best of circumstances, assuming that the projected foreign exchange gap (refer to macroeconomic analysis) will thereby be closed, the modest resultant GDP increase (less than 1 percent in 1985/86) over the next few years will still not permit attainment of living standards prevailing in 1973.

The critical need for expansion of foreign exchange earnings from non-traditional exports and revitalization of traditional earners of foreign exchange suggest an accelerated, comprehensive Government of Jamaica program over the next three to five years. Several important activities which would comprise such a program are already underway or contemplated. The social sectors must also be a focus of attention. Sustained low, real budget levels for deteriorating social services will require buttressing to cushion a continuing worsening of the quality of life for most Jamaicans already suffering from reduced real incomes.

Devaluation, price rises, tight credit policies and cutbacks in public sector employment, the inevitable adjustments after the excesses of the Manley years, are taking their toll on public morale and confidence. More macroeconomic and structural adjustment is necessary to stabilize the economy and to lay a sound basis for growth. But more assistance will also be necessary to cushion the effects of adjustment within a framework that gives reasonable assurances that adjustment measures will indeed be taken. The fundamental purpose of our program remains intact. We seek to cure the underlying causes of the large gap between spending and production, not merely to supply funds to support spending.

The existing USAID/Jamaica program has been designed, in general, to address the foregoing concerns and is an effective program with a sound underlying strategy. It nevertheless can and should be strengthened to respond more effectively to an

exacerbated set of economic problems. The following approach is being proposed to cushion the impact of the contraction in GDP and to support expanded foreign exchange earnings, employment generation and a revitalization of deteriorating social services:

- Increase ESF levels substantially, beginning in FY 85 through FY 87 principally for balance of payments support in the framework of additional macroeconomic and structural adjustment. This increase should be accompanied by increases in other donor resources to fill an impending worsening foreign exchange gap while compensatory foreign exchange earnings are generated.

- Provide ESF balance of payments support and new Development Assistance starts on a grant, rather than loan basis.

- Expand Development Assistance levels moderately for the productive sectors and for social services revitalization.

- Design programs for the social sectors which restore and revitalize rather than expand services. Concentrate on efficiency and where appropriate, alternative financing modes.

- Continue to undertake an aggressive review of the loan/grant pipeline to accelerate disbursements in support of project objectives or deobligate/reobligate funds to support activities generating foreign exchange or addressing deteriorating social services.

- Reprogram a portion of FY 85 funding in support of higher priority activities in the productive and social sectors (a total of some $20 million in FY 85 funding or deobligations has been identified for reprogramming).

- Review the grant/loan pipeline to reduce GOJ counterpart requirements consistent with effective project implementation and statutory requirements.

- Accelerate the development of private sector mechanisms to relieve the pressure on government to maintain a bureaucratic structure it cannot afford.

- Develop a high profile and deserved image of Jamaica as a hospitable environment for foreign and local private capital.

The principal new program activities that are proposed for early obligation follow:

- Agricultural diversification with emphasis on non-traditional export crops (new project)

- Structural adjustment program for tourism (within the framework of the existing cash-transfer balance of payments program)

- Primary school revitalization (new project)

- Expanded Health revitalization (amendment to provide funding for pharmaceuticals, if improvements in supply management/logistics warrant)

- Expanded technical assistance for marketing/training/ product development and quality control for non-traditional manufactured products to non-traditional markets immediately and initially in the framework of the TC/TG program with a subsequent spin-off project in FY 1986.

This Action Plan provides the vehicle to present a justification for a shift in USAID programming and additional resources to deal with an exacerbated set of economic problems that threaten the stability and development prospects of Jamaica. The shift in strategy has been evolving for only one month and needs further development and refinement. This Action Plan paper has been prepared simultaneously with the process by which the strategy shift has been developed. Ideally, this is less than the briefest period of time reasonably established for such a major effort. Neverthesess in our view, the main concepts and programming shifts are clear and constitute a basis for decision-making.

Jamaica: Action Plan
For Fiscal Years 1986 and 1987

I. Economic Background

A. A Fundamental Change in the Economic Course

Four years ago Jamaica embarked upon a three year economic recovery program. At that time the nation's per capita income was equivalent to US$1,230. While this was well below the levels in western industrial countries, it was 45 percent above the average for all developing countries and five times that of "low income" developing countries. In addition to the apparently high level of income, Jamaica boasted an adult literacy rate of 85 percent, life expectancy at birth of 71 years, a low incidence of severe malnutrition, and a population growth rate of only 1.6 percent.

The natural physical beauty of the island and numerous top-of-the-line resort facilities made it a popular tourist destination for both North Americans and Europeans. An abundant endowment of easily accessible bauxite enabled Jamaica to enjoy 13 percent of the world bauxite production. Preferential access to British markets assured above market prices for sugar and bananas. Two international airports, relatively good port facilities, and a favourable location between North America and Latin America afford Jamaica a significant role as a transshipment point between the two continents. Rich fertile soil and temperate year round climate make the peripheral plains ideal for the production of fruits and vegetables. The semicircle of hills that look down on the capital city of Kingston and beyond it to the sea, is dotted with luxurious and gracious residences inhabited by an educated elite. With so much going for it, a casual visitor to the north coast resort areas or a guest in one of Kingston's high-rent suburbs might very well wonder why Jamaica is a candidate for foreign aid at all.

There are three answers to this question, all rooted in the deceptive facade that is often fashioned of aggregates, statistical means, static observations, and "official" exchange rates. Behind the facade lies another Jamaica, energized by a social, political and cultural dynamic that shines its unforgiving light on blemishes that are seldom seen by casual observers. The proud national slogan--"out of many, one people"--holds forth the promise to the many who were left behind in the bold march of the aggregates toward efficient, hi-tech prosperity, that they may one day join the relatively few on whom its benefits and opportunities have been showered. But they have not caught up yet. In fact during the nineteen seventies they fell farther behind, and no Jamaican political figure is likely to forget how they held the political leadership of that time responsible for their loss.

This other Jamaica is more accurately portrayed by the income data for the lower half of the population than by the average. Still more important to an understanding of the condition of the majority is the impact on their lives of the changes in the economy over the past ten years. These are the circumstances that determine the degree and the form of their participation in political and social processes. They are, in other words, key determinants of the degree of political stability in the environment in which any development strategy must be enacted.

In the context of Jamaica's history in the decade of the nineteen seventies, the three answers to the question of foreign aid for Jamaica are straightforward. First, the distribution of income is among the most highly skewed in the world and reflects underdevelopment in the segments of society most relevant to the majority of the people. Second, conversion from income expressed in Jamaican dollars to income in U.S. dollars is too much influenced by the exchange rate. This is illustrated by the effect on income of the change in the Jamaican exchange rate system that occurred in November 1983. This change alone reduced the measured value of $100 of Jamaican income from US$56 to US$31. Finally, average per capita income in Jamaican dollars of constant purchasing power declined by one fourth over the eight years prior to Seaga's election, and its impact fell far most heavily on those least able to defend themselves.

The choices presented to the voters in October 1980 were clear. The incumbent promised a broader and deeper dose of the Cuban styled policies that had contributed so much to bringing the nation to its depressed economic condition. Seaga promised a dramatic reversal of those policies. He envisioned a restructuring of the economy that invited foreign and domestic private investment, removed disincentives to production, and rewarded efficiency and competitive export activity. Economic restructuring was part of a broader turn toward Jamaica's traditional support for democratic processes and institutions. The people chose the latter and Seaga set about seeking assistance from donors to facilitate the transition. The United States responded promptly and positively, and support for that transition remains the undergirding theme of our assistance program.

B. The Seaga Program In Theory

The recovery strategy was based on widely shared perceptions of the outlook for exogenous economic conditions that exert a major influence on the Jamaican economy. Foremost among these external influences were the demand for Jamaican bauxite and alumina, and for Jamaica as a tourist destination. These two sectors were seen as sources of a quick resurgence of indigenous economic momentum and foreign exchange earnings. Increased earnings were to be buttressed by foreign exchange supplied by multilateral and bilateral foreign assistance donors. The combined flows of foreign exchange were programmed in consultation with donors at a level that was believed to be sufficient to

permit: (a) the importation of productive inputs to facilitate an expansion of domestic manufacturing and agricultural production; (b) a gradual rebuilding of Jamaica's depleted foreign exchange reserves; (c) a modest re-stocking of supplies of imported consumer goods; and (d) rehabilitation of basic infrastructure.

These ingredients were considered essential to support an expansion of real domestic economic activity and early relief for the demoralized majority of the Jamaican people. Thus the first priority of the economic recovery program was to arrest the decline in aggregate economic activity and stimulate a forward momentum. Balance of payments assistance was indispensable to the achievement of this purpose.

With new resources available for a forward thrust, and a general economic climate conducive to private investment, attention would be turned to the structure of the economy, in which was imbedded many of the core causes of the stagnation into which it had fallen. The tenets of the structural adjustment program were set forth in the Government's Economic Policy Memorandum, published in Ministry Paper Number 9 of April 21, 1981:

> "Consequently, the Government will adopt measures to promote private domestic and foreign investment in a major production effort. Steps will be taken to deregulate the economy so as to release private initiative, rebuild confidence, and support the operation of an efficient market economy. The activities of the public sector in industrial and commercial operations will be reduced; and the financial operations of the Central Government will ensure that an appropriate share of national resources is retained by the productive sectors.
>
> The government realizes that, to secure the initial push and momentum a substantial external borrowing program is inevitable in the first year. This would include mainly special balance of payments assistance from multilateral agencies and from countries friendly to Jamaica and their agencies. It is recognized that it is not in Jamaica's interest to maintain external borrowing for balance of payments support at such levels because the country's problems cannot be dealt with by such assistance alone, but must be solved by incremental earnings from trade in goods and services and spontaneous capital inflows. This solution will be pursued in the short term by fully utilizing the existing productive capacity of our export earners with traditional markets; and subsequently by expanding the export sector with the help of the development of new export lines, and a strong external promotion and marketing effort."

1. The Economy in 1980/81: Dimensions of the Macroeconomic Problem

At the core of Jamaica's macroeconomic malaise at the end of 1980 was a foreign exchange crisis. This reflected the cumulative result of eight years of foreign exchange expenditures in excess of foreign exchange receipts. In 1972 Jamaica had net foreign exchange reserves of US$102 million. By 1980 those reserves had been spent, along with US$543 million that had been borrowed. Thus Jamaica was left with a huge foreign debt, and a habit of importing more than its earnings could buy. Moreover, it was $113 million behind on payments to its creditors, and its international credit rating was spoiled.

Immediate curtailment of imports to match Jamaica's export earnings could not be accomplished without further contraction of production, as roughly 50 percent of the inputs into the production process were imported. This explains the necessity of foreign assistance acknowledged by Seaga in Ministry Paper 9.

As noted previously, real GDP declined 18 percent in the aggregate and 25 percent on a per capita basis between 1973 and 1980. The sectoral distribution of the reduction can be seen in Table 1 below. As these data show, of all the sectors in which direct production of goods occurs--agriculture, manufacturing, mining and quarrying, and construction--only agriculture failed to contract significantly.

Table 1
Gross Domestic Product by Sector
1973-1980

	1973		1980		Percent Change
	Mil of 1974 J$	% of Total	Mil of 1974 J$	% of Total	In 1974 J$ Values 1973-1980
Agriculture, Forestry Fishing	160.3	7	161.5	9	0.17
Mining and Quarrying	181.6	8	163.3	9	-10.10
Manufacturing	400.6	18	275.5	15	-31.2
Transport., Communic., Public Utilities	143.6	6	149.1	8	3.8
Construction and and Installation	225.7	10	95.6	5	-57.6
Distributive Trade	491.6	22	279.2	15	-43.2
Non-Govt. Services	426.4	19	409.9	22	- 3.9
Producers of Govt. Services[1]	250.9	11	362.4	20	44.4
Other[2]	-20.4	-1	-48.5	-3	
Total[3]	2263.4	100	1848.0	100	-18.4

Source: IBRD, Jamaica: Development Issues and Economic Prospects, January 29, 1982, p.171

[1] This item consists exclusively of compensation of employees

[2] This item is dominated by "imputed service charges."

[3] This measures GDP at purchasers value.

These are also the sectors of greatest private sector involvement. The sectors of expansion, on the other hand, are the areas of substantial public sector involvement. Moreover, the sector labeled "producers of government services" produced the greatest absolute increase in GDP of any of those that recorded growth. Since this category consists exclusively of compensation of employees, whether this represents any real increase in economic value is subject to serious doubt. When this "sector" is dropped out of the calculation of GDP changes over the period, the decline rises from 18 percent to 26 percent.

As the value of aggregate production fell steadily during this period, aggregate demand expanded even more dramatically. Spending increased 173 percent concurrently with reduced availability of things to buy. While available data do not permit a precise allocation of the increased expenditures between private and public spending, an idea can be gleaned from fiscal year data. Central Government spending increased J$1.6 billion from JFY 1973/74 to JFY 1980/81. Between calendar years 1973 and 1980, total annual spending on GDP increased J$3.0 billion. Thus the Government share can reasonably be estimated to have accounted for roughly one half.

Central Government revenue over the same period advanced by only J$844.2 million. Thus the excess spending had to be funded by borrowing. In effect, the funds "borrowed" were printed by the Bank of Jamaica, which increased its portfolio of claims against the Central Government by J$1.3 billion. This represented 82 percent of the total increase in central bank credit.

The resulting increase in the quantity of Jamaican dollars in circulation was 200 percent of the 1973 base. Predictably, Jamaicans were not eager to hold the debased Jamaican dollars, and accordingly spent them faster as they were produced at increasing rates. The combination of increased supply, more rapid circulation, and reduced availability of goods and services, resulted in a 300 percent increase in the consumer price index.

In summary, the Seaga Government arrived in office to find itself faced with a depleted treasury, overdue bills, rampant price inflation, a work force it could not afford to pay, an over-valued currency, and a national unemployment rate of 27 percent.

2. The Economy in 1980/81: Dimensions of the Structural Problem

Among the structural changes the Seaga Government pledged to pursue, the most fundamental, and in retrospect the most difficult, was to reduce the relative role of the public sector in favor of the private sector. This role reversal was expected to

occur smoothly through divestment to private investors of public enterprises and renewed real economic growth. Changes in the structure of relative prices, costs, and rates of return, attendant upon deregulation, were expected to point the way to uses in which resources released from the public sector could be employed more efficiently.

The order of magnitude of the desired shift toward the private sector can be inferred from the shift in the opposite direction during the nineteen seventies. Between Jamaican Fiscal Years 1973/74 and 1980/81, the share of government expenditures in GDP had increased from 26 percent to 42 percent. The relatively unproductive use of employees in the public sector during this period is hinted by the reduction in output per worker. From 1974 to 1980 this measure of productivity fell 16.5 percent. From 1973 to 1980 overall employment increased 10 percent while employment in the "Public Administration" category jumped 50 percent to an astounding 110,000. Given the decline in average productivity over this period, the conclusion that the burgeoning public sector bureaucracy constituted an absolute drag on economic activity is difficult to escape. This conclusion is reinforced by GOJ data showing a doubling of the share of public sector consumption expenditures in GDP, while the private consumption share advanced 8 percent, and the share devoted to fixed capital formation dropped 42 percent.

The expansion of the government sector during the nineteen seventies probably reflected both the planned expansion that was consistent with the Manley Government's socialist orientation, and an unplanned element. The latter occurred following gargantuan increases in oil prices (the national oil import bill soared from $73 million in 1973 to $215 million in 1975), which accelerated the general curtailment of private sector activity. Government efforts to contain unemployment included absorption of displaced workers into the central government, acquisition by Government of failed private enterprises, and expansion of employment in existing public enterprises.

As government expenditure consumed an increasing share of the national income, the gap between those expenditures and tax revenue widened even as the tax burden on the private sector became heavier. Private savings over the 1973-1980 period fell from 20 percent of GDP to 9 percent. The combination of rising government expenditures, rising tax burden, and reduced national income and savings, starved the private sector of financial resources, thereby reinforcing the contractionary influence on production.

This period in Jamaica's economic history demonstrated dramatically the limit on the extent to which a declining economy can be tapped to support a growing public sector. Many firms which were inefficient and which could only survive

behind a shield of protectionist regulations, had emerged during the period of the import substitution strategy. The Government had acquired commercial and even industrial enterprises under a variety of political and social motivations. Many of these were not economically viable and required large public sector subventions to continue in operation. A few showed profits which were employed to support the central government budget. In the meantime, however, vital public services such as electricity, water, fire protection, education, and public health, were allowed to deteriorate. Investments required to maintain and expand the associated capital were assigned a lower de facto priority than acquiring and holding commercial enterprises, and supporting a massive public sector work force. (Compensation of government employees consumed 76 percent of Government revenue in Jamaican fiscal year 1980/81.)

Revival of export earnings from traditional agricultural crops was another important adjustment that has proved difficult. Sugar and bananas were products with tenuous medium to long term prospects. Even with preferential treatment of those crops in British and European markets, production was low and falling, and profits poor.

The steady reduction in export volume and earnings is shown in Table 2.

Table 2

Exports of Bananas and Sugar
1973-1980
(Value in million US$, Volume in thousand MT)

	Sugar		Bananas	
	Value	Volume	Value	Volume
1973	40	257	18	106
1974	82	266	13	106
1975	154	250	14	67
1976	61	226	13	75
1977	63	210	14	75
1978	60	193	17	73
1979	57	188	18	64
1980	54	132	11	31

Source: World Bank, Jamaica: Development Issues and Economic Prospects, January 29, 1982, P.14

To some extent, the poor performance in the traditional crops was attributable to rigid Government control over the entire commercial process from field to market. The diversion by the public sector of earnings generated in these and other agricultural sub-sectors had become a serious disincentive to production. Removal of the disincentives in these sectors had good potential for an early boost to export earnings. The Government's program anticipated increased annual foreign exchange earnings of US$30 million from bananas and sugar alone by JFY 1983/84. Nevertheless it was evident to most observers that there was little prospect for these sectors to be a major source of production and employment in the long run. Their short run potential was based on special preferential treatment which could be reduced or terminated at any time. With the cost to the EEC countries granting those special treatments rising as competitive world market prices fell, it was implausible to think of this aid as permanent.

Agricultural production, in the aggregate, fared better in the nineteen seventies than did the general economy. Over the 1973-1980 period total value added in agriculture increased by 0.7 percent. Again however, the aggregate value of production is an imperfect measure of performance. Production for the local economy was encouraged by the import substitution strategy, and the declining availability of foreign exchange. However, these same policies, in tandem with severe exchange control policies and regulations imposed by commodity boards, removed much of the incentive to produce for export. Value added in the export subsector of agriculture fell 27.6 percent. Yet large parcels of government controlled land were locked into production of the crops that had been perennially unprofitable.

An important part of the Seaga Government's structural adjustment program was to permit market forces to determine which crops would prosper, under what production technologies, and on what scale of operations. Direct government involvement in agricultural production was expected to be reduced significantly through divestment or closure of public production projects. As in the other productive sectors, the infrastructure of the agricultural sector, particularly that related to water supply, irrigation systems, and agricultural marketing, had been substantially neglected during the nineteen seventies. Thus a successful structural adjustment required substantial investment and associated technical assistance.

Structural adjustment also was required to address basic human needs problems that had become serious by 1981. Jamaica has long exhibited many of the properties of the classical dual economy. The modern sectors, centered around Kingston and the North Coast resort areas, are characterized by relatively highly educated management and work forces, working in conjunction with relatively large amounts of capital, and high value added. The social and cultural patterns in this socio-economic stratum are more

characteristic of those of the advanced industrial nations than of the third world. The lower strata are characterized by lower levels and quality of education, labor intensive production, low value added, high unemployment, and limited access to social overhead capital such as indoor plumbing, electricity, telephones, transportation, and health and educational services.

The lowest income deciles are concentrated, of course, in the least developed sectors, both urban and rural. The income of the segments of the population that inhabit the traditional sectors are not only low but are slow to rise and quick to fall. These Jamaicans are least equipped to be absorbed into expanding economic activity and to defend themselves against contractions. Thus in a growing economy the principal benefit that accrues automatically to these population segments is that they are less in jeopardy of a further deterioration of their economic condition. Real growth generates additional resources that can be targeted toward the incorporation of the disadvantaged into the modern sector. Once there, the opportunity to share more fully in the fruits of economic growth will accrue more directly. In the interim however, compassionate assistance to these groups can only be provided by assigning such assistance a higher budget priority. Thus the task of the Seaga Government was to lift those mired in self sustaining hopelessness, while simultaneously building the institutional structure to facilitate the upward mobility of the young.

Earlier reference was made to the low overall population growth rate. Like average income however, this datum masked serious demographic obstacles to economic recovery. Emigration during the nineteen seventies was heavy among those members of the work force whose skills opened the greatest opportunities for overseas employment. Meanwhile, the crude birth rate continued at a level of 29 per thousand. It is only a slight over-simplication to observe that more productive members of the population were replaced by more dependent members.

This change in the structure of the population had severe economic implications. It placed increasing pressure on the institutions that deliver public services--education, maternal and infant health care, skills training, among others--at a time of rapidly declining ability of the Government to provide them. Reinforcing the attendant slippage in fundamental investment in the conversion of population mass to a productive work force, was rising poverty, which dampened the ability of the middle and low income groups to contribute their share of the cost of these basic services.

Under the Seaga Government's economic recovery program, both technical and financial assistance were requested to address these problems. The strategy with respect to education and training was

to focus first on preparing those members of the population who had entered the work force over the previous eight years but who had acquired no readily marketable skills. As the economy improved, budget resources increased, and private employment growth facilitated reductions in the public sector payroll, additional funds were expected to be available to upgrade traditional education.

Another of the public service casualties of the nineteen seventies was the health care delivery system. Concurrently with the national trend toward public entitlements during the nineteen seventies, an already overburdened public health care delivery system was stretched beyond its capacity. An existing 100 "dispensaries" were expanded to a national primary health care system of over 380 comprehensive service delivery centers by 1980. The flight of medical professionals, particularly nurses and doctors, coupled with decreasing foreign exchange to purchase adequate medical and pharmaceutical supplies, created a non-functional system, incapable of providing efficient and effective medical care. Lack of capital to maintain facilities and equipment for both primary and secondary care promoted further deterioration while increased utilization due to declining incomes continued to aggravate an already floundering public health care system.

Reflecting social and cultural patterns which are more characteristic of industrialized nations than of the third world, morbidity and mortality trends in the general adult population follow those of the developed world. And again, reflecting the classical dual economy, we are faced with the lower socio-economic population whose disease patterns are strictly third world. This mixture places extraordinary demands on the public health care system, requiring highly specialized and costly secondary care services as well as extensive field level community based interventions.

Jamaica is in the unenviable position of depending almost totally on imported fuels. In 1980, oil imports reached $451 million, which consumed 47 percent of export earnings. There was (and is) little prospect of Jamaica discovering oil reserves on its own territory to relieve the problem. However, the Government has planned an intense search for alternative fuels that are locally available, and a program of promoting investment by the local private sector to increase energy efficiency. The linkages between the high cost of Jamaica's energy dependence and the full range of foreign exchange related policies is strong. Consequently, the Seaga Government's entire structural adjustment and stabilization program depended on an improvement in the ratio of earned foreign exchange to the oil import bill. Disappointing results in terms of foreign exchange earnings therefore, would call for better results in terms of reducing demand. The least politically volatile way of achieving this would be increased

and alternative energy sources. The unpalatable demand reducing alternatives were increased prices of petroleum products and depressed incomes.

Decent minimal available housing is essential to political stability. Yet population growth, particularly in the urban centers, has so strained the existing stock of housing that poverty abounds in which over-crowding, inadequate structures, and poor infrastructure defy any plausible definition of "decent housing". Moreover, costs have risen so dramatically that more than half the population is unable to secure decent housing at costs that are within their means. Consequently, public sector subsidization is an essential ingredient of national housing policy.

Prime Minister Seaga, whose own Parliamentary constituency, West Kingston, is one of the most impoverished urban slums in Jamaica, assigned a high priority to increasing the proportion of Jamaicans living in acceptable housing units. This task required difficult structural adjustments as this sector was overseen by a complicated and cumbersome, ineffective, institutional and bureaucratic structure.

In 1981, the Seaga Government sought AID assistance in developing a national housing policy that would establish a framework for the more efficient and effective delivery of shelter to the low income population. The model policy adopted by Cabinet in October 1982 included a change in GOJ role from a provider of heavy shelter subsidies to a system of recovering costs on units designed to be affordable to the beneficiaries. Subsidies, where necessary would be targeted to those with greatest need. The GOJ also adopted a financial institution framework that redefined the roles of the key public sector institutions in carrying out the policy mandate. It also anticipated the establishment of partnership relationships with the private sector, both for the increased mobilization of resources and the production of low income units.

The foregoing structural problems represented a complicated and formidable challenge to the Seaga Government. Both the Government and the principal foreign assistance donors believed however, that in a growing economy the recovery could be forged and put on a stable and self sustaining path within three years.

Targets were set for GDP growth, international reserves accumulation, budget deficits, and, in some cases, crop production levels. All depended however, on realization of ambitious forecasts of foreign exchange inflows. As the following sections make clear, these forecasts were far too optimistic, and from the first year of the program it was evident that adjustments would have to be made. If the program had a serious conceptual weakness it was the lack of a contingency plan for dealing systematically with shortfalls of resources.

C. The Seaga Program In Practice: 1980-1984

As has been reported, the economic recovery program enjoyed significant early successes in bringing discipline to monetary, fiscal, and balance of payments policy. This is reflected in the Data in Table 3 below, showing the results of GOJ performance against targets established pursuant to the IMF program. This program was the basis for AID's ESF assistance. It encompassed monetary, fiscal, and balance of payments targets that USAID/Jamaica considered consistent with the objectives of bringing inflation, government deficit financing, and balance of payments management under disciplined control, and financing imports required for increased production.

Table 3
GOJ Performance Against IMF Targets
1981/82

Fiscal Targets (In millions of J$)	Program Target	Actual
Overall Budget Deficit	-941	-747
Revenue	1101	1252
Expenditures	2366	2299
Foreign Financing	802	590
Domestic Financing	139	157
Monetary Targets (March 1982		
Net Domestic Assets	1237	1186
Currency in Circulation	260	263
Balance of Payments Targets (In millions of US$)		
Current Account (net)	-395	-455
Capital Account (net)	435	498
Change in Reserves (increase-)	-40	-43

In addition to the successes, the data in Table 3 show the first hints of trouble. Foreign financing fell significantly short of the level projected, and the current account deficit in the balance of payments was above the expected level, as export performance fell short of the target levels. Bank of Jamaica data for calendar years 1981 and 1982 reveal the seriousness of the shortfall and are presented in Table 4.

Table 4
Actual and Projected Export Earnings Performance
1981 and 1982
(Percentage Changes from Previous Year)

	1981		1982	
	Projected	Actual	Projected	Actual
Total Goods	16.6	1.2	12.7	-25.7
Bauxite/Alumina	15.4	3.3	9.0	-26.5
Sugar	25.9	-15.0	26.0	2.6
Bananas	75.0	-58.7	33.8	9.0
Other	14.7	-4.1	20.0	17.1

Given the shortfalls in export earnings and foreign assistance, adhering to the programmed increase in international reserves required that imports be held below program levels in 1981. In 1982 the balance of payments deteriorated further and imports declined absolutely. By that time the fixed exchange rate had further over-valued the Jamaican dollar, exacerbating the foreign exchange shortage. The GOJ resorted to more stringent administrative controls to reduce imports.

During fiscal year 1982/83 external economic conditions took a marked turn for the worse. Gross bauxite and alumina exports fell US$256 million below the level anticipated in the 1982/83 program targets and associated levy and royalty payments to the government fell US$210 million below the expected level. Special balance of payments assistance was, for the second year, substantially over-estimated.

In December 1982, the Government managed to stay within the program targets by a slim margin. However, it was hardly surprising when, at the end of March 1983 all three of the key quantitative performance tests were failed.

In spite of major problems it was still considered possible that the recovery program could be salvaged if the GOJ would move boldly on the policy front. In the Mission's FY 1985 CDSS, approved in 1983, it was envisioned that by US Fiscal Year 1987 the GOJ economic recovery program would be fully on track. Several government owned hotels had been leased or placed under private management contracts. An export incentives scheme was put in place to encourage export expansion, quantitative import restrictions had been reduced, and "Agro 21" had been developed with USAID support to spur production of non-traditional export

crops. Aggregate economic growth was expected to have reached the 3 to 5 percent range, and all of the principal sectoral bottlenecks were to have been removed or in the process of being removed, and an energy conservation program was underway.

Population growth was to have been reduced to a rate supportable by the nation's real economic growth. Programs to improve the levels and delivery of health care, formal education, and skills training were in place or were about to be launched. Income redistribution mechanisms were being reshaped to minimize their adverse impact on domestic production, and refocussed to reduce the distributional skew.

New negotiations on the bauxite levy were about to begin and it was expected that an agreement would be reached that would encourage the companies to increase the share contributed by Jamaica to their global production. The expected recovery of the industry would then reignite the forward momentum of 1981.

Even at that time however, it was evident that the timetable for the economic recovery had been unduly optimistic. As was observed in the CDSS, the program was fully 2 years behind schedule.

The structural adjustment component of the recovery program had lagged from the program's beginning. Under the pressure of the depressed bauxite and alumina sector, it was clear that the need for these structural adjustments had become more urgent. The dual exchange rate system then in place made the Jamaican dollar increasingly over valued, particularly to foreign exchange earners. By November of 1983 legitimate exporters and tourism operators were being subjected, in effect, to a punitive tax on all foreign exchange earnings that were surrendered in accordance with the law. The proceeds of the de facto tax were used to subsidize importing, the activity government sought to discourage. Predictably, there was increased excess demand for the subsidized foreign exchange. To deal with this problem, the list of administrative tests to which foreign exchange seekers were subjected was again lengthened. A stronger incentive was therefore in place to avoid and evade these costs by holding foreign exchange in foreign bank accounts until it was needed.

Deregulation of the economy had also lagged well behind. In large part, this was related to the foreign exchange policies described above. However, there were other important contributing factors as well. Agricultural commodity boards resisted virogously the stripping away of regulatory powers that had been delegated to them. In bananas and sugar, policies that diverted earnings from producers had contributed to continuing and serious production cutbacks. Jamaica was not only unable to fill its quota for preferential access and prices in EEC countries, but was in jeopardy of losing them. In coffee, a lucrative Japanese market

had been established, but the equally promising North American market had barely been scratched. Moreover, the earnings were not reaching the producers in proportion to their increase, and the overall foreign exchange earning potential was not being exploited due largely to the strangulating regulatory regime imposed by the Coffee Board. These problems led USAID to place a high priority on the policy reforms needed to relieve this bottleneck, and to enter discussions with the Government on those subjects. Positive action was finally taken on deregulating banana exports.

Financial market regulations also continued to be a major obstacle. The entire array of credit markets was influenced by interest rate controls, some direct and others indirect. Here again, the lag in deregulation was to a significant extent attributable to the unabated shortage of foreign exchange. Importers were forced to avail themselves of government arranged lines of credit tied to specific goods, regardless of local market preferences. A forward foreign exchange market was not formed because of restrictions that prohibited hedging transactions, and the universally recognized over-valuation of the Jamaican dollar. Equity financing was unattractive owing to tax laws that favored debt financing and artificially low interest rates on borrowed funds. Each of those issues has been the subject of policy dialogue with the GOJ. A study has been commissioned to deal with the forward market issue and some regulatory relaxation has permitted the appearance of a nascent forward market. Credit related projects have emphasized rational economic lending rates. Tax reform will include improvements in the treatment of equity financing.

Labor and commodity market adjustments were also slowed by the lagging structural adjustments. De facto subsidies and price ceilings on imported foods retarded production and employment in domestic agriculture. Preferential tax and foreign exchange regulations encouraged the adoption of relatively capital intensive production technologies and production by relatively inefficient firms for the domestic and the soft currency CARICOM market. Large central government subsidies to state owned enterprises placed a heavy and intransigent burden on the public sector budget. As the shortfall of foreign exchange earnings deepened, an inordinate share of the burden was forced onto the private productive sector. Thus the anticipated ability of the private sector to absorb workers displaced from a streamlined public sector had failed to materialize. Neither, therefore, had the streamlining occurred.

By the end of 1984, GOJ policy reform had addressed each of these issues and, in 1985, a major stride has been taken. Food stamps have replaced most across the board subsidies, price controls have been removed or scheduled for removal, and the import licensing system has been dismantled for all but 76 of 890 items. Subsidies to state enterprises have been dramatically

reduced. Nevertheless, for most of the first 3 years of the economic recovery program, sluggish performance on structural adjustment intensified the severity of the domestic impact of resource shortfalls. Indeed, they contributed positively to the disappointing performance of non-traditional exports.

Against this background the principal foreign assistance donors believed, after consultations and discussions with the Government, that there was Government-Donor agreement that further deferral of the critical structural adjustments would fatally exacerbate the derailment of the economic recovery program. This view resulted in closer and more detailed consultations among the donors, and between the donors and the Government. Mutually supporting conditions of assistance were designed and donor efforts to encourage and support an acceleration of adjustments, particularly the policy elements, were intensified.

Progress toward major structural related policy reform began in earnest after negotiations with the IMF and IBRD occasioned by Government's failure to meet the September 1983 performance targets of its IMF program. The official and parallel foreign exchange markets were unified in the Bank of Jamaica and an auction system was established to determine the exchange rate. The Government also agreed to accelerate the liberalization of imports, placing greater reliance on taxation and less on discretionary administrative control to deter importation of luxury consumer goods. In the original US FY 1984 ESF agreement, the Government agreed to adopt measures to increase competition in the areas of activity in which the government trading company and agricultural commodity boards were engaged.

Recognizing the inability of the Government to provide fully subsidized medical care to seventy percent of Jamaica's population who used the public health care system at no cost, the Seaga Government developed a politically controversial but necessary strategy to provide a partial subsidy for the poor while removing a substantial portion of the subsidy to the middle and upper income groups. A high level "Health Financing Task Force" comprised of public and private sector professionals are working closely with the Government to develop incentives which promote the growth of private medical services (such as health maintenance organizations) which can also provide services to the elite as well as lower income families.

The donors were encouraged by the Government's apparent resolve to move forward with policy changes it had considered politically difficult. Nevertheless, the optimism was tentative. General economic conditions, including the immeasurable but important element of private expectations, had deteriorated over the three years. Debt that was incurred with the expectation that it would yield the increment to income required to service it, had not produced that increment. Failure to cure the excess demand for foreign exchange in the first three years of the program had resulted in a cumulative buildup of pressure on the exchange rate.

As it turned out, significant progress toward the necessary structural adjustments did occur in calendar 1984. The changes that were implemented were imperfect and incomplete but were nevertheless significant and in the right direction. The foreign exchange market was unified and an auction system was installed, though admission to the auction was rigidly restricted, and the range within which the rate was permitted to vary initially was too narrow to permit the market to clear. A few goods removed from the list of quantitative restrictions were added to the list requiring licenses. The number of imports for which the government trading company held sole importer status was increased. Central government subsidies to the government trading company were replaced with profits on newly acquired import monopolies. A food stamp program was adopted but was funded at such low levels that it was an inadequate substitute for the price ceilings it was intended to replace. Moreover, the food stamps were redeemable for imported commodities only. Scarce foreign exchange was diverted from debt service payments to achieve temporary relief of pressure on the exchange rate. Tax reform was designed and promised but the legislation required for its implementation was never brought to a vote in parliament. Finally, in late 1984, Reynolds Aluminum closed its Jamaica operations to be followed in February 1985 by a suspension of production by Alcoa.

D. Seaga's Program at the Brink: The Jamaican Economy After Four Years

1. Recap of the First Four Years

Last month marked the end of the fourth full year of the Seaga Government's program. Throughout that period the U.S. Government has provided constant support. The Embassy/AID team in Jamaica has undertaken to mold the U.S. economic assistance packages into forms that were fully supportive of the goals of the Jamaican economic program, while simultaneously discharging the stewardship responsibility attendant upon management of one of the largest per capita aid programs in the world. In that role our monitoring of and reporting on the progress of the program has often been focused on the tasks remaining to achieve the ultimate objectives. For purposes of planning the next year's assistance package this forward facing platform affords the appropriate perspective. However, a comprehensive evaluation of the progress that has been registered from the inception of the program to the present requires a different perspective. For this purpose, it is necessary to move the reviewing platform back sufficiently to permit a view that includes the economic position from which the program began, the position that has been reached, and the distance remaining to be travelled. It is the purpose of this section to provide such a comprehensive view.

The Government of Prime Minister Seaga set for itself the task of converting from a centralized, inward looking and pervasively regulated economy to one in which private market mechanisms, both domestic and foreign, played a dominant role.

The import substitution strategy of the previous Government was rejected in favor of an export promotion strategy. Disciplined fiscal and monetary management were counted upon to arrest price inflation and narrow the international payments gap. Economic stabilization was essential to restore investor confidence and induce private investment. Fundamental structural change was required to achieve efficiency and to enable Jamaica to compete effectively in world markets.

The set of public economic policies in place at the time of Seaga's election was antithetical to both macroeconomic stabilization and the structural reorientation toward efficiency, private markets, and export expansion. Yet both were essential to the achievement of the program's goals. Stabilization without structural adjustment would yield stagnation. Structural adjustment without stabilization would not endure. Given the objectives articulated by the Seaga Government and embraced by the U.S. Government, an appropriate Economic Policy is an organic entity, or a system. It functions at peak efficiency only when each of the elements of economic policy is in place. The whole, Economic Policy, is therefore more than the sum of its parts, economic policies.

Over the past four years, Jamaican Economic Policy has been radically transformed. The pace of the transformation has been erratic and, from our perspective, has often seemed inordinately slow. Nor is the transformation complete, as several of the economic policy elements are not yet in place. Owing most importantly to adverse external economic conditions over which Jamaica has little or no control, the key measures of overall economic performance -- unemployment, price inflation, real per capita income -- show no palpable improvement over 1980. Undeniably, the slow pace of policy reform has left the economy more vulnerable to external shocks than it had to be.

Nevertheless, comparing present Economic Policy not only with what we hope it will become, but with what it was in 1980, the progress that has been made is fully as striking as the changes needed to complete the transformation.

A detailed narrative on the policy changes that have been adopted in support of stabilization and structural adjustment would be too lenghy to serve the purpose at hand. However, the Table below, taken from a draft of the IBRD's "Jamaica: Economic Situation and Public Investment", to be published next month, presents a summary review of the policy reform program. While there is room for debate as to the thoroughness of the IBRD critique, there can be no doubt that the Government has made almost unprecedented progress toward the policy environment the GOJ endorsed in Ministry Paper 9.

Policy Area	Development Issues	Policy Reform to Date	Issues to be Addressed
Foreign Exchange Allocation System	The exchange rate had previously been maintained at an overvalued rate, leading to noncompetitiveness of exports, excessive demand and the need to allocate foreign exchange by administrative means.	A two-tier exchange rate system was introduced in January 1983. This was replaced in November 1983 by a unified rate which is determined at twice-weekly foreign exchange auctions. Under the auction system, the rate has moved from J$3.15=US$1.0 to over J$5.0=US$1.00 at end of 1984.	Government should continue to ensure the maintenance of a competitive exchange rate.
Trade Regime	The system of quantitative restrictions and import licensing had led to excessive levels of protection for manufacturing industry in particular, and to an over-administered system for allocating import licenses.	A program to remove all QRs over a five year period was adopted in 1982. In addition the licencing system has been simplified, and is now limited primarily to imports of consumer goods.	The liberalization program should be continued. Upon completion of a comparative advantage and incentives study, a new tariff structure should be installed to provide a reasonable degree of protection to domestic industry, and encourage exports.
Central Government Savings	The Central Government's overall deficit was running at 14-17% of GDP until 1984-85.	In FY 1984/85, the overall deficit was reduced to 7.8% of GDP. In addition a tax reform program has been put in place to render the system more efficient and to adapt it to give more incentives to effort and savings.	The Government should continue to reduce the overall deficit to a substainable level, probably about 4% of GDP. Given the high level of taxation and low level of capital expenditure, efforts should be concentrated on reducing current expenditure and transfers.
Public Enterprises Savings	Most enterprises have been either making losses or only marginal contributions to savings. This has been primarily due to inappropriate pricing and inadequate management. In addition, there are too many enterprises involved in activities which could be carried out by the private sector.	Management audits have been carried out for the main enterprises, and pricing policies have been extensively revised. Financial targets and monitoring systems have been developed. A list of enterprises targeted for divestment has been drawn up.	Efforts must continue to ensure that substantial current savings are generated by the enterprises and that individual enterprises' action programs are carried out. The divestment program, which has to date had few positive results, must be pursued vigorously.

Policy Area	Development Issues	Policy Reform to Date	Issues to be Addressed
Public Investment	The public sector investment program (PSIP) had grown rapidly, but with few controls, little monitoring, no clear decision process, and without integration with the capital budget.	A three-year rolling PSIP has been developed at a more appropriate level. A monitoring system has been developed, and a formal decision making process is in place. Much progress has been made in this area.	Efforts to continue to integrate the PSIP process with the budget process. Continued improvements in appraisal techniques and approval procedures will also be needed as will efforts to make the monitoring system more relevant.
Private Investment	Most sources of long-term capital had disappeared. The approval process for private investment had become very cumbersome.	The Governemnt established the National Development Bank (NDB) and the Agricultural Credit Bank (ACB) as apex institutions chanelling long term resources through commercial banks.	Having established itself on the marketplace the NDB should now streamline its procedures so as to improve efficiency and the speed of response. While JNIP seems to have done a good job, it should continue efforts to improve coordination with other Government institutions.
Interest Rates, Private Savings, and Monetary Policy	Interest rates have proved very "sticky" in nominal terms. While generally freely fixed, certain rates are determined centrally. Taxation on savings was high.	Time deposits over one year were made tax-free. The overall level of rates has been raised as part of a tight money policy. Liquidity ratios have been raised from 36% to 44%.	Yields on different forms of savings should be treated more equally in the Government's ongoing tax reform program. The Bank of Jamaica should phase out liquidity ratios and rely on base money management, and, at the same time, reduce the level of the Government's overdraft facility.
Housing Finance	Housing finance is dominated by public institutions. The National Housing Trust (NHT) is financed by a 5% payroll tax, The Jamaica	Few substantial changes on housing finance policy have been enacted.	The Government should urgently consider closing the JMB and foster a private secondary mortgage market. With the high

Policy Area	Development Issue	Policy Reform to Date	Issues to be Addressed
	Mortgage Bank (JMB) has not effectively provided a secondary mortgage facility, and is technically bankrupt. A ceiling on private mortgage lending rates has been maintained below average interest rate levels.		unemployment rate, an alternative way to fund NHT should be identified. The mortgage interest rate ceiling should be removed to permit building societies to compete for savings.
Money and Capital Markets	Most Jamaican companies have very high debt/equity ratios. The stock exchange has been very limited in operations. Corporate taxes are very high and dividends are double-taxed. The money market is very thin, and the main paper that exists is 90 day treasury Bills and 10 year local registered stock.	Little attention has been paid to this area to date	To encourage the development of an equities market, Government should give tax breaks to new public companies and remove the double-taxing of dividends. The Stock Exchange should be widened in membership. As an initial boost to the money market, Government should broaden the range of its financial instruments. A state deposit insurance scheme should be and financial institutions' supervision should be strengthened.
Export Incentives	The system of protection combined with an overvalued exchange rate led to anti-export bias, and a low level of nontraditional exports outside the regional market.	In addition to liberalization and devaluation, some explicit incentives have been introduced. Under the two-tier exchange rate regimes, non-traditional exporters received a preferential rate. A scheme to rebate raw materials import duties to exporters has been designed.	As an interim measure, the tax rebate scheme should be introduced urgently. Upon completion of the comparative advantage study, the new tariff system should provide for exporters to operate on a free trade basis. Attention should also be given to the allocation of credit for exporters. Most important however, will be the maintenance of a competitive exchange rate.

Marketing and Technical Assistance to Exporters	This has long been an area of effort by successive Governments. These efforts have sometimes been unfocussed and inadequately funded, and have frequently been concentrated in public institutions.	Action programs to promote individual exports have been developed, with major success in the garments area. More recently, Government has established a Technical Assistance Fund for exporters to finance individual companies' activities.	While these efforts should continue, attention should also be paid to the further rationalization and coordination of the various public institutions in this sector.
Bauxite and Alumina	Since the imposition of the bauxite levy in 1974, and the oil crises of the 1970s, Jamaica has become uncompetitive in bauxite/alumina production, which has fallen from 15 million tons in 1976 to under 8 milllion tons in 1983 and 1984. In 1985, the industry is in deep crisis, with production likely to be not more than 5.5 million tons. Alumina production is dependent on imported oil.	The bauxite levy was restructured in 1984 to encourage higher production, and the devaluation has lowered local costs.	The deepening crisis in this industry calls for urgent review by Government. Discussions should be held with the companies to find out what can be done to save the industry, including changes in the levy, and shared coal conversion costs. Efforts to negotiate barter deals also deserve to continue.
Tourism	Tourists arrivals stagnated in the 1970s, and little new construction took place. Profit levels fell with the overvalued exchange rate, and infrastructure became run down.	A vigorous promotion campaign and a better international image has led to a rapid increase in arrivals. Profitability has been restored and some rehabilitation has taken place, particularly in hotels previously operated by the Government's National Hotels and Properties, and now leased to the private sector. The tourism sector has been the brightest spot.	Disturbances in Jamaica in January 1985 led to the first setbacks since 1980 for the industry, but should soon be forgotten. The promotion campaign should continue, and JNIP should focus attention on the search for new investors in tourism, since capacity constraints are beginning to emerge.
External Marketing Organizations for Agricultural Exports	The EMOs (for coffee, cocoa, citrus and pimento) have subsidized inefficient non-markteting activities through low producer prices made possible by their monopsony position. However, they have succeeded well in creating a special market for these exports.	Producer prices have been revised upwards. Non-marketing activities are being divested to the private sector. Private marketing of such crops is now permitted under certain conditions. Export-based pricing formulae are being developed.	The ongoing reform program should be completed, including early introduction of the pricing formulae. The deregulation of marketing should continue but with due regard to the maintenance of quality control, and protection of Jamaica's special export markets.

Policy Area	Development Issue	Policy Reform to Date	Issues to be Addressed.
Sugar	Sugar production has been gradually declining, productivity is very low, and very large public subsidies have been necessary.	Factories have been closed, management reorganized, and domestic prices raised. Despite major efforts, little progress was made. More recently, expert management has been contracted to run the industry, which has been further rationalized and a sugar rehabilitation program have been developed.	The new program to rescue sugar deserves support. However, Government will have to be strong in its support of the new management, and may have to face further hard decisions. Where appropriate, programs to utilize existing sugar lands for other crops should be devised.
Bananas	Bananas suffered a similar fate to sugar, although compounded by the effect of the 1980 hurricane. 1984 saw a record low level of banana production	The industry is in the process of a radical restructuring. New modern plantations are being developed, and most nonmarketing activities of the Banana Company have been divested.	While production is expected to rise, Government remains in firm control of the sector. Full deregulation should be pursued, including banana marketing, and the potential of the private exporters should not be ignored. After a few years, the new Government projects should be divested
Nontraditional Agriculture	This is the one of only two sectors (together with Government) that showed positive growth in the 1970s. This was mostly through production for the local market rather than exports. However agricultural services are both expensive (in terms of public expenditure) and relatively uncoordinated.	The Government has launched the ambitious AGRO 21 program designed to continue import substitution and produce new export crops. In addition, some rationalization of credit delivery, extension services, and research has taken place.	These efforts are worthy of support and should be continued. The Ministry of Agriculture should be considered as the first candidate for action under the Administrative Reform Program. Further rationalization of research and extension services should continue. Specific diversification program will also continue to be needed.
Public Administration	The public service grew very rapidly in the 1970s. In particular, many parastatals were created to bypass the restrained civil service salary structure, which weakened Central Government. Financial and personnel control became inadequate.	An administrative reform program (ARP) has been launched, including senior civil services salary revisions, the introduction of performance (program) budgeting, and decentralized personnel policies. At the same time, the fiscal program has reduced the number of public employees.	This ambitious program should be pursued vigorously. In particular, efforts to raise senior salaries should continue despite fiscal problems. Given the need to reduce the deficit further, additional personnel cuts will be necessary, and the ARP should help to make this a more rational process.

2. Implications for USAID Strategy

Working in Jamaica's favor at the present is the fact that many of the most difficult policy changes have already been adopted. To the country's disadvantage is the fact that a serious contraction is in the immediate offing now, whereas in 1981 the future was bright with promise.

The factors that contributed to the unplanned expansion of the public sector during the nineteen seventies, are again at hand in 1985, though in different costume. Then, it was a sudden intensification of the foreign exchange shortage caused by massive increases in the price of petroleum. Now it is a similarly exacerbated foreign exchange shortage caused by a greatly increased debt service burden and the near collapse of the bauxite/alumina sector. The same socio-political motivations to sustain employment, shield real incomes, and continue government services, that were present then are present now. The private sector is again constrained by restrictive credit policies and a heavy tax burden. The principal difference is that the present difficulty arises at a time when public sector expenditures already consume 42 percent of GDP whereas in 1973/74 they were at the level of 26 percent. Government revenues represent 28 percent now compared to 20 percent then. Thus there is virtually no room for expansion of the public sector at the expense of the private sector.

Mission strategy for the next three years must assist the GOJ in weathering the present storm. However, it is our objective to provide that assistance in a manner that does not encourage or support a reenactment of the mistakes of the nineteen seventies.

We propose to maintain those elements of the strategy that relate most directly to long run development. Development of a strong private sector, for example, continues to occupy a position of high priority. We will continue to encourage, through all of the instruments at our disposal, increasing reliance on private market mechanisms in place of regulatory and administrative interventions to determine the allocations of resources among competing uses. A major relaxation of the restrictions imposed by agricultural marketing boards on farmers may pay high dividends in the near term as well as in the long run.

The task before the Mission for 1985 through 1987 is to craft a strategy that supports long run objectives but in the context of changed short to medium term conditions. Uninterrupted progress toward development of a policy structure that is consistent with the attainment of a stable long-run growth path is an important element of the strategy. However, to assure that the immediate economic exigencies do not undermine the attainment of long run objectives, our program must now include interventions to induce changes that could have been self-financed in an environment of real growth and more abundant internally generated resources. Private investments that would have been economically viable are likely to be deferred owing to increased input prices attendant upon the reduced availability of

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resources. Reduced public sector budgets have already resulted in curtailment of the public sector investment program. Rising interest rates and reduced credit availability will redirect resources from activities in support of next year's production and sales, to this year's production costs. While aggregate real incomes will certainly decline, the reductions will fall most heavily on the poor, the incapacitated, the young, and the unemployed. Aside from the equity implications of this unequal sacrifice, the social and political implications could be devastating to the Seaga Government's long term development program.

As the local private and public sectors adjust their plans and programs to the new reality, AID and the other principal donors will have to make adjustments. Programs that focus on post-primary educational improvement will not have the intended payoff if resource shortages retard the ability of the primary system to produce adequately prepared graduates. Improved agricultural marketing systems will serve little purpose if production falls short due to lack of appropriate infrastructure. Technical assistance in support of new manufacturing investment will not be needed if the investments are postponed. In general, all components of the Mission's program that are directed toward influencing the future level of development through the current pattern of resource utilization have been examined. The objective of the review was to identify activities that are in progress or planned that, under the contracting domestic economy scenario, are less appropriate than alternative activities. As a general matter the categories of activities that are now relatively more appropriate are those that are necessary precursors to successful implementation of the USAID assistance program. We are now proposing to lessen the burden of project financing on the Government, both in terms of its financial contribution and financing terms.

Evaluation of the existing and planned portfolio was performed subject to two constraints considered essential to the long term goals. First, the gradual increase in the private sector's relative share of economic activity must be sustained. Second, any redirection of USAID resources should be accomplished in a manner consistent with the shift from allocation by central administrative direction to allocation via the system of relative prices.

Mission programs that directly affect the quantity of resources available for balance of payments purposes--primarily ESF and PL 480--have also been reviewed in the context of declining domestic economic activity. If a major downward revision of medium to long-term economic objectives is to be avoided, both the magnitude and the terms of these programs will have to be revised. Additional ESF resources will be required, and the ratio of grant to loan funds will have to increase. Increased precision in the programming of the local currency counterpart will also be essential to complement the changes in focus of the overall program.

As observed in the previous section of this paper, the economic recovery program set out by Seaga at the beginning of his term of office has realized an impressive proportion of its objectives. Certainly most observers would agree that the number of accomplishments has far exceeded the shortcomings. Unfortunately though, the ultimate objective of achieving a high and sustainable rate of economic growth, along with a distributional pattern that disseminates the benefits broadly across the community, can only be achieved when the full program is implemented and external conditions cooperate. Up to this point, external conditions have been substantially uncooperative. This caused the Government to falter and hesitate in the implementation of some of the more difficult policy changes, and that in turn appears in retrospect to have worsened the impact of the adverse external conditions.

To a head of state of less character and perseverance, the devastating new developments in bauxite and alumina might have been enough to break his will. Not so in Seaga's case. He has indicated his strong commitment to forge ahead and by his example continues to lead effectively. The next three years will be difficult. Modifications in priorities and in short term approaches will be necessary by all parties to Jamaica's development strategy. But the longer term objectives have not changed. In this paper USAID/Jamaica undertakes to set forth in detail the part it proposes to play in adjusting to new economic exigencies that influence development prospects, while supporting the Government of Jamaica in fulfilling the program of economic transition upon which it embarked in 1981.

Under the circumstances, the Mission's strategy for the remainder of the present year and U.S. fiscal years 1986 and 1987 must depart from that set forth in the FY 1985 CDSS and its FY 1986 update. The objective of the amended strategy for those years is: (a) to consolidate and defend the gains in structural adjustment and stabilization to date; (b) to minimize the contractions of domestic production and employment; and (c) to protect the most vulnerable segments of the population from sharing disproportionately in the pain of the adjustment.

II. Macroeconomic Influences on USAID Strategy

A. Revised Macroeconomic Outlook

In the wake of the shutdowns of Reynolds last year, Alcoa in February this year, and the near certain closure of Alpart later this year, the attention of the Government, the public and Jamaica's foreign assistance donors has naturally been focussed on these disasters. However, it is important to recall that the economic prospects for Jamaica were precarious even before the closures. Balance of payments data in Table 5 below suggest the extent of the problem as it developed in 1984.

Export performance was expected at the beginning of 1984 to improve 38 percent for the year owing largely to an improved world market for bauxite and alumina. However, also anticipated were export earnings increases of 74 percent from bananas, 2 percent from sugar, 15 percent from non-traditional agriculture, 32 percent from other non traditional exports, and 13 percent from tourism. As it turned out, none of these expectations were met. As the year progressed, it became painfully evident that the projections would not be realized, and successive export earnings estimates were scaled down.

Imports were compressed but by less than the export deficit. Moreover, it is not obvious that the poorer than expected export performance, aside from bauxite/alumina, was attributable entirely--or even primarily--to the relatively low foreign exchange earnings. Regardless of the cause, it is clear that the financial resources available to Jamaica in 1984 were below expectations, and that conditions worsened during the year. Under the circumstances, the achievement of a buildup of reserves reflects a commendable discipline under difficult circumstances. The Embassy/AID team had, in September 1983, presented the argument in Washington that additional resources on the order of US$100 million would be required to prevent a reduction in real GDP in 1984, and that reduction now seems clearly to have occurred. Thus the 1985 shock is superimposed on sluggish prior year performance that would have made 1985 a difficult year without further bauxite/alumina contractions.

Recent estimates have put the gross foreign exchange loss associated with the closure of Alcoa and Alpart at levels ranging up to US$215 million. After deducting the cost of imported inputs this would imply a net loss of $100 to $110 million which, it is assumed, would be absorbed by further compression of non-oil imports. Taking the estimated 1984/85 level of these imports as the base, this implies an import reduction of approximately 11 to 13 percent. Historically (1970 - 1983) the ratio of the geometric growth rate of non-oil imports to that of non-bauxite/alumina GDP is 1.00 to 0.11. Therefore, if this relation could be expected to

Table 5

Balance of Payments Performance:
1983 and Estimates for 1984

		1984 Estimates Source and Date of Estimates			
	1983	IBRD Jan.84	IBRD Oct.84	BOJ Mar.85	Shortfall from Jan. Estimates
		(Millions of US$)			
Merchandise Exports (fob)	685.7	949.2	803.9	783.7	210.5
Merchandise Imports (fob)	1281.1	1332.0	1241.7	1181.8	150.2
Trade Balance	-595.4	-382.8	-437.8	-443.1	- 60.3
Non Factor Services (Net)		310.3	340.5		
Factor Services (Net)	121.5			4.7	46.1
Unrequited Transfers (Net)	101.5	162.0	162.0	127.0	-35.0
Current Account Balance	-375.4	-170.0	-215.8	-311.4	-141.4
Capital Accounts					
Public Capital (Net)	321.0	234.7	344.1	357.6	-122.9
Private Capital (Net) (Includes Errors and Omissions and Arrears)	-240.2	35.0	55.0	127.1	141.4
Capital Account Balance	80.8	269.7	399.1	484.7	-215.0
Change in Reserves (- indicates increase)	294.6	-99.7	-183.3	-173.3	- 73.6

1/ - indicates surplus over estimate

hold on a yearly basis (which it does not)[1/] a 13 percent reduction in non-oil imports would be expected to be associated with 1.4 percent contraction in non-bauxite/alumina GDP. Adding the bauxite alumina contraction, which represents approximately 3 percent of GDP, the total decline would be 4.4 percent of GDP. On a per capita basis the reduction would be 5.9 percent.

Prime Minister Seaga announced last week the conclusion of an agreement that would reopen Alcoa on a break-even cash flow basis. If such an arrangement is possible, it would restore net foreign exchange earnings equivalent to local operating costs. Thus the foreign exchange loss from Alcoa's operations would drop by about US$12 million. This part of the drop in bauxite/alumina GDP would also be restored. The overall effect would reduce the estimated overall GDP contraction to 4 percent. These estimates are based on incomplete information. We have therefore constructed our own estimates based on the information at our disposal.

Alpart's production in 1984 yielded approximately US$50 million in foreign exchange earnings for Jamaica. If Alpart's closure resulted in a US$50 million reduction in non-oil imports, the relationship cited above would imply an associated reduction in non-bauxite GDP of 0.67 percent. The bauxite component would reduce GDP by an additional 2 1/2 to 3 percent. Thus the combined effects would reduce GDP by something like 3 1/2 to 4 percent.

The same calculations for Alcoa imply an additional reduction of 1 3/4 to 2 percent, bringing the total effect of the two closures to the 5 to 6 percent range. If Alcoa reopens under the agreement outlined by Prime Minister Seaga, the GDP contractions would drop to a range of 3.8 to 4.8 percent, of which roughly 1 percent would be non-bauxite production. It is evident therefore that the reopening of the Alcoa facility will do very little to alleviate the aggregate economic outlook, although its impact on morale may be considerable.

This analysis also suggests that the implication of the Alcoa closure for 1985 performance is not significantly greater than that of the bad news of 1984 for that year. What distinguishes this year's shocks is that they follow on the heels of serious setbacks in 1984, and their combined impact will be substantially greater.

1/ In fact this ratio is quite variable on a year to year basis. Nevertheless, the signs of the trend values of the two variables are the same. Moreover, it is clear in theory that reductions in inputs induce a tendency to reduced output, although the lags of the relationship have hot been formally evaluated.

A conservative starting point for assessing productive capacity is the historical peak of actual performance. For Jamaica, the GDP peak occurred in 1973. In that year GDP reached J$1.73 billion, or J$878 per capita (US$965)[1/]. From 1960 to 1973 real GDP increased at an annual rate of 4.6 percent. If, beginning in 1985/86, GDP advanced at an average annual rate of just 3.5 percent, it would take 5 years to regain the 1973 peak. If GDP declines 4 percent in the first year of that interval and rises 2 percent in the second year, then for the remaining 3 years an average real growth rate of 6.6 percent would have to be recorded in order to reach the 1973 GDP level by 1990.

Over the past 25 years, annual growth rates above 6 percent have occurred only three times,--1964, 1970, and 1972. In each of these years there were significant increases in export earnings and in imports. Interestingly, the trade balance also turned sharply more negative in each of these years reflecting the importance of external capital to the three episodes of rapid growth. Private unrequited transfers from abroad were positive in each year while public transfers reflected net outflows. Long term capital flows were strongly positive and at historically high levels.

In preparing the program for the World Bank's SAL II, the Bank and the GOJ developed a scenario calling for significant changes in the sectoral distribution of GDP over the 1984-90 period. The overall growth of GDP was projected at an annual rate of 3.1 percent. The projections are presented in Table 6 below.

Table 6
Projected Output Growth
1984 - 1990

	Avg. Annual % Change 1984 - 90	1983 Percent Share of GDP
Agriculture	3.9	7.8
Mining	6.9	6.1
Manufacturing	3.4	16.0
Construction	5.9	6.1
Government	0.6	19.4
Other	2.9	44.5
GDP	3.1	99.9

1/ This is below the U.S. dollar measure of per capita GDP in 1980. However the difference reflects the overvalued Jamaican dollar in 1980. In terms of Jamaican dollars of constant purchasing power in Jamaica, per capita GDP was 25 percent lower than in 1973.

The change in the outlook for Jamaican bauxite and alumina requires adjustments in this scenario. In 1985, the bauxite and alumina contribution to GDP will fall by two-thirds. If we take that as a base from which to project the 1986 - 1990 bauxite contribution, and assume no growth for the remainder of the decade, then the average rate of "increase" for the full 1984 - 1990 period would be -13.5 percent.

Data that have become available since the World Bank projections were prepared suggest that they were based on underestimates of 1984 bauxite performance as well as the overestimates of out year bauxite earnings. However, if current estimates of 1984 GDP by the GOJ as well as the principal donors are correct, the non-bauxite sectors performed significantly below the level required to meet even the average growth rate projected for the aggregate. If they had, GDP would have grown 3.3 percent in 1984. Most observers now believe that GDP registered no real growth in 1984, in spite of better than expected bauxite/alumina earnings.

If the non-bauxite sectors had performed up to expectations in 1984, and did so again in 1985, the closure in 1985 of Alpart and reduced earnings from Alcoa would not be expected to reduce GDP in this year by more than one percentage point. Moreover this calculation allows for reductions in production due to the reduced availability of foreign exchange to finance imported inputs.

Table 7 shows revised projections of GDP growth, by sectors, after taking into account the closure of Alpart and operation of Alcoa under the recently announced restructuring.

Table 7
Projected Growth of GDP
by Sector

Table 7

	Percentage Avg. Annual Growth Rates		Percentage Growth In Output from 1984 to:		Percentage Shares of GDP		
	1984-87	1987-90	1987	1990	1984	1987	1990
Agriculture	5.0	5.0	15.8	34.0	7.6	8.5	9.1
Mining	-13.0	-13.0	-34.1	-57.4	6.7	4.1	2.5
Manufacturing	3.5	4.0	10.9	24.7	16.0	16.6	17.4
Construction	6.0	6.0	19.1	41.9	6.1	6.8	7.6
Government[1/]	0	0	0	0	19.4	18.3	17.0
Other	3.0	3.0	9.3	19.4	44.4	45.6	46.4
GDP	2.2	2.3	6.6	14.6	100.2	99.9	100.0

1/ Includes compensation of employees only.

This scenario represents average real growth to the end of the decade of only 2.25 percent per year. It reflects, therefore, a relatively modest achievement, and would defer regaining the 1973 peak level of GDP by at least a year, and possibly by 3 years. However, if 1985 is as bad as it could turn out to be, it would be difficult to achieve the rates set out for either of the two sub-periods. In all sectors other than Mining and Government, achievement of these hypothetical growth rates would be noteworthy. Without a strong infusion of external resources in fact, it would be unlikely that they would be realized.

B. Assistance Requirements

The hypothetical resource requirements for this scenario are derived as follows:

	(A)	(B)	(C)	(D)	(E)	(F)
	Implied Import Level	Exports of Goods	Other Current A/C Sources (Net)	Estimated Capital Flows 1/	Debt Reduction 3/	Foreign Exchange Gap 2/ [A-B-C-D-E
			(Millions of US$)			
1985	-1554	720	165	389	-53	333
1986	-1616	859	143	400	-50	266
1987	-1739	990	164	400	-50	235

1/ Presently programmed foreign assistance flows are included in this column, including those from AID, IMF, IBRD, IDB, UNDP, and other bilateral donors

2/ Does not include Paris Club and related debt rescheduling which, by World Bank estimates, could supply $209 million of the 1985 gap.

3/ Includes that portion of net foriegn debt entered as liabilities in the "net foreign assets", or "change in reserves", calculation

The following implications of this analysis are important to the interpretation of what happens if the gap is filled:

1. Overall GDP declines by a fraction of 1 percent in 1985, but the non-bauxite component increases by about 4 percent.

2. For every US$100 million of the gap that is not filled, non-bauxite GDP will rise by about 1 percentage point less in 1985.

3. In 1986 GDP growth becomes positive, reaching about 3 percent, and remains at that rate in 1987.

4. The gap becomes successively smaller after 1987, but can only vanish if there is a major acceleration of inflows of private capital.

Gap estimates involve implicit forecasts of the future which, for purposes of this analysis and most similar analyses, are made "informally" to use the most charitable characterization. Estimates of sectoral distributions of growth and contraction suffer still more from informality. Nevertheless, given the modest track records of formal forecasts the informals may be very nearly as accurate. With this caveat, we submit the foregoing as our best estimate under the severe time and resource constraints under which it was prepared. In its qualitative dimension we are quite confident that it protrays accurately the key economic forces that can be discerned at this time. As it now appears, U.S. balance of payments assistance will be required, at levels well above currently planned levels, for the next three to five years.

The duration would be closer to three years if any combination of events would enable Jamaica to develop an international reputation as an "investment haven". As the remaining regulatory, bureaucratic, and structural obstructions are swept away and comprehensive tax reform is put in place, the odds of developing such a reputation will improve. At the present, however, the prospects of events of this psychological import are too nebulous to incorporate into projections.

Jamaica quite evidently has the capacity to absorb the full amount of the resources in the gaps we have estimated for 1985 - 1987, and could very probably absorb double those amounts when the structural adjustments are completed. We are proposing ESF assistance of double the amounts included in previous planning exercises for fiscal years 1986 and 1987, and a supplementary program of $60 million for fiscal year 1985.

C. Policy Dialogue For FYs 1986 and 1987

1. Policy Dialogue Strategy

In 1982 USAID/Jamaica adopted a policy dialogue approach that was predicated on the belief that policy change was most likely to occur when policy makers had themselves concluded that the change would serve their goals and objectives. From this premise it follows that the purpose of policy dialogue is to present one's policy views in such a manner that the relevant policy maker would appropriate those views as his or her own. Our conduct of policy dialogue was therefore informed by our own perceptions of the processes by which points of view are appropriated. There is no formula of which we are aware by which all individuals can be said to be influenced in the points of view at which they arrive. The process undoubtedly varies from one interlocutor to another. Nevertheless certain broad principles evolved with respect to which there existed a consensus among USAID/Jamaica officers. These have become routinized and underpin our current strategy for policy dialogue.

a. Most individuals' receptiveness to a policy idea varies directly with the number of respected persons who share it.

b. Most individuals are likely to resist a policy idea they believe is being forced upon them.

c. Most individuals are likely to resist ideas that are directly contrary to ideas to which they have long or intense attachment.

d. Most policies influence behavior in more than one realm of activity, and most realms of activity that can be influenced by one policy can be influenced by more than one. Therefore individuals who embrace a policy because of its effects are more receptive to a change in that policy if thay can be shown an equal or better way to achieve the same effect.

The foregoing principles suggest that policy dialogue must not be confused with policy monologue, that policy dialogue should build constituencies for the ideas it hopes to convey, that argumentum ad hominem may be effective even if intellectually proletarian, and that a bad policy with a good result may be displaced with a good policy with a good result.

All Mission officers have been encouraged to employ the soft dialogue approach, but to pursue it persistently in their day-to-day interactions with project counterparts, contractors, social acquaintances, colleagues, superiors, and subordinates. It is not uncommon for a host government ministry official to perceive a problem

not being addressed by the private sector, (too few physicians providing service at rural health facilities, for example), and to propose to a USAID officer AID support for a specific public sector solution. Officers are advised that on such occasions, it is appropriate to inquire whether there might be a more market oriented solution, citing examples, that would place less strain on the overburdened ministry.

At a more formal level, Mission officers have hosted Friday afternoon salons to which specialists from Government, business, universities, and PVOs are invited for an open, unrecorded, discussion of economic development issues. Still more formal dialogues are held with GOJ officials at regular intervals, for the express purpose of exchanging views on policy problems. These occasions include negotiating sessions and performance reviews of course, but they are also held spontaneously and are often initiated by GOJ officials as well as by USAID. The negotiating agenda and actual negotiations with the Government are carried out in strict confidence.

A particularly successful policy dialogue episode was USAID's employment of an internationally prominent welfare economist (using PD&S funds) to conduct a study of alternatives to general food subsidies to shelter the incomes of the poor from cost of living increases occasioned by structural adjustments. His report, which he presented personally to Prime Minister Seaga, included a discussion of the advantages and disadvantages of each of ten possible alternative schemes. The Prime Minister was receptive to the targeted subsidy approach and moved with dispatch to implement a food stamp program. AID supported this program by providing additional technical assistance to review design of the program, provide financial analysis and develop a monitoring and evaluation system, and additional PL 480 commodities to support it directly. Although the program has some flaws, it is a far more efficient method of achieving the objective than the general subsidies. This initial collaboration has generated interest among senior level government officials for further analysis of food policies and their effect on the economy (agricultural production and nutritional status. This is an outstanding example of the blending of AID policy instruments (PL 480, Development Assistance, ESF) with development strategems (policy dialogue, private market mechanisms) to achieve policy reform by addressing simultaneously the objective of the new policy and the objective for which the less preferred policy was adopted in the first place.

Another case in which the Mission's policy dialogue objective was achieved by employing outside experts is the comprehensive tax reform program to be announced next month by Prime Minister Seaga. Both the IMF and the World Bank as well as USAID had placed considerable emphasis on the need for comprehensive tax reform. The Government also recognized the need. However, the scope and magnitude of the task of forging a tax policy that was consistent with both stabilization and structural adjustment, was imperfectly known. It was recognized early that the expertise required to define the scope

of the project was not available in Jamaica. Moreover, the Government's original conception of tax reform was primarily focused on revenue bouyancy. Hence the reform they envisioned was administration intensive. The Mission was concerned that the emphasis on better collections from a fundamentally unsound tax system could do more to retard than to facilitate economic activity.

To resolve the issue in a non-confrontational manner, the Mission offered to fund a team of outside tax experts to review the system and recommend approaches to the reform. The Mission assembled a list of candidates for the evaluation. Candidate groups were carefully selected to assure that the Government's concern about tax administration would be fully addressed. We also were careful to assure that the candidate teams included an internationally known and respected tax policy specialist to give a strong voice to policy concerns. The team arrived and proposed a balanced and carefully crafted approach, and their proposal was the basis for the subsequent development of the Project Paper for the Revenue Board Assistance Project.

This project has been exceptionally successful. The Government considers it a GOJ project and makes liberal use of the experts who comprise the TA team, as high level advisors. The Government's enthusiasm for the project developed at an early stage. Many of the consultants (John Due, Richard Bird, Dan Holland, Oliver Oldman, Carl Shoup, George Break, Charles McClure, Roy Bahl) were of such international stature that members of the GOJ's Revenue Board, including the Chairman, and the Prime Minister knew them by reputation and had studied their writings for many years. This combined with their diligent work habits, clarity of exposition, and accessibility has won the respect of key members of all segments of the Jamaican community. Both the IMF and the World Bank defer to the members of the team, which is a further boost to the close working relationship they have with the Government, from the Prime Minister down. That relationship has also been furthered by the Mission's hands-off policy. the contract between AID and Syracuse University, which assembled the team, is monitored carefully and professionally. We do not, however, attempt to intrude on the confidentiality of the relationship between the team and the Government.

The success the Mission has enjoyed in areas in which we have enlisted world class outside expertise has led to the decision to expand this dimension of the policy dialogue effort beginning now and extending through Fiscal Years 1986 and 1987. Is is a strategy which, when measured against results achieved, is quite inexpensive. The quality and speed of the output of individuals of this stature is high. AID compensation limits, however, seem calculated to guarantee mediocrity in areas of high professional specialization. Against these limits, the cost of the approach we propose is quite high. Consequently, our proposed strategy can be expected to require liberal use of salary waivers. This is, in our view, one of the best investments AID can make in policy reform in Jamaica. It not only

represents a high and effective level of policy dialogue in its own right, but significantly enhances our USDH officers' effectiveness in policy dialogue.

2. Policy Dialogue Agenda

Three areas of public policy are of the highest order of priority for the remainder of FY 1985 and FYs 1986 and 1987. We do not consider it plausible to rank-order each element of desired policy reform. However, we have organized them under categories and specified target dates for their accomplishment. The dates selected were strongly influenced by our judgement of urgency of each element. Realistically however, the selection of dates was also influenced by our perception of what is possible politically. These elements and dates are presented in the following table.

Policy Dialogue Agenda:
June 1985 through FY 1987

Policy Category and Element	Target Completion Date	AID Policy Instruments Involved
A. Reducing the Size of Government		
1. Reduce Public Sector Work Force by 10,000	June 30, 1986	ESF (Outside Experts, Negotiation), Counterpart Programming (Redundancy Payments)
2. Divest and/or lease 30 Additional Public Enterprises	March 31, 1986	ESF (Outside experts, Negotiation), DA (New Project on Tourism/Export Promotion)
3. Consolidation And Streamlining Government Ministries	Continuous	DA (Project design, monitoring. All Technical Offices) ESF (Negotiation, Performance Reviews)
B. Liberalization of Foreign Trade and Foreign Exchange Market		
1. Relaxation of Exchange Controls	December 31, 1985	ESF (Performance Monitoring, Negotiation)
2. Complete the Dismantling of QR/License System	March 31, 1986	ESF (Negotiation, Performance Monitoring)
a. Tractors	September 30, 1985	
b. Fertilizer	June 30, 1985	ESF (Performance Monitoring)
c. Trucks	September 30, 1985	DA (Negotiation)
3. Permit Banks Unrestricted Access to Foreign Exchange Market to Cover Forward Positions	December 31, 1985	ESF (Negotiation), DA (Outside experts)

4. Develop Full-year Foreign Exchange Budget, Fixing Maximum BOJ Supplies of FX to Auction	December 31, 1985	ESF (negotiation), DA (Outside experts)
C. Deregulation		
1. Complete Deregulation of Coffee	Prior to FY 86 ESF	ESF (Performance Monitoring, Negotiation) DA Project Negotiation, Outside Experts)
2. Deregulation of All Other Export Crops	June 30, 1986	DA (Outside Experts, Project Design and Negotiation), PL 480, ESF
3. Complete Decontrol of Prices	September 30, 1985	ESF, PL 480 (Performance Monitoring)
4. Deregulation of Interest	September 30, 1985	ESF (Negotiation), DA (Project

3. Policy Dialogue and Specific Program Elements

Between now and the end of FY 87 the Mission expects to negotiate at least three ESF agreements (FY 85 Supplemental, FY 86, and FY 87 programs), two PL 480 Title I agreements, and one HIG agreement. As these funding sources provide immediate balance of payments assistance they represent, in effect, U.S. support for the GOJ's overall development program, including balance of payments, fiscal, monetary and structural policy. They afford therefore, the opportunity to discuss with the Government the entire program for which support is being sought. The Mission considers these elements of our program to be individual elements of a single category of support which might be labeled program support. Accordingly, the policy issues that are dicussed in the context of the three elements are parts of the broad organic category development policy. They must therefore be viewed as interdependent and complementary.

Since these three program elements are negotiated in the first instance with three different Ministries and the Bank of Jamaica, the conditions upon which each is offered naturally relate most directly to the Ministry(ies) through which it is administered. The FY 1985 PL 480 agreement was negotiated with the Ministries of Agriculture, Finance and Planning, and Industry and Commerce. It contained conditions relating to ceiling prices on food. However, this policy condition related importantly to the balance of payments, the exchange rate, and the structure of domestic industrial and commercial activity as well as to domestic agricultural production. A condition of the FY 85 ESF agreement elaborated and extended the price control condition of the PL 480 program, and added a condition on liberalization of the regulations governing the importation of agricultural inputs. This complementarity will continue through FY 1987 and beyond.

The DA portfolio affords policy dialogue opportunities that reinforce the program dialogue as well as more sharply focused sectoral and institutional discussions. The Board of Revenue Assistance Project could in fact be described as a policy dialogue project. It focuses not only on macroeconomic issues of fiscal management and policy, but on structural issues critical to investment and export promotion, the balance of payments, and allocative efficiency generally. ESF agreements as well as agreements negotiated by the GOJ with the IMF, and the IBRD have included conditions related to the results of the project studies.

In the area of health and nutrition the Health Management Improvement Project has been a vehicle for discussions related to increasing the efficiency of health care delivery systems through increasing reliance on alternative schemes for health financing including private market mechanisms. A nutrition related maternal child health project established relationships that were instrumental in winning Prime Minister Seaga's support for targeting the recently adopted food stamp program to these

groups. In agriculture, the Agricultural Marketing Project has turned up obstructions to agricultural production that are only tangentially related to marketing as well as having identified key marketing bottlenecks. The Mission's Office of Private Enterprise has spearheaded the establishment of a privately owned development bank that appears to be on the verge of a very successful development lending activity, an area in which a succession of public institutions has failed repeatedly. The design and implementation of this project surfaced a myriad of issues relating to the influence of public policy on financial markets generally. Through this process the issues were brought to the attention of the regulatory authorities and have deepened their understanding of the developmental hindrance created by policies designed in pursuit of unrelated objectives. Similarly important issues have gained the attention of policy makers through the Mission's energy project.

Meetings between USAID and GOJ officials for the purpose of programming the use of local currency counterpart from ESF and PL 480 programs are, in effect, policy dialogue meetings. Under the Mission's prioritization scheme for local currency programming, USAID projects, other donor projects, and GOJ projects, in that order, are the three eligible categories. While the overall level of public sector expenditures is controlled by the terms of the GOJ's agreements with the IMF, the distribution of expenditures remains under GOJ control, and reflects policy decisions with respect to GOJ priorities. Consequently, negotiations on local currency counterpart allocations afford an opportunity to influence the structure of the fiscal impact on the economy generally.

During the remainder of FY 1985 counterpart programming will be confined to any increment in ESF assistance and increases in the counterpart associated with PL 480 imports due to exchange rate changes. Mission emphasis with respect to these funds will be on redundancy payments for displaced public sector employees, fuller funding of the food stamp program, private sector credit projects, and support for other donor projects, particularly IDB projects, that would facilitate disbursement of foreign exchange to fund projects with large local currency costs. In this indirect way, local currency counterpart programming will influence not only the structure of the economy, but the overall balance of payments position as well.

D. Program Elements

1. Food Assistance

a. Overview

The U.S. food assistance program, including PL-480 Titles I and II and Section 416 donations, has grown both in size and in complexity during Fiscal Years 1984 and 1985. The Title I program, which increased from US$20 million in FY 1984 to US$35 million in FY 1985, finances imports of wheat, corn, rice and edible vegetable oil for commercial sale. In FY 1984, 2,000 MT each of suplus butter and cheese were donated to the newly established Jamaica Agriculture Development Foundation (JADF) under Title II, Section 206. The estimated world market value of these commodities was US$6.8 million. The butter and cheese are processed and sold commercially, with sales proceeds reverting to the JADF to finance agricultural development activities. The JADF program is envisioned as a multi-year effort with similar amounts of suplus commodities being provided in Fiscal Years 1985, 1986 and 1987. A US$10 million Section 416 proposal for wheat, dry skim milk and butter oil to support the GOJ's expanded school feeding program is currently under review in Washington. The proposal includes a request for authorization for monetization of a portion of the wheat to cover processing and distribution costs. The Mission also has recently been advised of two additional Section 416 proposals, submitted by the Office of the Prime Minister through the Jamaican Embassy in Washington directly to USDA, soliciting a Section 416 donation of ultra high temperature (UHT) milk for use in day care centers and hospitals.

In addition to the concessional food aid programs Jamaican imports of food and other commodities such as lumber, tallow and tobacco, under the GSM 102 and/or blended credit programs amounted to US$77 million in FY 1984, and are projected at US$60 million for FY 1985. In sum, during FY 1984-85, under a combination of mechanisms involving concessional loans, grants and guaranties, Jamaica has financed approximately US$100 million of food imports per year from the United States, including nearly all of its basic grain requirements.

b. Strategy

i. PL-480 Title I

In light of the contraction in real incomes expected over the near term, the disproportionate share of the burden of economic adjustment borne by the poorer segments of Jamaican society, and the determination of the current Government to continue on the difficult path to long term economic stabilization, continued concessional food assistance, at least at FY 1985 levels, will be required during the next two fiscal years.

At the present time, wheat flour is the chief source of protein, and cornmeal, the main weaning food for all lower socio-economic groups in Jamaica. The principle reason that there is no significant protein deficiency among Jamaica's poor is the availability of imported cereals. Wheat flour and cornmeal provide the highest nutritional value per dollar spent under the GOJ's food stamp program. Although PL-480 commodities are not earmarked specifically for the food stamp or school feeding programs, it is very likely that without the concessional Title I terms, the GOJ would be unable to purchase cereals in sufficient quantities to meet the country's minimal protein and carbohydrate requirements.

The other side of the food aid coin, of course, is the possible disincentive effect on domestic agricultural production, leading to an unhealthy dependence on imported food as the main source of sustenance for the population. Both USAID and the GOJ are acutely aware of this problem. The Government has embarked upon an ambitious "Food Self Sufficiency Program" which aims at significantly reducing the island's dependence on imported foodstuffs. The program focuses on increasing production of rice, soy beans, cassava (as a substitute for feed grains) fish, meat/ meat products and milk/milk products. The Mission is assisting the GOJ in this undertaking in a variety of ways, including continued support for the Agro 21 program, reprogramming of DA funds to finance a crop diversification project on underutilized and unproductive sugar cane lands, watershed management interventions, and programming of PL-480 local currency generations for both foreign donor and Government supported activities related to increased agricultural production. In addition, one of the self-help measures negotiated as part of the FY 1985 PL-480 Agreement requires the GOJ to collect and analyze domestic food production and household expenditure and consumption data as a basis for assessing the impact of food imports on domestic production. USAID is providing technical assistance to enable the Ministry of Agriculture and the Statistical Institute of Jamaica to comply fully with this condition.

The PL-480 Title I program, thus, is critical to accomplishment of the Mission's revised strategy goals for the following reasons:

1) It provides the GOJ with a source of foreign exchange, on concessional terms, to finance the basic food imports necessary to support both its targeted subsidy (food stamp) program and to put food on the shelves for the general population, until anticipated higher levels of domestic production begin to reduce the need for imported foods.

2) It is an important component of the ongoing GOJ/USAID policy dialogue. With respect to negotiation of policy reforms aimed at eliminating disincentives to increased agricultural production, it is the most effective instrument at our disposal.

3) It is a source of local currency financing for high priority development projects, particularly in the agricultural sector.

As in the past, the Mission will closely coordinate the negotiation of conditions to be included in the FY 1986 and FY 1987 PL-480 and ESF agreements, using the former as the principal tool for assuring that appropriate follow-on activities are undertaken by the GOJ to deal with any disincentive effect of food imports on domestic agriculture, which may be indicated by the analyses mentioned above. It is our intention to use the findings of the analyses in the negotiation of future PL-480 agreements, in which they might provide the basis for self-help conditions. Ideally, of course, the recommendations would be adopted on their merits, and not have to become conditions to future assistance. Other self-help measures which will be negotiated in future PL-480 agreements will include such things as: inclusion of domestically produced foods in the food stamp program; a realistic appraisal, and appropriate modification of the current school feeding program in the context of GOJ budgetary and administrative constraints as well as foreign donor limitations; establishment of a mechanism for undertaking a comprehensive food and agriculture demand analysis; assessment of agricultural research requirements, including the relationship of current research activities to achievement of GOJ agricultural production strategy goals; and improved administration of laws and regulations governing environmental protection, reforestation, afforestation and control of entry and actions in critical watersheds.

Assuming reasonable success of the Government's Food Self Sufficiency Program, as well as development of hard data on the impact of food imports on domestic production over the next two years, USAID would expect a gradual reduction in PL-480 levels for FY 1988 and beyond.

ii. Section 416

The Mission has mixed views on the desirability of continuing a Section 416 donation program beyond FY 1985. On the one hand, now that the door has been opened, the GOJ will likely request additional Section 416 commodities to support the expanded school feeding program. On the other hand, USAID

and the other major food donors (WFP, CIDA and EEC) all share serious concerns about: (1) the magnitude of the program, which aims at providing lunches for some 600,000 primary and secondary students; (2) the ability of the GOJ to administer the program effectively; (3) the appropriateness, nutritional value and cost effectiveness of the current program in which nutribuns and reconstituted milk are prepared and distributed by government owned factories; vs. the possible alternative of contracting with private sector organizations to prepare and distribute a more varied, nutritional, culturally acceptable and less costly lunch; (4) the Government's capacity to sustain such a program once foreign donor assistance is terminated; and (5) the probable negative impact of large amounts of donated milk solids, and/or UHT milk on local dairy farmers.

Further, the variety and type of commodities likely to be available under Section 416 is limited, as is the authority to monetize any portion of the commodities to defray processing and distribution costs associated with the program. Finally, the developmental impact of a grant financed feeding program is indirect and somewhat marginal at best.

During the next several months, USAID, in coordination with other donors, will continue to study the implications of Section 416 donations, and will develop recommendations for future year assistance from this source. Hopefully, future requests by the GOJ for additional assistance from this source will be channeled through USAID.

iii. JADF

The Mission considers provision of surplus dairy, or other, commodities to the JADF, either under PL-480 Title II or Section 416, to be an important part of its development portfolio. The development of the JADF was a long process involving USAID/J, Land O'Lakes, FVA/FFP, the Rockefeller Brothers Fund, and Grace Kennedy. Mission input into the design of the project assured consistency with program strategy goals in areas such as project selection criteria, credit policies, lending terms and developmental objectives. The JADF is a private, non-profit, venture capital institution. Its purpose is both to provide flexible and innovative finance to the agricultural and agribusiness sectors; and to provide a resource base for private sector sponsored research and training aimed at increasing opportunities for agricultural growth and ensuring that such growth is relevant and sustainable.

The Foundation was launched in July, 1983. By the end of March, 1985, it had approved financing for some 19 projects in aquaculture, crops, livestock, ornamental horticulture and honey production, amounting to slightly over J$7.0 million.

(Approximately US$1.3 million at the current rate of exchange.) Clearly, in less than a year, the JADF is proving to be a vital and significant source of capital for private agricultural development initiatives. As such, it complements both the Mission's DA portfolio and the GOJ's Food Self Sufficiency Plan. A Transfer Authorization for the provision of 3,000 MT of bulk cheddar cheese and 1,000 MT of butter for the second year of the proposed six year program has recently been approved. USAID will provide a $1.0 million grant to the Foundation in FY 1985 to finance technical assistance for project feasibility studies, when such assistance cannot be procured locally. An evaluation of the program is scheduled for the second quarter of FY 1986 to provide a bssis for future planning.

2. Uses of Local Currency

a. Background.

There are two sources of AID assistance to Jamaica which provide local currency for joint programming: PL 480 Title I, and ESF balance of payments loans. The two sources differ in that PL 480 generations are derived from the sale of commodities by the state trading company to commercial distributors, whereas in the case of ESF loans, the GOJ contributes counterpart in the Jamaican dollar equivalent of the U.S. dollar amount disbursed, at the exchange rate obtaining on the date of disbursement. PL 480 generations are determined by the FOB value of a given shipment at the rate in effect on the date of arrival.

Under the terms of the agreements, the GOJ is required to set up a separate special account in the Bank of Jamaica (BOJ), into which the local currency counterpart from each PL 480 and ESF loan is deposited. USAID and the GOJ subsequently negotiate uses of the local currency for support of development activities. In the negotiation process, USAID gives highest priority to the provision of adequate local financing for its own, and other donor projects. Given the present magnitude of local currency provided by the ESF and PL 480 programs (approximately J$525 million in FY 1985 alone) substantial sums are also available for programming to finance government projects and general budget support.

The Ministry of Finance (MOF) disburses funds to other GOJ ministries under a system of monthly warrants. The amounts disbursed, of course, are based upon the GOJ budget approved by Parliament for the given Jamaican fiscal year (April 1 - March 31). Each ministry receives one warrant per month for capital expenditures and another for current expenditure. The warrants authorize the ministries to draw down funds from the Consolidated Fund (Treasury). All donor projects are included in the capital budget.

After expenditures are incurred, the ministries submit a record of such expenditures to the MOF. Upon receipt of the records, the MOF identifies those expenditures for projects and/or other budget support which have been included in the respective counterpart agreements, pays the invoice, and requests the BOJ to reimburse the Consolidated Fund from the appropriate special account(s). Based on these transfers, the MOF submits Activity Status Reports to USAID, which reflect quarterly and cumulative disbursements from the special accounts, and undisbursed balances. Any undisbursed funds remaining in the special accounts at the end of the GOJ fiscal year (JFY) are subject to reprogramming at the discretion of the MOF with the concurrence of USAID.

b. Strategy.

Local currency counterpart will become an increasingly important source of GOJ funding for both donor financed initiatives and government programs during the next three years. Accordingly, the Mission has initiated a dialogue with the MOF to improve both the negotiation and monitoring processes with respect to use of these funds.

USAID will continue to base its negotiating position on an internal review of planned local currency requirements for its ongoing and new projects during a given JFY, and consultation with other major donors concerning their respective requirements. In light of the requested levels of ESF and PL 480 assistance for FY 1986 and FY 1987, however, it is clear that local currency generations/contributions will far exceed the funding requirements of USAID and other donor projects. Further, the GOJ may well be tempted to "sterilize" at least a portion of these funds by simply not disubursing them from the special accounts, and thus being able to count them as an offset against borrowing from the central bank. The "advantage" of this to the GOJ is that funds borrowed by Government from the BOJ or the banking system are not restricted as to their use. Thus, a problem which the GOJ may wish to resolve by spending less than budgeted on capital projects, and more on current account can be dealt with in this way.

The Mission strategy for negotiating the use of local currency counterpart to further the achievement of its overall strategy objectives will include the following elements:

1. increased Mission interaction with key MOF economic and budget planners during the GOJ budget planning process;

2. closer coordination with other donors, particularly the IDB, IBRD and CIDA, to identify local counterpart requirements, and, to assure consistency in approach to the GOJ on the negotiation of uses of local currency;

3. continued dialogue with the IMF with regard to IMF domestic spending targets vis-a-vis GOJ/USAID counterpart agreements;

4. more careful assessment of GOJ proposals for the use of local currency against stated government development priorities, and implementation of agreed upon policy reforms and structural adjustments necessary to achievement of economic recovery/stabilization goals;

5. assuring timely negotiation of future counterpart agreements in order to permit GOJ planners adequate time to involve USAID in the budgeting process;

6. negotiation with the MOF of a more effective and precise system for monitoring local currency use; e.g. a modification of the current warrant system to include program budgeting, which would enable both USAID and line ministry officers to trace more easily and accurately the transfer of funds, earmarked in the counterpart agreements for specific purposes, from the special accounts through the Consolidated Fund, to the designated activity;

7. obtaining GOJ agreement to increased current account use of counterpart; e.g., for funding of expanded redundancy payments and food stamp coverage; and

8. review of private sector credit requirements with a view to providing local currency for special credit lines within the framework of agreed global credit limits.

FY 1986-87 ACTION PLAN

PART II

USAID
KINGSTON, JAMAICA
APRIL 21, 1985

56a

JAMAICA

FY 1986-87 ACTION PLAN

PART II

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III. SECTORAL APPLICATIONS OF THE STRATEGY

A. AGRICULTURE

The goal of the agricultural sector is to increase agricultural production, rural income and employment through the promotion of diversified cropping systems that will contribute to FX earnings and savings. The Missions' attention for the next two years will be focused on short term production, with emphasis on production for export.

Constraints

Inadequate Market Incentives: Inadequate competition due to isolation of small, dispersed production sites, lack of market information, near absence of effective producer organizations and group bargaining power, and a lack of marketing alternatives contribute to relatively high marketing costs and reduce the percentage of retail prices that return to the farmer. The absence of grading standards, for other than traditional exports, has failed to provide producers adequate incentives to produce quality products, and the disorganized storage and marketing structure has contributed to post harvest losses estimated at 35 to 40 percent. Government participation in the import, export and domestic markets has been excessive, erratic, inefficient, and disruptive to normal flows of products and incentives. The over-valuation of the Jamaican dollar has also been a negative factor to increasing exports, a situation that has improved during the last year.

Productive Technologies: Up-to-date productive technologies are not widely used, and this is reflected in low production and productivity. The national research capacity appears inadequate. Research appears to be grossly underfunded, poorly administered and coordinated, weakly linked to extension, and, principally, limited to experiment stations to the neglect of on-farm testing and a farming systems approach.

A somewhat similar condition appears to prevail relative to agricultural extension; there is approximately one agent per 400 - 450 farmers, and only about 10 percent of the agents have received training beyond the level of secondary school. The service appears poorly prepared to offer substantive counsel to growers engaged in the variety of agricultural enterprises found in Jamaica.

Limited Availability of Productive Inputs: Most improved technologies require the addition of inputs. Those which must be imported have been in short supply at critical times due to inefficiencies in the delivery system, including the administration of import licenses and quotas and foreign exchange rates and controls. Others, such as seeds and plants, are frequently produced by the government at subsidized prices, but often in insufficient quantities to meet the subsidized demand. Some inputs, such as irrigation facilities, are critically needed for long term success, but require long term planning, commitment and financing. These are elements difficult to address under current financial constraints.

Production credit has been poorly managed, offered at subsidized rates of interest, and defaults in repayment have been widely tolerated.

Limited Professional Agricultural Personnel: Qualified, dedicated professionals are required across the board if research, extension, policy planning, quality control, and the myriad other legitimate government tasks are to be undertaken in an efficient and timely manner.

Inequitable Access to Resources: The distribution of farm land in Jamaica is highly skewed. The problem is further exacebated by the difficulty in obtaining clear titles, which appears to have effectively constrained the flow of credit.

Destructive Use of National Resources: The destructive use of natural resources is closely tied to land tenure, rural population pressure in selected watershed areas, and the lack of alternatives under the current situation. Unfortunately, a high percent of the domestic food crops (annuals) are grown on hillsides; many of which are unsuitable for annual cropping. This contributes to serious soil erosion, flooding and siltation. The problem is more encompassing than just the danger to the economic well-being of the small hillside farmers. It impacts on plans for water storage structures required to service the needs of irrigation and provide potable water supplies for urban areas. Diminished and more seasonally erratic stream flows adversely impact the recharging of ground water supplies, and limit developments aimed at aquaculture and increased crop production in the more fertile lowlands. Salt water intrusion is taking place in limited areas, and promises to become an increasing constraint to agricultural production, if the current situation continues.

How AID's Resources Will be Used

Ongoing Projects:

AID's Ag. Marketing Project (532-0060) is addressing the problem of market inadequacies. Through backward linkages, it will also encourage agricultural production and processing. The Agro-Industrial Development Project (532-0081): Component I, is to provide productive technologies and inputs to intermediate agrobusiness firms. The Agricultural Education Project (532-0082) will provide assistance to increase the number and quality of professional agricultural personnel in the nation. The Agricultural Planning Project (532-0061) is increasing the capability of the Ministry of Agriculture to collect and analyze relevant data for planning purposes. The Mission is having land tenure/credit specialists review the situation in the area of access to resources. This is being done under the Strategic Planning Program of the Agro-Industrial Development Project: Component II and the FY-85 Hillside Assessment Grant. The Strategic Planning element also includes having some thirteen subsector profiles prepared within Agriculture. The proposed Project on Hillside Development will address the problem of the deterioration of Jamaica's natural upland resources and the Country Environmental Profile will provide an overall environmental assessment and identify potential interventions.

The activites/projects outlined above are some of the major efforts through which USAID seeks to reduce the constraints. In addition, continued policy dialogues with the Ministry of Agriculture, Agro 21 and Agricultural Credit Bank etc, are being used as a vehicle to reduce these constraints. In as much as many of these constraints are within the realm of the national policy makers, USAID policy dialogue serves as the appropriate mechanism for reducing or eliminating these constraints.

New Activities (FY 86-87)

Crop Diversification/Irrigation (532-0123)
LOP: $15,000,000. Initial FY Oblig. 85
Major Development Problem Addressed:

As a vehicle for economic expansion, agriculture for a number of years has been stagnant, characterized by a negative balance of trade in agricultural products. This was the result of neglect to such critical needs as the use of updated technology, new export crops and markets, agro-industrial linkages, commercialization and the socio-demographic integration required to achieve comprehensive development. Consequently, the sector has remained traditional in outlook and scope, dominated by subsistence food farming, inefficient practices and techniques, over-reliance on subsidies and plantation sugar production. However, despite the neglect it has accounted for about 70% of employment in the productive sectors and about 35% of employment in the economy as a whole.

With sharp declines in earnings from bauxite and alumina, the principal FX earner, the Government of Jamaica has turned to the agricultural sector as an essential source of employment, FX earnings and savings and the key element in achieving increased food self reliance.

In the context of revitalizing the agricultural sector the Government of Jamaica, with AID assistance, established a program called Agro 21 to take the lead in achieving more intensive land utilization, crop diversification, adoption of improved technology and to attract new investment capital and know-how into agricultural production and marketing. Significant progress has been achieved over the past year but with the continued decline in earnings from bauxite and alumina, the pace of agricultural development must be sharply accelerated. Unfortunately, the amount of good agricultural land is very limited and the best lands are predominantely devoted to sugar cane and bananas.

As a result of a recent study, the World Bank recommended that Jamaica's sugar industry should be reduced to a level which will be adequate only to satisfy the EEC quota and local consumption, discounting any further U.S. quota. This leaves a production requirement of approximately 225,000 tons of sugar which can be satisfied by private estates and the production from two large publicly owned estates, Monymusk and Frome. The World Bank will support rehabilitation of these two large government owned mills, but will not fund rehabilitation of four other publicly owned mills which they judge to be uneconomical units.

With global sugar prices depressed, high costs of production and accumulated losses of J$259 million (US$ 47 million) by the National Sugar Company, the GOJ has taken the significant decision to lease to private sector the 20,000 acres of the four less viable estates for diversified crop production. It is with this background that the Crop Diversification/Irrigation activity is proposed.

Relationship of Project to Overall AID Policy Objectives:

The proposed project responds to AID's policy objective of providing assistance to enable developing countries to become more self-reliant in food to enhance food security as well as contributing to broadly based economic growth. The project also supports AID's policy objective of encouraging increased participation of the private sector, both U.S. and Jamaican, in bringing together capital and management as well as the transfer of technical, managerial and marketing expertise to bear on productive, developmentally oriented enterprises.

Consistency of Project with Approved Mission Strategy:

The proposed project is consistent with several elements of the Mission's strategy. These include: (a) strengthening of the private sector and increased reliance on market forces; (b) increased food self reliance, and (c) technology transfer.

Major Project Components, Activities and Implementing Organizations:

Background:

The proposed diversification by the GOJ of lands encompassed in the four publicly owned sugar estates represents a total acreage of 20,100 acres of which 14,700 are currently in sugar cane. Given that the acreage is so large, the proposed activity will be phased in over a period of three or more years which will also permit recovery of some sunk costs in current cane plantings. However, by diversification the 20,100 "land" acres represents a potential of about 34,900 "crop" acres since many of the diversified acres will produce 2 or more crops per year, assuming the irrigation systems and water supplies are adequate to support year round production.

Preliminary analyses by Agro 21 indicate the lands would be best used for the production of rice, winter vegetables, soybeans, corn and sorghum, aquaculture, papaya, mango and ornamental horticulture. Winter vegetables (10,500 acres) and ornamental horticulture (400 acres) would be destined for FX earnings. The other enterprises represent major contributions to achieving food reliance targets and foreign exchange savings.

In terms of FX earned or saved, the diversified program will, when fully underway, return a net FX earnings (income minus cost) of about US$57 million per year as compared to approximately US$22 million per year if the land remains in sugar and production of cane increases to an average of 40 tons/acre. It now averages less than 30 tons/acre so the estimated benefits from diversification are conservative.

If left in sugar, the total employment would be about 3,250 persons full time equivalent as compared to 4,400 full time equivalent and 42,000 seasonal (4 - 6 months) if diversified. Overall industry earnings of employees per annum would be US$2.9 million in sugar or US$22.9 million if diversified.

As previously mentioned, the magnitude of the diversification requires phasing over at least three years. The following tentative schedule has been recommended:

	Year 1	Year 2	Year 3	Total
Rice*	1,000	4,000	3,000	8,000
Vegetables*	1,500	5,000	4,000	10,500
Soybeans*	4,700	2,300	3,300	10,300
Corn/Sorghum*	3,600	3,600	2,000	9,200
Mango/Papaya	200	200	100	500
Fish	500	500	750	1,750
Ornamental/ Horticulture	100	100	200	400

* Lands that will be cropped more than once per 12 month period, e.g. winter vegetables, followed by soybeans, corn or sorghum or rice followed by soybeans.

Lands will be made available to joint ventures or individual investors under long term lease of 25 years subject to a 24 year extension, dependent upon the production and investment plans submitted. Associated with the larger intensive operations, generally of 500 or more acres, will be continguous or nearby blocks or land divided into small parcels of about 2.5 acres for lease to small farmers, many of whom may be redundant sugar workers. This would only involve labor intensive crops such as winter vegetables, and ornamental horticulture. It is intended to work out an arrangement whereby the larger units that would be engaged in processing and marketing as well as production would provide a contractual marketing arrangement, involving credit for essential production inputs and extension guidance for the small operators.

Current plans provide for creation of a Development Service Company as a subsidary of the National Investment Bank of Jamaica (NIBJ) to implement the program in conjunction with Agro 21. Their responsibilities will be to develop the infrastructure, lease the properties and monitor the program.

Based upon past experience, NIBJ, which formerly was the Jamaica National Investment Corporation, has frequently taken an equity position in the joint ventures. Some investors prefer such an arrangement since it has reduced the depth of red tape and expedited imports of essential equipment. Nevertheless, USAID has some reservations as to this position unless the equity is small and will seek to ensure that investors will not be compelled to share equity with NIBJ should that be their preference.

The ability to successfully carry out such a bold program within 3 to 5 years will be dependent upon ensuring that irrigation water is available at the borders of each property, investors with production and marketing experience can be induced to participate, sufficient credit can be mobilized at acceptable levels to be attractive and constraints to importation of essential production inputs avoided.

Precise cost estimates are not available at this time but are under development. Preliminary costs for the total program appear to be approximately US$62 million of which US$49.3 million would be provided by the private sector and US$12.7 would be provided for the common infrastructure facilities to support the program.

The essential investment funds will come from a variety of sources, including international donor agencies, local banks and investors.

As to AID's participation, it is proposed to utilize deobligated funds from the existing project pipeline to make available US$5 million in loan and US$200,000 in grant as the initial support in FY 1985. This would be followed by an additional contribution of US$9.8 million grant spread over FY 1986 and FY 1987. Since the proposed level of funding is very limited relative to total requirements, these funds must be used to address key constraints such as ensuring that irrigation water and other infrastructure are available. The program cannot succeed without irrigation and being aware of the need, J$7.6 million (US$1.38 million) of the 1985 PL 480 counterpart generations were negotiated for use within the GOJ budgetary year 1985 - 1986 to address rehabilitation of the Rio Cobre and St. Dorothy irrigation systems. Current cost estimates for rehabilitation of wells, desilting the existing canals and repair of dikes, weirs and sluicegates is estimated to be J$15.6 million (US$2.8 million) in year one and J$53.4 million (US$9.7 million) over years 2 and 3. Thus, the total cost for the two systems will be J$69 million or approximately US$12.6 million equivalent. However, it is anticipated that over the next two years that J$30 million (US$5.5 million) can be made available from PL 480 counterpart generations to cover most local costs. Approximately US$6.0 million of these costs will be funded from loans and/or grants, with emphasis on foreign exchange items.

Investors are expected to be responsible for crop water distribution on the properties operated which may require a significant investment in pumps, filters, sprinklers, drip lines and/or land leveling.

In addition to irrigation infrastructure, it is planned that the existing mill yards and support facilities will be renovated for assembly stations, packing units, machinery custom operators, etc. Also, additional grading and packing lines will be needed. These costs are estimated at J$25.8 million (US$4.7 million), some of which may be financed from the on-going Agricultural Marketing Project, for lease to private sector operations.

In order to convert redundant cane workers to small labor intensive farmers capable of producing high value crops under a tight time table, funds will be made available for hands-on training of extension personnel and the participating small farmers by technical personnel working in cooperation with the private sector firms that engage small farmers in contractual production.

Also, a mechanism will be developed whereby the larger operations that develop contractual arrangements with the small farmers can provide them with production inputs on credit with repayment by check off of produce marketed through the larger units.

It is important to recognize that these programs in general, and particularly those parts involving winter vegetables and ornamentals, are labor intensive, high investment operations that require close supervision, accurate timing of harvest, packing, and shipping and marketing "know how" that is not currently abundant in Jamaica. A knowledge of, and experience with, foreign markets is essential and experienced external investors appear necessary to the initial success of the program.

Fortunately, there are three joint ventures currently underway that demonstrate winter vegetables can be produced and marketed abroad. They have also had a favorable impact on the quantity and quality of locally consumed vegetables. They have been responsible for a significant portion of the 43 percent increase in exports of non-traditional agricultural products realized in 1984.

The potential is exciting if the investment climate and credit can be established that will attract investors, both local and foreign. They will be the key to the success of the program.

Preliminary Financial Plan:

	US$ 000
Rehabilitation of Irrigation	6,000
Rehabilitation of Other Infrastructure	2,000
Support Commodities/Supplies	3,000
Technical Assistance (L. T. and S. T.)	800
Credit for Small Farmer Cooperators	2,000
Training	700
Travel/Transportation	200
Evaluation	40
Audit	20
Contingency	240
TOTAL	$15,000

Given the priority of the proposed project and the limited time to prepare both PID and PP to avail of reobligated funds, Mission requests authority to approve PID in the field.

Hillside Agriculture Development Program (532-0100)
LOP: $10,000,000. Initial FY Oblig. 86.

Approximately 85% of the land in Jamaica is classified as hill lands, the majority of which represent shallow, highly erodable soils with slopes of 10 degree or greater. Only 15% is flat or gently rolling (i.e. Class I and II). Current deforestation rates coupled with annual cropping patterns are resulting in excessive soil erosion, increased sedimentation loads to rivers and coastal systems, floods in the plains, and decreased availability of both surface and underground water resources. Baseline erosion is estimated to be 15 tons per acre year (tpa) but current upland farming practices and deforestation have increased the average soil losses to 50tpa or .33 inches per year. If this imbalance, created by lack of adequate resource management, continues unchecked the hillsides of Jamaica (44.9% forested as of 1974) will be denuded of top soil in a few decades. Sound management of the hillside resources is critical to Jamaica's economic survival and development.

Despite recognition of the problem and substantial previous investments in physical conservation measures, progress in developing an affordable strategy for the hillsides has been minimal. In recognition of this serious problem, the Mission is currently supporting the Hillsides Assessment activity, a series of studies to develop information in support of initiating the Hillside activity in FY 1986. These studies should be concluded during the first quarter of FY 1986 and permit development of a PID by end of January 1986 and a PP by June of 1986.

These studies, which include assessments of past and current soil conservation activities, are aimed at determining which agricultural production systems based predominately on deep rooted perennial crops are economically viable and most likely to be generally acceptable and adopted on a sustained basis by small farmers in the Rio Cobre, Rio Minho and adjacent watersheds. These watersheds have been selected since they are the sources of water which directly impact development of the more fertile lowlands as well as potable water supplies for urban areas. Success of the major new effort in Crop Diversification/Irrigation in the St. Catherine Plains is closely linked to the water supplied by the Rio Cobre watershed. Also, the development of a Country Environmental Profile, which was recently initiated, will supplement this activity by providing the GOJ with an analytical framework for evaluating existing resource use and planning future allocations.

The proposed project responds to AID's polcies and strategies for Food and Agriculture, Forestry and the Environment.

Food and Agriculture:

The proposed program supports expanding the role of Jamaica's private sector and the complementary role of the U.S. private sector assisting that expansion. The aim is to assist Jamaica to become more self-reliant in food, assure food security and achieve economic growth.

Forestry:

The proposed program will (a) help meet the short term requirements of rural and urban populations for forest products like fuel, food, and fodder, as well as for income and employment; (b) strive concurrently to improve the agricultural base through advancement of agroforestry, and programs of soil conservation and management; and (c) improve and enhance the natural resource base over the long run through widespread adoption of effective multiple use management and conservation practices.

Environment:

The proposed program also supports AID's policy objectives of (a) ensuring the environmental soundness and long term sustainability of our activites, and (b) assisting LDCs through programs to build the institutional and scientific capacity to identify and solve their environmentl and natural resource problems.

This Program is consistent with two of the Mission's four approved strategy emphases, i.e. Private Sector and Technology Transfer and Research. USAID's objective is to promote and support the conversion of Jamaica's farming sector into an efficient, integrated system of competitive private markets. This reflects the belief that the private sector can and should play the predominant role in achieving fuller and more efficient utilization of Jamaica's productive resources. Thus, the development of a viable and strong private agricultural sector is a means, rather than an end in itself.

The proposed program is consistent with (1) increasing production and productivity, (2) involvement of the private sector (small farmers comprising the largest portion of the private sector), and (3) the transfer of technology.

The proposed project will help the rural poor in the hillsides to achieve a rational and sustainable productivity of the resource base upon which they depend for their livelihood. The project purpose is to increase agricultural production, rural income and employment in selected watersheds through (a) the promotion of perennial cropping systems linked to agro-processing and marketing (i.e. cacao, coffee, fuelwood, etc.) and (b) generation of new and adapted technologies responsive to the needs of small producers and compatible with the objective of a sustained, productive resource use.

The Program would consist of several mutually supportive components, each of which could stand alone as an individual and discrete activity. The use of grant funds is envisioned since it advocates the use of US and/or Jamaican private sector PVO institutions. Activities to be carried out under the Program will be based on the specific constraints and potentials of the selected areas, and will include the following components:

Cocoa and Coffee Production, Processing and Marketing:

This activity is aimed at increasing production and employment through new plantings, rehabilitation and technification of existing acreage, and improved processing and marketing. Implementation will be the responsibility of one or more PVOs working in cooperation with the Cacao Industry Board (CIB) and the Coffee Industry Board with additional external technical assistance provided by the Hershey Food Corporation and Coffee specialists from Central America.

A key objective is to strengthen a grower supported extension service which will be supported by a "check-off" fee based on the quantity of production marketed. It will strengthen the cooperative based producer organizations to give them a greater voice in the business management of their affairs, including the processing and marketing of their products.

The technical assistance will provide training to the commodity based cadre of extension workers in production, pest control, harvesting and processing. New varieties as well as modern nursery production and improved techniques will be introduced as a package. New varieties will be obtained from Hershey's research farm in Belize and from the Center for Tropical Agricultural Research and Training Center (CATIE) in Costa Rica.

Relative to credit, there currently exists resources in the Agricultural Credit Bank which should be available. However, the private sector Jamaica Agricultural Development Foundation will also be involved.

Agro-Forestry Development:

This activity is closely related to the Cacao and Coffee programs and will likely involve some of the same small farmers.

Under this activity, PVO one or more in cooperation with Jamaica development groups and sponsors, would provide technical assistance and training to (1) demonstrate and promote the income potential of agro-forestry development through the planting of other deep rooted perennial trees such as mango, allspice and fast growing woody species a crop; (2) promote farmer recognition of multipurpose species to improve planting conditions for their annual food crops, and (3) expand production of trees with soil and moisture retention properties which can serve as living fences

providing food, green fertilizer, and fodder, and have potential for innovative tree product uses. The activity would emphasize the integrated farming systems research and extension approach in agro-forestry and on farm tree crop management. The interplanting of perennial types of trees with annual food crops linked to an already established market will be sought, thus significantly increasing farmers' income and making agro-forestry activities economically and enviromentally attractive.

This effort would expand the activites of non-governmental organizations (NGOs) already engaged in natural resource and agricultural assistance to low income farmers and strengthen their capacity to carry out such activites by providing them with (1) technical assistance in analysis of land use, particularly eroding hillsides impacting on downstream conditions, agro-forestry and intercropping practices, tree species selection, tree planting methods, and low cost regional tree-nurseries; (2) training assistance in farming systems research and extension; and (3) material support necessary for a sound demonstration models including appropriate tree seeds, nursery equipment, and computer capacity for research and reporting as part of a continuing evaluation process.

This effort is expected to be implemented by three or more Jamaican NGOs, collaborating in project specific activites with US-based PVOs. The PVOs would provide intermittent technical advisory services to help the NGOs develop small, well trained local extension cadres, a workable credit system and enhanced commitment agro-forestry development as a means of assisting their rural clienteles. Experienced PVOs agro-forestry staff would cooperate with the Jamaican Department of Forestry and Soil Conservation and the farmers themselves to research and report on production costs and performance under variable technical and socio-economic conditions. With the help of marketing analysis in which the local private sector groups can play a critical part, the activity will explore and help improve the local market for non traditional tree crops.

This program component would bring together the resources of local and external private sector organizations in a combined agricultural and industrial development effort for which public programs to date have been unsuccessful.

At this stage it is not possible to determine the precise credit needs of the Project. It is expected that as the activities become more in focus, case studies will be undertaken to determine the needs for short and intermediate credit. However, credit demand is expected to arise for purchase of seedlings, basic farm implements, production inputs, etc. It is also expected that funds for credit will be channeled through already existing sources such as the Agricultural Credit Bank, People's Cooperative Banks, Jamaica Agricultural Development Foundation, etc.

Preliminary Financial Plan

	US$ 000
Technical Assistance and Field Personnel	1,500
Training/Research (includes pilot studies)	2,000
Travel/Transportation	700
Commodities/Supplies	800
Credit for Small Producers	3,000
Project Management	1,000
Evaluation	200
Audits	150
Contingency	650
Total	10,000

The Mission requests authority to approve PID and PP in the field.

B. INDUSTRY, COMMERCE AND FINANCE

Together, these sectors contribute over half of GDP and account for about 40 percent of total employment. They represent therefore the "sector" that will indisputably play the major role in the Jamaican economy no matter what direction it takes. This makes the sector at once an area of outstanding opportunity and a zone of extremely high risk. In tandem with Agriculture, developments over the next 3 years in its structure and performance will be critical for Jamaican economic recovery.

Befitting its relative magnitude, this sector enjoys the largest, most complicated, and most intransigent problems of any in the economy. There is no single economic policy set that each of its constituent elements is likely to embrace. For example, manufacturing is undertaken by many firms with the objective of taking advantage of policy elements that restrict entry of competing goods into Jamaica. Others seek to penetrate large hard currency markets in North America and Europe. The former want cheap foreign exchange to buy imported inputs and the latter want cheap local currency to pay their work forces. Others are not sure which they prefer because their local market-foreign market production shares are tentative, pending the settling down of public policy on one side of the fence or the other.

In commerce, there are firms that have been able to capture the premium on goods subject to quantitative import restrictions, and others that prefer an unfettered free market import regime. Some marketing companies have well developed distribution mechanisms within CARICOM only and others offer third country marketing strategies and networks. Financial institutions and intermediaries have similarly disparate objectives depending on the markets that are their targets, the strategies they have adopted to adjust to the policy environment, the specialized resources they can command, and their perceptions of the future.

Aside from disjoint policy preferences, revitalization of industry, commerce and finance is impeded by conditions that have evolved over a period of over ten years. Many manufacturing firms produce product lines, employ technologies, and use financing and marketing techniques that are inappropriate to the contemporary economic reality. Shielded from external competition for so many years, they were relieved of the competitive pressure to contain costs. Machinery and equipment was retained beyond its efficient life, and was not upgraded as technological advances proceeded. Quality control techniques, for which industrial engineering and statistical expertise is essential, were of no more than secondary importance. Product diversification, packaging, promotion, inventory management, scheduling, and strategic planning, all essential to effective participation in the competitive international economy, continue to reflect the inward focused and protected environment in which management style evolved in many Jamaican firms.

Finally, the sustained economic decline and the inhospitable environment for private production and investment which characterized the 1970's resulted in the flight of human and financial capital, and curtailment of industrial activity. Consequently the quality of productive entities that remained was at a lower average level, and the quantity of private sector activity dropped. By 1980, value added in manufacturing had fallen to 69 percent of its 1973 peak. By 1983 it had recovered some of the loss but was still only 75 percent of the peak.

Commerce and finance are, primarily, facilitating activities in support of physical production and consumption of goods. Their structure therefore reflects to a significant degree the structure of production and consumption. When their functions and activities are performed consistently with current conditions, however, they can constitute a drag on efforts to initiate fundamental changes in the condition and structure of the economy generally. This disjunction has been present in the Jamaican economy over the past four years. A significant part of the policy reform required to induce adjustment of commercial and financial institutions has been undertaken by the Seaga Government, but the policy reform is not yet complete.

Moreover, many of the elements of change in their orientation that are required to support a recovery of production and employment will have to be motivated by more direct interventions in the market system. For example, a robust development thrust requires the design and implementation of projects to exploit what, for Jamaica, will be new markets, new products, and new marketing approaches. And, they will require large investments which in turn need financing. But projects which have a chance of yielding very high rates of return, if successful, also have a chance of realizing very large losses.

The national economic portfolio must have a large number of such high yield projects if a rapid expansion of production and employment is to occur. And, it is virtually certain that some of the high yield/high risk projects will fail. It is not the kind of portfolio that the traditional financial institutions in Jamaica are eager to finance under normal economic conditions. In an environment of high uncertainty that spans the economic and the political realms, this kind of portfolio is still less attractive.

Since a significant share of the payoff from this kind of broadly based risk taking accrues to the nation as a whole, it is reasonable for the public sector to absorb a portion of the risk, by borrowing, as from AID, to support it. Moreover, as private entrepreneurs are relatively risk averse, they are unlikely to take the full equity position in such a portfolio.

Production for new and untried markets requires a network of supporting services from the factory to the retail shelves, as well as financing. Therefore, expertise in these areas, which we have labeled commerce, is essential. However, since these have been of minor importance in Jamaica's recent economic history, such expertise is extremely scarce, and where it exists is substantially specialized to the few particular firms in which it resides. This problem, therefore, holds as high a place on the roster of obstructions to development as underproduction.

A restructuring of the economy of the magnitude undertaken by the Seaga Government must induce the key players in the economy to tread on territory that is unfamiliar to them. Adding to the difficulty of achieving this is the fact that key players under the program are to be private sector players. Accordingly, the inducements that attract them must be transmitted through market signals - prices, rates of return, costs - and the relationships among them. Market information that is relevant to the economic recovery program includes information on both the domestic economy and foreign economies. This is a task that requires systematic and routine assembly of data, discrimination between more and less relevant data, and analysis and interpretation of the implications of the data. Equally important to the integration of Jamaica more fully into the international economy, is the collection of and dissemination to the outside world of Jamaican information. All of this is costly, and for individual firms to undertake such efforts, the cost would have to be incorporated into their prices. This would hinder the effort to sell Jamaican production in foreign markets.

In a market economy, private sector institutions such as trade associations and chambers of commerce, as well as public sector agencies play an important role in performing this function. The private institutions both inform and are informed by the public institutions and vice versa. By providing a continuous and high quality flow of information, they enable private markets to respond quickly and efficiently to changes in the relevant general economic environment.

The Jamaican effort to develop a dynamic private market environment can be significantly advanced by the development of private sector institutions to play this important role. It will not only foster a smoother, more efficiently functioning market environment within existing policy, but will provide the basis for a constructive dialogue within the private sector and with government with respect to policy modifications consistent with the separate and joint objectives of both.

Any nation's public sector institutional structure reflects its economic ideological orientation. However, if that orientation changes significantly over short periods of time the adjustment of the institutional structure is sure to lag the political change. This is the context required to make sense of Jamaica's present structure.

Under the previous Government's ideology, it was considered important that the public sector occupy "the commanding heights of the economy". A proliferation of government economic entities was charged with capturing the heights in every sector. The World Bank reported in its January 1982 "Jamaica: Development Issues and Economic Prospects":

> "As of March 1980, the Jamaican public sector was made up of some 1,200 entities".

Of these, 200 were enterprises involved in the production of goods and services. Government entities have played a lead role in industrial development (JIDC), investment (JNIC), investment promotion (JNIP), exports (JNEC, JETCO), imports (JCTC), banking (NCB), agricultural marketing (AMC), agricultural commodity production and export (Coffee Board, Coconut Board, Pimento Board, Banana Board, Citrus Board), hotels (JNHP), shipping, and airlines (Air Jamaica), to name just a few. In addition, there are regulatory agencies to control virtually every variable of importance to private entrepreneurs - prices, import authorization, interest rates, mark-ups, export authorizations, and foreign exchange price and availability.

As reported in Part I of this paper, the Seaga Government has made extraordinary progress toward removing the most onerous regulatory restraints. Most of the institutions, however, remain in place. In the aggregate, they constitute a financial burden the Government clearly cannot afford. Furthermore, even with significantly reduced regulatory power, many of them serve as a restraint on production. Some of these have comparatively able management and staff employees and hence deprive the private productive sector of extremely scarce capabilities. With assistance from various donors, particularly the World Bank, the Seaga Government is proceeding with an evaluation of the public sector to identify the institutions and functions that are compatible with a private market economy and to consolidate and/or eliminate institutions to bring the overall structure into conformity with this Government's economic program.

Consistently with this effort, USAID is shaping its activites in support of industry, commerce, and finance in a manner that will encourage public-private sector cooperation where it is appropriate, and will channel resources more exclusively to the private sector where public sector participation is agreed to be unnecessary.

USAID Strategy

The objective AID should support is a dynamic and sustainable increase in industrial production and employment. The policy environment is key to the process along with well designed programs that provide the private sector with the necessary financing and technical support in marketing and in the production process. While

the Mission's policy dialogue is focused sharply on issues germane to the private productive sectors, the power of decision on policy matters rests with the Government. Moreover, public sector institutions have an important, if small, role to play and GOJ resources are the principal sources of funding for their operations. Other donors, particularly the World Bank and the IDB, are important actors in the effort to revitalize industry, commerce and finance.

The World Bank is focusing on the issue of the public sector institutional structure. All major donors have a keen interest in GOJ efforts to rationalize the structure and each occasionally focuses sharply on institutional issues of particular importance to its own projects and programs. Among them, however, the World Bank has, by mutual agreement, taken the lead in working with the Government on this issue.

USAID is pursuing and further developing a program of initiatives based on problems with respect to which our agency is especially equipped to provide assistance. Specialized U.S. expertise is proposed to assist in the difficult process of adjustment of manufacturing toward production and marketing for export markets, and toward related areas with promise for generating or conserving foreign exchange earnings. Our approach recognizes the important links between management[1/], production, promotion, and sales. Accordingly, we have activities, both in progress and in the planning stage, for each of the links.

The Mission's own management of these initiatives is in the process of shifting from the rudimentary first stage to a more concentrated second stage. In the first stage, a significant proportion of the Mission's resources were directed toward identifying targets of opportunity, and responding to essentially ad hoc requests for assistance. Given the large number of manufacturing firms (estimates go as high as eight thousand), this approach was important, and served as an information gathering effort as well as having surfaced a number of small projects that were highly successful though probably not "bankable," a priori, because their experimental character rendered them and their principals "too risky."

1/ A major project dealing with management training and that will involve other LAC/CAR Missions and countries is in the conceptual stage and is discussed in the Education section of this paper.

At this time it is appropriate for us to build upon the generalizations that can be drawn from the experience and information gained in the first stage. We will move now to develop activities that serve broad segments of the private productive sector, with management of the individual, firm level activities increasingly relegated to institutions that, with USAID assistance in stage one, are developing a capacity to handle them.

During FY 86 we propose to initiate a major industrial export project that will encompass management development training, production process technical assistance (in quality control, production scheduling, inventory management, technology adaptation), export promotion, and export marketing.

In the financial sector, the Mission has supported the development of a privately owned development bank. This institution is about to open for business and promises to be a significant and innovative contributor to Jamaican economic development. It represents a long stride toward relieving the developmental constriction implicit in traditional, risk averse Jamaican lending policies. Equally important is its demonstration of the capability of the private sector to succeed, where a succession of government development banking entities have failed. And, its contribution to national development will be made while it operates in a profit seeking mode.

We are also examining the possibility of designing a major project in financial market development, which will focus on other elements of financial markets that are under-developed in Jamaica. These include export financing, futures markets, sophisticated stock market segments for trading in options and various other hedging instruments, and a forward foreign exchange market.

In Tourism, we have under consideration a sector program designed to encourage more financial support to the sector in the short term. The integration of planning and promotional aspects, and some divestment of the GOJ's hotel holdings. It will encourage harmonization of the efforts of the private hotel and tour operators, who are most interested in site-specific promotion, with the supporting activities of the Ministry of Tourism and the Jamaica Tourist Board, who will concentrate on destination-specific (i.e. Jamaica) promotion.

And, finally, we are in the design stage of an institution which will promote technology transfer through venture capital investments. This draws on the experience of the last two years in developing individual projects in solar salt and brine shrimp, precipitated calcium carbonate, aluminium sulphate, parquet flooring, and a variety of other manufacturing and processing ventures which were advanced by the application of appropriate technology at the right moment.

PROPOSED PROJECT

EXPORT PROMOTION - MARKET DEVELOPMENT

FY 86 - 87
LOP US$10 million

Project Rationale

This project will provide a comprehensive package of support with the objective of generating a surge of non-traditional exports to fill the gap left by the contraction of the bauxite/alumina sector. It will be the foundation of a program to this end, the dimensions and structure of which have evolved after months of deliberation and discussion led by the Prime Minister's Task Force on Exports. Active participants in the process have included the Jamaica Exporters Association (JEA), the Private Sector Organization of Jamaica (PSOJ), and the various public sector agencies with close and direct involvement in the export/foreign exchange arena, as well as USAID.

The principal bottlenecks to non-traditional exports that were identified were problems, solutions to which require high level expertise that is concentrated in the United States. Thus institutionalizing the program through the vehicle of AID project-type assistance was a natural choice.

Over the past several years, USAID has provided export development support on an ad hoc basis. Through the Technical Consultation and Training Grant we have supported small promotional activities, in support of efforts of Jamaicans to capitalize on opportunities opened by the Caribbean Basin Initiative. We will continue this approach throughout FY 85 and into FY 86. More recently we have entertained a request from the JEA for assistance in developing a proposal for an export promotion project as a private sector complement to a World Bank export development project to be housed in the Bank of Jamaica. Thus the project proposed has represented a rational consolidation of past experience and a harmonization of the expertise and efforts of the Government, foreign assistance donors, and the private sector, toward the common goal of expanding foreign exchange earnings. The target suggested by the JEA is to increase manufactured and processed exports from the level of US$190 million achieved in 1984 to US$560 million in 1987. While the proposal has been submitted by the JEA, the Mission has not yet arrived at decisions concerning executing agencies and other institutional relationships.

Project Description

Each of the links in the chain of activities involved, from factory to customer, will be addressed by an element of the project, for which there will be a separate budget component. Production, promotion, and marketing are the broad categorical headings under which the various activities will be collected.

Separate efforts will be mounted, within the context of the umbrella project, for six specific product groups as follows:

1. Food, beverage and tobacco
2. Textiles and garments
3. Leather and footwear
4. Furniture and wood products
5. Chemical and related
6. Basic metal and miscellaneous.

In the first year the emphasis will be on the four areas that have been tentatively identified as having the most immediate promise and for which there already exists a significant base of experience - textiles and garments, furniture and, from the miscellaneous category, electronics and data entry. By the second and third years, preparatory work will have been completed on the production side for institutionalizing in the project, programs for chemicals and minerals, leather and footwear, and handicrafts and a variety of other miscellaneous products.

The organizational structure of the project has not yet been determined but a broad outline has been tentatively agreed upon, and reflects the views of the most directly affected entities, JEA members on the private side and the Prime Minister's Task Force on Exports on the public interest side. Moreover, the product group categories are tentative. They were chosen because of their known potential. However, flexibility must be retained to allow for the possible emergence of high performing categories in response to market conditions that have not been anticipated.

Each product group will be overseen by a lean, performance oriented, quasi-autonomous organization. Performance targets will be established and compensation packages will include a variable, performance based component. At the head of each product group staff will be an individual selected on the basis of specialized expertise in the product(s) involved. He or she would identify firms with potentially marketable product and assist them in the adjustments necessary to realize their potential. The appropriate credentials and function of this person may vary from one product group to another. However, the model that in our view holds the greatest promise for quick export earnings, is one in which the Group Manager represents the business, orders product under contract, to specifications he provides, and markets the product himself. This lead person would identify issues relating to production, scheduling, quality control, promotion and other impediments to the sale of the product abroad. He would then specify technical assistance and other resource needs to clear the impediments. He and his supporting staff would have their own budget for these activities, and would identify the most appropriate and cost effective institutions and interventions to resolve the problems. This may involve local private or public sector institutions, foreign advisors or other resources. Contracting

modes will have to be developed which take into account the buying firm's additional costs of assuring the state, quality and volume of the product. Other models with the same essential ingredients may be appropriate, i.e., close relationships with the buyer expertise in product development and quality control, and an interactive process between those two elements.

Each product manager will work with individual producers to improve their products sufficiently for market acceptance, and to access appropriate markets. Each product sector will be given a budget which will be developed to meet specified export targets; these budgets will vary from sector to sector, depending on what facilities are already in place. Budget allocations, including for technical assistance, will be divided into production support (including plant lay-out, design, equipment selection, training and quality control) and marketing support (which includes market specifications and prices, quality and quantity requirements, orders and contracts for components, and financial counselling).

Production support will be programmed by the sector manager with the advice of the oversight committee and administered as appropriate to each industry. The production support budget is to be used to supplement existing programs, to break log jams, and to provide a rapid response to changes in production parameters dictated by new or changing markets.

The group would be motivated to find the most effective and economical solution, because its compensation would depend, in part, on the net earnings in its product line.

An umbrella oversight organization for the project would include one or more senior government officials, as well as representatives of participating associations. The Government member(s) would provide two way communication from the public sector to the private sector and vice versa. This member would be charged with assuring that the project remained in pursuit of the objectives for which the financial backing is provided. He would also play an expediting role through interventions with other public agencies to assure the continuous forward momentum of the project.

An executive director will be selected to serve as the chief operating executive of the oversight committee, and will be retained under a PSC. He will report directly to the chairman of the oversight committee. He will be responsible for nominating individuals to head and staff the product groups. The size and composition of the oversight committee will be determined in the project design process, by mutual agreement with the GOJ and the participating private associations.

US$000

ILLUSTRATIVE BUDGET (USAID)

	FY 86	FY 87	FY 88	LOP Total
Project Manager	150	150	100	
Sector Mgrs @ US$125 (4)	750 (6)	500 (4)	500	
Support @ US$100	100	100	100	
Contingency	200	100	100	
	1,200	850	800	2,850
Production Support				
Garments/Textiles	400			
Furniture/Wood	400			
Data Entry/Electronics	400	400		
Chemicals/Minerals	400	400		
Leather/Footwear		400		
Handicrafts/Misc.		400	500	
	1,600	1,600	1,000	4,200
Market Support				
Garments/Textiles	250	200		
Furniture/Wood	250	200		
Data Entry/Electronics	250	200		
Chemicals/Minerals	250	200		
Leather/Footwear		200	250	
Handicrafts/Misc.		200	250	
	1,000	1,200	750	3,750
ANNUAL TOTALS	3,800	3,650	2,550	10,000

PROPOSED PROGRAM

Production and Employment V
Tourism Sector Program - US$4.5 million - FY 85

Problem

Overall foreign exchange earnings are expected to turn down as a result of the contraction in the mining sector. The GOJ must revitalize traditional earners of foreign exchange while non-traditional exports are being developed.

Over the last three years, tourism has become the number one foreign exchange earner in the Jamaican economy. Tourist arrivals last year exceeded 800,000, and a target was established this year for 1,000,000 arrivals. Gross receipts were US$435 million in 1984 and direct employment is approximately 12,400 in the hotel industry with an additional 15,500 employed in related support services. The demonstrations of January 1985 set the program back at least temporarily, and arrivals (non-cruise ship) are down 18% from last year's levels as of March.

Rationale

The GOJ budget for tourism has been insufficient overall and specifically for promotion of Jamaica as a tourist stop. Overall expenditures on tourism promotion in Jamaica are less than 3 percent of tourism receipts. Moreover, cooperation between the private tourist industry and the GOJ in tourism promotion and more broadly will be necessary to permit Jamaica to realize its potential in tourism.

The GOJ, a few years ago, undertook an effort to lease government owned hotels to the private sector or placed them in the hands of private management. This policy and a general refurbishing of those hotels and others privately held have improved substantially Jamaica's hotel infrastructure. The Government should go further in divesting its hotel holdings to bring in fresh capital to maintain and develop its assets.

Purpose

This sector program will represent an amendment of the Production and Employment V program for which $65 million has already been obligated and disbursed in FY 85. The purpose of the program will be to induce an expansion of the GOJ budget for tourism in its 1985/86 fiscal year; to encourage cooperation between the public and private sectors in the development of tourism in Jamaica; and to encourage acceptable forms of divestment of GOJ holdings in the tourism industry.

Description of Activities

Within the framework of the Production and Employment program, a cash grant will be made with disbursements keyed to progress in the areas of the GOJ tourism budget, GOJ/private sector cooperation, and divestment. The foreign exchange provided will enable Jamaica to continue to import productive inputs for its economy as a whole. Jamaican currency equivalent to $4.5 million will be allocated by the Government of Jamaica to agreed tourism activities.

Beneficiaries

This assistance is aimed at alleviating Jamaica's persistent, severe foreign exchange shortage. The program will have a favorable impact on the macro-economy and through action on the policy measures indicated, on the important tourism sector, in particular. Accordingly, it will benefit the entire population of the island.

TCTG Goals and Benchmarks

The Technical Consultations and Training Grant (TC&TG) Project, initiated in June 1981, has been one of the most useful tools to allow the Mission to respond quickly, flexibly, and effectively to private sector activities requested by the GOJ and private sector organizations. For FY 1986 and FY 1987, the Project will continue to focus on assisting the GOJ and Jamaican private sector to alleviate constraints to economically productive activity, make more effective use of capital resources, and attract new investment. The Mission is preparing a strategy which serves to target our assistance under TC&TG to the three key areas of export development, investment promotion and employment generation.

The project focuses on six categories of activities which will be funded during FY 1985, 1986, and 1987 and beyond, which are:

(1) policy dialogue support, which will focus on policy issues at the macro-economic and sectoral level;

(2) technical assistance for structural adjustment, which will address structural problems such as trade and exchange rate restrictions;

(3) export development and tourism, which will include assistance for the Kingston Export Free Zone, Montego Bay Free Zone, JIDC, JNEC, JEA, JHTA, etc.

(4) investment promotion, which will include support for the JNIP and private sector groups;

(5) agricultural development, including support to the Jamaica Livestock Association and other agricultural activities; and

(6) industrial development, which will include support for the establishment of the Technology Institute, and continuing support for IESC, JIDC and others.

While the Mision has targeted six key categories to be funded under the Grant, the Project must retain flexibility to respond to new situations which may arise, to innovative ideas, and to pilot efforts which could lead to further project development. Much of what is funded under TC&TG in the future will be integrated closely into the overall objectives of the CBI.

IV. Evaluation Plan

The next evaluation of the TC&TG Project is scheduled for July 1985 and will focus on areas of assistance and how well we have addressed our objectives in the principal areas of export development, investment promotion, and employment generation. The major issue which this evaluation will address is whether or not USAID's support to Jamaica's private sector development is focussed on the proper priorities. The evaluation should identify the adjustments required to develop assistance more in line with economic conditions existing at that time.

As a result of the recommendations of the July 1983 evaluation of the Project, there was a concerted effort by the Mission to increase the spread of productive assistance to the Jamaican private sector. Therefore more activities were funded directly with the private sector. Prior to the evaluation, 78 projects had been funded in the public sector and only ten in the private sector. As of December, 1984, there were 40 public sector activities and 56 private sector activities.

Trafalgar Development Bank

The overall goal of the Trafalgar Development Bank (TDB) is to promote, develop and finance both new and expanding, privately owned, sustainable economic ventures in order to improve the economic and social well-being of the people of Jamaica while providing a market rate of return to its equity shareholders.

The Bank has institutional, investment and development objectives among which are the following:

(1) to develop and maintain a strong net worth borrowing base of sufficient size to access loan funding from USAID and other potential international investors;

(2) to develop alternative and complementary domestic and international funding sources;

(3) to establish a professional development finance staff that will bring effective management, creativity and dedication to the institution; and

(4) to develop and manage a system of financial control and monitoring to ensure that all applied resources effectively achieve the goals of the institution.

The Bank's investment objectives are:

(1) to provide medium and long-term credit in both local and foreign currency, and to underwrite, promote, syndicate and make equity or quasi-equity investments in private sector, productive activities of Jamaican enterprises;

(2) to develop a significant non-asset based source of fee income.

The Bank's developmental objectives are:

(1) to act as a catalyst in accelerating the economic growth of the Jamaican economy through initial and ongoing assistance to clients in loan packaging, project development, project management and application of long-term international and domestic resources towards these ends;

(2) to ensure that all investments are for activities that are not damaging to the Jamaican environment; and

(3) to collect, analyze and evaluate information regarding the economic impact of project investments while preserving the financial propriety of its clients.

B. Benchmarks

TDB is expected to become operational in April, 1985 and intends to concentrate initially on projects in agri-business and manufacturing, although other sectors are not excluded. Because of the large import requirements of new projects and the expected gradual build up of export sales, TDB is not likely to have a positive impact on the net foreign exchange earnings situation for several years. Foreign exchange savings, new employment and incremental investment are also expected to build up slowly, but in contrast to foreign exchange earnings, these factors are expected to be positive from the beginning of FY 1986. The table below summarizes TDB benchmarks over the next three fiscal years.

	FY 86	FY 87	FY 88
Employment Impact (no. of individuals)	162	347	387
Net Foreign Exchange Savings	US$1.0 M	US$4.1 M	US$9.6 M
Net Foreign Exchange Earnings	(US$6.4 M)	(US$3.3 M)	(US$2.8 M)
Incremental Investment Attributable to TDB	US$14.2 M	US$16.2 M	US$17.5 M

C. Evaluation Plan

An interim evaluation of TDB is scheduled for January 1987 (18 months after first disbursement or after disbursement of $10 million, whichever comes first). The evaluation will focus on the following points:

1. The impact of sub-loans on the borrowers' businesses in terms of increased income and entry into new markets;

2. The macro-economic effect of the TDB's operations on foreign exchange earnings, employment generation and incomes;

3. The effectiveness of the TDB's financial operations in relation to its clients requirements; and

4. Progress in recruiting and training Jamaican staff of the TDB.

C. EDUCATION AND HUMAN RESOURCES DEVELOPMENT

In face of the contracting Jamaican economy, a major challenge to the GOJ is to strengthen the management of its education and human resources training system. Jobs will not be created by more effective education and skills training programs alone. Rather, employment will increase only through a sustained recovery in the Jamaican economy. However, a sound basic educational system and related skills training program is essential to increased production, rural development, lower fertility rates, and increased health and nutritional status. An improved Jamaican basic education and skills training system will also assist in the transfer of new knowledge, technologies and skills, attitudes and behavior essential for assisting economic development and the restoration of quality social services.

Constraints

Today the poor quality of primary education is having adverse effects on secondary education, and vocational training activity, and the skills needed for the school leaver to find productive employment.

Before the present Primary Textbook project (a joint effort involving USAID, the GOJ, private sector and other foreign donors), the Ministry of Education (MOE) could supply only one Mathematics and one English textbook for approximately every three students in grade 1 through 3. The lack of adequate texts for the entire primary school program, grades 1 through 6, is a critical situation. Furthermore, many primary school buildings are old and in an advanced state of disrepair. The MOE's ability to provide, renovate and maintain school places had fallen with the decline of the economy during the period 1972-1980, and recovered only moderately since.

The absence of effective manpower analysis and planning is another critical constraint affecting the MOE. There is an archaic system of data collection and analysis. There is not enough coordination between government bodies directly involved in education and training. Exchange of information among education and training authorities, employers and the labor market is sporadic.

There is a wide variety of formal skills training programs throughout Jamaica, as well as a multiplicity of PVO organizations offering non-formal organizational and training skills. Over 200 Jamaican PVOs are addressing unskilled and semi-skilled labor needs for basic functional skills for employment.

Yet another constraint to the recovery of Jamaica's economy is the lack of skilled personnel in mid to upper level management positions. This constraint is pervasive in both leading private and public organizations, as well as the Jamaican cooperatives and credit unions, which are essential to rural and urban development programs.

Goals and Objectives

USAID's overall education and human resources development goal is two-fold:

-- to assist the GOJ to provide an improved basic education system, consisting of an adequate, universally available primary education, and the opportunity for relevant continuing education for youths and adults; and

-- to increase substantially the number of Jamaicans with appropriate occupational, technical, and managerial skills to contribute to the sustained recovery of the Jamaican economy.

Objectives of the USAID program in meeting these goals include of the following:

-- assisting the MOE in improving its management of the primary education system;

-- assisting the GOJ in relating its vocational education and skill training programs to the needs of the labor market;

-- developing non-formal education/training programs and rural social services genuinely related to local community development needs, participation and increased self-employment;

-- improving the management capabilities of Jamaican development institutions to bring about improved productivity, increased income and employment; and

-- strengthening key public and private institutions essential to economic recovery and the development process by the provision of U.S., regional and in-country long and short term training opportunities to qualified Jamaican personnel.

AID Interventions

In order to alleviate the constraints facing the education and human resources sector, AID resources will be used to support the following activities:

-- the continued provision over the next four years, of appropriate textbooks and teacher manuals for 350,000 students in grades 1 through 6;

-- the renovation and construction of additional classrooms for approximately 50 primary schools, to complement IDB assistance for construction of new classrooms;

-- the institutional strengthening of the MOE Planning and Development Division, including analysis to develop policy alternatives for greater efficiency in the primary education system;

-- assistance to the coordinated manpower data analysis effort of the MOE Planning and Development Division and its sister offices in the HEART Trust and the Planning Institute of Jamaica through both the proposed Primary Education Project and the on-going Basic Skills Training Project;

-- continued support to the Construction Resource and Development Centre to provide improved research methodologies and manpower data analysis for the specific labor needs of the construction industry;

-- expansion of MOE vocational educational schools and HEART skills training institutions as dictated by the demands of the labor market, through the Basic Skills Training Project;

-- institutional strengthening of the CVSS/United Way to program financial and human resources to 20-40 Jamaican PVO's working at the community level;

-- voluntary technical assistance exchanges between skilled expatriates and Jamaicans, and commodity assistance with selected PVO programs through the Partners Program, technical assistance from the University of Minnesota, the Brother's Brother Foundation and others;

-- special development assistance to selected local communities which have already manifested significant progress in addressing local development needs, and which need relatively small but rapidly disbursable financial resources to achieve their objectives;

-- continued institutional strengthening for three of Jamaica's mainline, and more effective, institutions of management training;

-- collaboration with the Regional Development Office/Caribbean in conducting a regional demands/needs assessment for graduate and undergraduate management education and practitioner level training;

-- the design and implementation of a 5-10 year management education and training project which will provide increased and sustained assistance to the most effective Jamaican configuration for the provision of modern management training methodologies; and

-- assistance to the National Union of Cooperative Societies (NUCS) and the Jamaican Cooperative Credit Union League (JCCUL)

to provide improved management, financial and operating systems and training to Jamaican cooperatives and credit unions.

Individual New Project Descriptions

Primary Education Assistance (532-0126)
Initial Obligation: FY 1985
LOP Cost: $10.0 million

The Primary Education Assistance Project (PEAP) for FY 1985-88 will assist the MOE to reverse the overall declining performance level of the primary education systems, which in turn has affected the quality and relevancy of secondary education and vocational skill training.

PEAP is consistent with A.I.D.'s policy objectives in that it will assist the MOE to provide relevant and universal primary education as an essential basis of literacy and numeracy skills on which other appropriate occupational, technical and managerial skills can be built. The MOE has enlisted the coordinated financial resources of the GOJ, donors, the private sector and local communities to address constraints in the primary school food/nutrition program, adequate textbooks, school facilities, and educational data research and planning.

PEAP is consistent with USAID/Jamaica's overall strategy in that it will assist the MOE to provide basic literacy and numeracy skills essential for later professional training for skilled personnel required for a productive and sustained economic recovery program. The project will also assist in the long term institutional reform of the MOE through a strengthened Planning and Research Division, the short term reversal of declining social services and the provision of immediate employment opportunities in school construction and renovation.

The project purpose is to provide rapid and effective assistance to the MOE to address three critical constraints in the present primary education system: namely; (a) the lack of adequate instructional materials in grades 1 through 6; (b) the lack of adequate physical space to match increasing demand for school enrollment, particularly in the urban and suburban areas; and (c) the need for improved efficiencies in data collection, analysis, and policy formulation within the MOE Planning and Development Division.

Primary Textbooks

This component will assist in the expansion of the primary textbook program and its institutionalization within the MOE. Each year the project will provide approximately 2,616,000 Mathematics and

English textbooks and teachers manuals to 350,000 students (an average of 7-10 textbooks per student) in grades 1 through 6 in public primary and All-Age Schools. The following is an illustrative budget.

Textbooks	
1984-85	US$250,.000 (TCTG) (completed)
1985-86	US$200,000 (TCTG)
1986-87	US$200,000 (PEAP)
1987-88	US$200,000 (PEAP)
Technical Assistance	
85-87 long-term TA advisor to Primary Textbook coordinator	US$180,000
short-term TA curriculum development, financial planning, evaluation, etc.	US$100,000

Such assistance would be conditional upon the MOE committing its annual textbook budget to the project for the four year period 1985/88 for a total of J$3,200,000; the continued and increased commitment of the Jamaican private sector; the continued commitment of CIDA/CODE, UNDP/UNESCO and other donors, the appointment of an MOE Coordinator; and the definition of an explicit project goal of institutionalizing within the MOE and private sector of Jamaica a self-sustaining annual primary textbook program.

School Facilities

The MOE, through its own financial resources and the IDB program, is currently upgrading new classrooms/schools at 42 sites, inclusive of 32 new construction programs. This effort addresses about 25% of the estimated construction need. The proposed A.I.D. School Facilities component will call for an agreement with the MOE to renovate approximately 50 existing primary schools, while encouraging the IDB to provide additional funds, as may be necessary, for new primary school construction in rapidly growing urban and suburban areas. In addition, the school maintenance system would be reinforced by funding appropriate in-country training programs and assuring funding for the maintenance program. Such capital assistance for construction would require evidence on the MOE's part of an effective bid tendering, construction and inspection system. USAID's contribution to this school construction/renovation program is expected to be US $2,102,000.

MOE Planning and Development Division

This initiative will be coordinated with the Research Sector Assessment. Activities to be conducted under this aspect of the program will initially consist of a three person team for four months to assist the MOE in the following:

- -- development of an improved and effective system within the MOE Planning Unit for the collection and analysis of accurate education and human resources/manpower data of the primary, secondary and tertiary education school system;
- -- assistance to the MOE Planning and Research Division to institutionalize a permanent capability for systematic policy formulation and planning;
- -- improved coordination with other GOJ entities, i.e., the Planning Institute of Jamaica, other ministries and the private sector, to ensure relevancy of education/training programs to the labor market; and
- -- assessment of the financial resources of the MOE budget, and recommendations for more effective utilization of these resources in coordination with private sector and donor community resources.

The illustrative budget for the three person team is:

Primary Education Planner	$ 36,000
Education/Manpower System Analyst	36,000
Educational Economist	36,000
Contingency/Inflation (10%)	10,000
G&A (12%)	13,000
Support Service in-country	3,200
Support services/equipment for MOE Planning and Development Division	15,000
TOTAL	$ 150,000

The Summary Project Budget for FY 1985/86 is:

Primary Textbook Project	$ 748,000
Primary School Renovation and Construction	2,102,000
MOE Planning and Development	150,000
TOTAL	$3,000,000

The Mission requests PID/PP approval authority for FY 85/86 funding ($3,000,000). Follow-on activity in FY 87/88 in renovation and construction for primary schools textbook production and assistance to MOE Planning and Research Division will be $7,000,000.

Goals and Benchmarks

Goal #1 - to assist the MOE in improving its management of the primary education system. Quantifiable benchmarks in relation to the Primary Education Assistance Project will be:

Primary Textbook Program

-- The annual successful distribution of approximately 2,616,000 Mathematics, English and other primary school textbooks and teacher manuals to all public school students in grades 1 through 6;

-- the annual GOJ budget commitment of J$800,000 to the textbook program and increased private sector participation;

-- multi-donor assistance to the development and institutionalization of the textbook programs;

-- MOE appointment of Textbook Program Coordinator; and

-- an MOE definition of an explicit intention to institutionalize the textbook program on an annual basis with private sector and parental assistance.

School Facilities

-- identification of approximately 50 primary schools for additional classroom construction and renovation;

-- architectural and engineering specifications for the construction and renovation;

-- bid tendering, construction monitoring, inspection and acceptance system acceptable to USAID; and

-- evidence of an expanded IDB/MOE primary school construction program in conjunction with the USAID PEAP.

Improvments in the MOE Planning and Development Division (PDD)

-- MOE scope of work (on data analysis, planning and policy formulation) for a team consisting of a Primary Education Planner, Education/Manpower System Analyst and Education Economist;

-- development of an improved and effective system for the collection and analysis of education and human resources/manpower data;

-- the institutionalization of systematic policy formulation and planning within the PDD; and

-- improved and effective coordination with other GOJ training entities, the Planning Institute of Jamaica, the HEART Trust, and the private sector to ensure relevancy of education/training programs to the labor market.

Goal #2 - to assist the GOJ to relate its vocational education and skill training programs efficiently and effectively to skill needs of the labor market.

Basic Skills Training Project

-- the institutional development of the HEART Trust as the National Training Board responsible for regulating, approving funding for, coordinating and evaluating all of Jamaica's skill training programs;

-- the policy formulation, establishment, construction, equipping and administration of four HEART academies in the subject areas of construction, commercial skills, and electrical repair and maintenance;

-- the upgrading , expansion, and coordination of non-formal skills training programs as administered and implemented by the HEART Trust, the Ministry of Youth and Community Development/Non-Formal Skills Division, and the Social Development Council;

-- the establishment, renovation, equipping and administration of ten (10) vocational technical high schools within the formal education system; and

-- the effective coordination of manpower data analysis, its relevancy to skill training programs and the needs of the labor market between the HEART Trust, the MOE Planning and Research Division, the Construction Resources and Development Centre and the Planning Institute of Jamaica.

Construction Resource and Development Centre (CRDC)

-- the establishment of the CRDC with sufficient personnel and financial resources to provide an industry oriented data-base to serve as a basis for improved planning, operation, training and coordination;

-- the establishment of a well developed and trained workforce in the construction industry through the establishment of pilot-training program; and

-- increased communication, cooperation and coordination between the construction industry and other pertinent organizations in the public and private sectors.

Goal #3 - to contribute to the overall economic recovery of Jamaica at the grassroots level by developing non-formal education and training programs and rural based social services related to local community development needs, participation and increased self-employment.

Voluntary Sector Development Project

-- strengthened institutional capacities of the Council of Voluntary Social Services/United Way to assist Jamaican PVO's to provide appropriate development assistance;

-- twenty PVOs becoming viable development organizations attracting and utilizing development funds from international donors;

-- the establishment of a Voluntary Sector Development Office within the CVSS/UW;

-- the establishment of an effective means of raising funds for Jamaican PVOs engaged in self-help programs in agriculture, vocational skill training, day care, and basic school and health programs.

Special Development Activity Fund

15-20 community self-help projects receiving limited financial resources ($4,000 - $15,000) to complete development projects which have an immediate impact in improved self-employment schemes, education and training, health, agriculture and rural development services.

Rural Services Development for Special Children

-- establishment of Kingston-based extension services for handicapped children and their families in rural areas, where such services are non-existent;

-- establishment and development of rural community-based programs for handicapped children in areas of health, special education and vocational training; and

-- establishment of linkages between urban and rural programs relevant to handicapped children.

Partners of the Americas Voluntary Technical Assistance

-- institutional strengthening to Partners of the Americas organization in both Kingston, Jamaica and Western New York, USA;

-- increased and effective voluntary expatriate and Jamaican technical assistance to selected development activities in Jamaica, which focus on small business, skills training, agriculture, arts and culture, the handicapped and women in development.

-- establishment of skills banks of voluntary technical assistance in both Jamaica and Western New York to address a lack of skilled technical advisors in the Jamaican PVO community; and

-- increased membership, individually and corporately, in both Jamaican and Western New York partners, and more effective methods of fund raising to assist in the self-sustainability of the National Association of the Partners of the America Program.

Brothers' Brother Foundation

-- timely shipment of US-donated development specific equipment and supplies, such as agricultural tools, seeds, and materials, medical equipment, supplies and drugs, educational/training books and materials, and other goods which are needed by Jamaican philanthropic and development organizations; and

-- effective utilization of this equipment and goods by the Jamaican organizations to assist in specific development programs and the general social and economic development of the island.

Goal #4 - to improve the management and organizational capabilities of Jamaican development institutions to bring about improved productivity, increased employment and incomes and general quality of life.

Cooperative Development and Training

-- increased growth and improved development of Jamaican cooperatives and credit unions;

- improved managerial, financial and administrative services at Jamaican credit unions and cooperatives;

-- improved and effective training programs for both cooperatives and credit unions; and

-- increased financial resources and productivity for rural and urban development organizations utilizing Jamaican cooperatives and credit unions.

Management Training operating grants and potential Regional School of Management

-- strengthened capacity of key public and private sector institutions, i.e., Administrative Staff College (ASC); Jamaican Institute of Management (JIM); and the Institute of Management and Production (IMP) to respond effectively to the mid and upper levels of management skills requirements of the Jamaican labor market;

-- an increased number of trained and skilled faculties at the three mainline institutions in such areas as marketing, business and financial management, strategic planning, organization and management programs, etc.;

-- improved syllabi, curricula, and case studies in the subject areas mentioned above;

-- shipment and utilization of select instructional materials and educational equipment to assist in the more effective training of mid to upper level private and public sector managers; and

-- an analysis of effective demand and need for private sector management training in the English-speaking Caribbean on the practitioner, undergraduate and graduate level.

Goal #5 - To strengthen key public and private institutions essential to the Jamaican economic recovery and the development process through the alleviation of skilled human resources constraints by the provision of U.S., regional and in-country training opportunities to qualified Jamaican personnel.

-- expanded and focused LAC II training program which is supportive of the goals of this Action Plan; and

-- a LAC training plan which expands coverage of the training program to women and to the economically disadvantaged.

EVALUATION PLAN

The assessments, evaluations, special studies scheduled for FY 1986/87 are:

-- Demand/needs assessment of management training and education at the graduate, undergraduate and practitioner levels throughout the Eastern Caribbean - August, 1985;

-- Basic Skills Training/evaluation - September, 1986;

-- MOE Planning and Development Sector Assessment - March, 1986.

D. HEALTH/NUTRITION/POPULATION

1. Health and Nutrition

Significant segments of the Jamaican population are in poor health. As the country's economic situation worsens, the increased costs of basic foodstuffs will further reduce the already low nutritional levels of the population. This will have its greatest effect on the young, the poor and the unemployed, all major population segments which would be least equipped to handle the expected economic contractions of the next two years. Such adverse conditions will have a direct impact on the morbidity and mortality of these groups.

Constraints

Higher costs of health care service delivery, continuing devaluation of the Jamaican dollar and the scarcity of foreign exchange will cause an increase in the costs of health personnel, necessary imported drugs and medical equipment. This will make it increasingly difficult for the GOJ to operate the public sector health systems at acceptable levels.

The present government inherited a system of providing universal free medical attention. In attempting to rationalize service delivery and introduce a modest fee for those able to pay in an effort to reduce costs, the government has encountered resistance from the public. The system is also faced by the inappropriate use by clients of the primary and secondary health care services, thereby adding unnecessary financial costs to an already overburdened budget. These problems are compounded by the exodus of medical personnel from the public sector and from the country. As a consequence, the quality of health care in the Jamaican public sector continues to suffer.

Goals and Objectives

The goal of USAID/Jamaica in the health sector is to respond to the deteriorating health status of the Jamaican population by improving the efficiency, effectiveness and equity of the primary health care delivery system and by developing alternative health care financing activities for the public sector. AID's goal in the nutrition sector is to relieve the distress of the poorest segments while improving the long range human resources development of the country.

The Ministry of Health (MOH) has recognized these specific needs and continues to support programs aimed at primary health care and alternative health care financing. The Mission goal, therefore, is in keeping with the priorities expressed by the GOJ.

Among the upper-middle and highest income groups, current economic stabilization programs are not likely to jeopardize maintenance of existing health and nutritional status. It is believed, however, that without targeted interventions, the lower socio-economic group, particularly the most vulnerable sub-groups of infants, young children, pregnant and lactating women, the indigent and the elderly, will experience a significant decline in their health and nutritional status. AID's PL 480 program will assist the GOJ in providing nutritionally adequate foods targeted to those segments most in need.

USAID will continue, therefore, to provide assistance to the MOH and other health/nutrition institutions operating in the public as well as private sectors, in order to reduce the levels of morbidity, mortality and malnutrition. Furthermore, because of increasing financial restrictions facing the MOH, USAID is assisting the GOJ to develop alternative approaches to health care financing. These approaches include the study of such schemes as cost containment, performance budgeting or increased income generation through alternative funding sources.

The objectives of USAID interventions can be broadly stated as follows: (1) reduced infant mortality rates; (2) decreased incidence of communicable diseases; (3) improved nutritional levels among infants and young children; and (4) an equitable delivery of health care services to lower socio-economic groups, especially the vulnerable sub-groups.

AID Interventions

Ongoing Activities

The existing Health Management Improvement Project (HMIP) (532-0064) is an $8.6 million loan and $1 million grant aimed at assisting the MOH to address problems in the primary health care/nutrition sector. The Project provides for training, technical assistance, development of management procedures, improved working conditions for health professionals in the primary health care facilities and the development of a comprehensive health information system. A nutrition surveillance system is also provided for improved food and nutrition planning.

As a result of the November 1984 AID/IG audit, the HMIP has received high priority attention of the MOH. In an attempt to close the audit recommendations, the Minister of Health has headed a special task force and has personally assured the implementation of Project activities. As a result, US technical assistance, minor health center renovations and other segments of the Project that were behind in implementation are now beginning to get on track.

Under the HMIP, and also through the utilization of PD&S funding, USAID is assisting the GOJ to explore alternatives to health care financing. Workshops, overseas training and observation visits, and the provision of technical assistance will continue to aid the special GOJ Task Force assigned to select financing schemes adequate to the Jamaican situation.

Activities will continue under the HMIP utilizing available project funds. As a logical sequence, however, the USAID health strategy proposes a new project for FY 1987 (see description below). Initial work done under the HMIP in the area of alternative health care financing will be expanded under this new project, as will activities aimed at containing the high costs of drugs and medical supplies required for the primary health care system. In particular, we propose to finance the importation of US$7 million of pharmaceuticals, subject to confirmation that this can be accomplished expeditiously and in strict conformity with governing procurement regulations.

In order to provide long term direction in the nutrition as well as other sectors for both foreign donors and the Government of Jamaica, a multi-agency food policy planning and analysis activity is planned for FY 86 - 87. Information currently being collected and analyzed regarding personnel, food expenditures, import policies, local agricultural production and nutritional status will provide USAID and the GOJ with an appropriate baseline. USAID, utilizing PD&S funds, will continue to provide the technical assistance and related support costs for this activity.

A Government of Jamaica "Food Security Plan" was implemented in July, 1984, as an intervention targeted at the nutritionally vulnerable sub-groups. USAID will support this short-term solution through the PL 480 and Section 416 programs. These commodities support food stamp, school and institutional feeding and nutrition rehabilitation programs. Counterpart generations from PL 480 Title I sales are allocated by the GOJ to support administrative overhead of these programs. USAID will continue to provide technical assistance to the "Food Security Plan" and will encourage expansion of the food stamp program in order to provide adequate nutritional support to the targeted sub-groups.

The overall target group being addressed under USAID health and nutrition assistance programs is identified as the lower middle class and poorer segments of the population presently served by the Ministry of Health. This group has been rapidly increasing in numbers as the increasing ranks of the unemployed and underemployed and those Jamaicans of the marginal middle class are forced to rely on MOH facilities for health care. Specific target groups, however, include pregnant and lactating mothers, children 0 - 5, and other users of the primary health

care facilities. It is estimated that approximately sixty percent of the total population of Jamaica benefits from USAID-assisted programs in the health/nutrition sector.

New Project Description

Alternative Health Care Financing (532-0125)
Est. LOP Cost: $3.0 million Initial FY of Obligation 1987

(1) Major development problem addressed.

In recent years, with the deterioration of the Jamaican economy, increased financial demands on the public health care sector have caused a rapid deterioration in quality of service. Because of the limited available drugs and medical supplies at the primary health centers, patients are increasingly seeking health care at the secondary facilities, which in turn have become overtaxed. In order to remedy these situations, the MOH has indicated a strong desire to explore alternative health care and cost containment schemes.

(2) Relationship to AID policy.

The proposed development of alternative health care financing and cost containment schemes is in keeping with the Agency's health sector policy, particularly with regards to the promotion of active participation of private health sector groups and the adaptation of systems, such as health maintenance organizations (HMO's), to the public health care sector. The Project will encourage the GOJ to alter those policies which impede the effectiveness, efficiency and long term viability of health programs and will also seek opportunities to utilize private sector health providers and private sector financing to the maximum extent feasible in the Jamaican health programs.

(3) Consistency with Mission Strategy.

In keeping with the Mission's assistance to the GOJ in the development and implementation of sectoral policy reforms, the proposed health activity for FY 1987 would require major policy reforms on the part of the Ministry of Health. These reforms would be aimed at the financing of secondary as well as primary health care, and containment of costs through major administrative reforms. Payment schemes, such as prepayment or fee-for-service, would be explored, tested and implemented. New strategies for reducing operating costs will also be considered. In keeping with the Mission's overall private sector strategy, increased involvement of private sector groups that provide health care financing, such as Blue Cross of Jamaica, Life of Jamaica and other insurance companies, would be encouraged.

(4) Major Components, Activities, and Implementing Organizations.

The Project would require expatriate technical assistance, particularly from U.S.-based organizations that have had experience with alternative health care financing schemes in both the public and private sector. The Group Health Association of America and state level agencies would be considered for the provision of technical assistance, together with private consultancy firms having experience in this area.

In-country baseline data will be collected and feasibility studies will be conducted. The Project will also require the establishment of a reliable national level information system. Computer hardware, software and specialized programming will be provided under the Project.

In-country staff training will be carried out at all levels in order to implement the new systems. Overseas training and observation visits will be funded by the Project. Start-up activities will require the provision of office and medical equipment and supplies.

Present health activities involve the participation of various U.S. and Jamaican PVO's. It is planned, therefore, that the new health project would also rely on these groups, both for available technical assistance and the implementation of some Project activities. U.S. organizations, such as Project HOPE, and Jamaican institutions, such as Operation Friendship, could be identified as suitable candidates.

The Project's quantifiable goals would be the percentage of increases in new funding available for health care as a result of Project initiatives, as well as the percentage of decreases in per capita operating costs. It is proposed that the MOH operating costs per capita would be reduced by 20% during the life of project.

(5) Financial Plan.

The MOH has indicated that alternative health care financing and cost containment are priority areas of concern for the GOJ and that it therefore wishes to seek assistance from USAID in FY 1987. It is anticipated that sufficient GOJ counterpart funding would be forthcoming.

The FY 1987 DA grant funding for the proposed three-year alternative health care financing project is estimated at U.S. $3 million, (approximately US$ 1 million per year). Project costs would involve: Expatriate Technical Assistance ($900,000); Studies and Research ($600,000);

Data and Information Systems ($400,000); Overseas Commodities, including computer hardware and software ($600,000); Overseas Training ($200,000); Local Training ($200,000); Local Technical Assistance and Other Local Costs ($100,000).

(6) PID and PP approval.

The PID would be prepared in early 1986, with technical assistance from LAC/Health and PD&S funded consultants. The PP would be reviewed in Jamaica and the Mission would request approval authority.

Sectoral Benchmarks

The adoption by the GOJ of major policy changes and the per capita reduction in public sector health costs could be used as benchmarks for measuring the success of the new Project. Examples of policy changes might include the introduction of fees at the primary health centers or the contracting of services that do not require health-specific technical capabilities (such as building repairs, laundry services or drug supply distribution).

Evaluation Plan

Two special studies for FY 1986-87 will contribute to the food policy planning and analysis activities. Through a cooperative agreement with the United States Department of Agriculture's Office of International Cooperative Development, a team of agricultural economists will study the effects of PL 480 and Section 416 programs on food consumption and agricultural production in Jamaica.

Also during FY 1986-87, the Health Management Improvement Project will undergo interim and end of project evaluations.

2. Population

Jamaican leaders recognize the vital role that population growth plays in the economic and social development of the country and are committed to maintaining a strong national population and family planning services program. The increasing growth in absolute numbers of the adolescent population and the high incidence of teenage pregnancies have accentuated the concern of all GOJ sectors to work towards reduction in overall fertility rates.

While the overall annual population growth rate has been relatively stable - it is presently estimated at 1.6 percent - the crude birth rate (CBR) is fairly high at 29 per thousand total population. The goal of the GOJ and USAID is to reach a CBR of 20 per 1000 by the year 1990. Although the total number of live births appears to be on a slight decline in recent years, (57,500 in 1984 vs. 59,000 in 1983), unfortunately the proportion of these births attributed to the under-19 population is on the increase, thereby giving rise to greater concern for adolescent fertility programs.

Constraints

There are three major constraints facing Jamaica in dealing effectively with its population problem: (1) the contraceptive services delivery system does not reach the target groups most in need; (2) there are deep-rooted socio-cultural barriers to the effective use of contraceptives; and (3) there is a lack of readily reliable demographic and other population-related data required by national population policy makers.

The Jamaican family planning effort relies on the distribution of contraceptives through the Ministry of Health's network of health facilities and through the National Family Planning Board's commercial retail sales program. Nevertheless, one of the prime target groups, the sexually-active adolescents, which in recent years appears to be increasing in numbers, does not have ready access to these outlets. Effective and culturally acceptable alternative distribution schemes must therefore be developed to accommodate this group.

Strong beliefs, such as those which tend to require motherhood as a proof of passage to womanhood, or the proof of manhood by the number of offspring, continue in the society. A family life education program, which includes the family planning component, is therefore required in order to begin the long process towards value and behavioral change, especially among adolescents and fertile age couples.

The principal Jamaican institutions responsible for the provision of statistical and population data, such as the

Statistical Institute and the Registrar General's Department, have poor resources and are extremely behind in producing reliable and timely information, Archaic systems, the lack of both modern computer equipment and adequately trained personnel are among the factors which seriously restrict the capabilites of these institutions.

Budgetary contraints encountered by both the National Family Planning Board and the Ministry of Health, (the two principal public institutions responsible for the delivery of contraceptive services) are greatly reducing their capability in this area. Since family planning is considered to be preventive care rather than curative, it is often relegated to a lower priority in times of financial difficulty. This appears to be on the immediate horizon for Jamaica.

In 1983, Jamaica successfully promulgated an explicit, comprehensive population policy. Funding and information constraints, however, have inhibited the effective implementation of that policy.

Goals and Objectives

The goal of USAID/Jamaica in the population sector is to assist the GOJ to continue and to accelerate the decline of the population growth rate and to develop specific population policies and plans at both the national and sectoral levels.

The objectives of USAID policy, are to assist the GOJ, through both public and private sector organizations, in: (1) informing and educating the high fertility target groups as to the use of family planning services; (2) providing contraceptive supplies; (3) introducing family life/family planning education into all institutions that work with youth; and (4) developing the capabilities of demographic data collection and analysis within official GOJ agencies.

AID Interventions

The existing Population and Family Planning Services Project (532-0069) is a $5 million grant that assists the GOJ in addressing population problems. The Project covers a wide area of activities, including family planning education, service delivery, provision of contraceptive supplies, development of demographic data collection and analysis and the promotion of the Jamaica National Population Policy. Because of budgetary constraints facing the GOJ, the National Family Planning Board has requested continued USAID support in these areas, with additional emphasis on those activities that address the increasing problem of teenage pregnancies.

The USAID population strategy also involves the continual involvement of private sector groups, such as the Jamaica Family Planning Association and Operation Friendship. Additional support, through OPG's, to these groups would assist the GOJ in attaining its stated population policies to not exceed 3 million inhabitants by the year 2000 and to attain the goal of replacement level fertility by the late 1980s.

In addition to these local PVO's, the Mission population strategy includes the use of U.S. based groups, such as the Association for Voluntary Sterilization, Tulane University and the International Planned Parenthood Federation, to provide specialized technical assistance, training and other support to the family planning sector.

A proposed 1985 World Bank Population Loan will provide some assistance in this sector, but additional USAID grant funding will be required in FY 1986 in order to maintain both the clinic and commercial retail sales distribution of contraceptives as well as the information/education/ communication activities directed at adolescents. As a result of the vast numbers of young girls entering the reproductive age groups, there are indications that the Crude Birth Rate (live births per 1,000 population) is on the increase; the first time in over twenty years of regular decline. Because of this increase, there has been a consequential increase in the demand for both family life and family planning education as well as for contraceptive services. The Mission does not propose any new population project starts in FY1986 or FY1987; nevertheless additional USAID funding will be required for Project #532-0069. The Mission proposes an additional U.S.$5 Million in DA grant funding for the Project in FY 1986 and to extend the original PACD to March 31, 1990 in order to attain project objectives. In addition, OPG funding in FY1986 and FY1987 will be required in order to assist local private sector organizations, such as Operation Friendship and the Jamaican Family Planning Association, to attack the problem of increasing levels of adolescent fertility.

The target groups are all couples in fertile age, with specific emphasis on adolescents and rural women. The Project proposes that approximately 50,000 new family planning acceptors will be recruited and that contraceptive prevalence rates will reach 70% of women-in-union, compared to an estimated 53% in 1983.

Sectoral Benchmarks

The benchmarks established under the Population Sector relate to: (1) a reduction in fertility rates; (2) an increase in family planning acceptors; (3) training of adolescents through formal family life/family planning education programs;

and (4) improved capabilities of population data institutions to provide readily available information, as compared with situation at beginning of Project activities. These are as follows:

	FY 1986	FY 1987
(1)Fertility Rate Decrease	10%	20%
(2)F.P. Acceptors Increase	30%	40%
(3)No. Adolescents Trained	3,000	5,000
(4) % Increase Available Data	50%	70%

Evaluation Plan

During early FY1986, the Population and Family Planning Services Project will undergo a major evaluation, to be conducted with outside technical assistance. This exercise will examine each of the various sub-projects and activities in order to determine what modifications and distribution of additional resources will be required for the remaining year and will provide a basis for design of the planned PP supplement. The evaluation will use a strategy similar to that employed in the 1983 mid-project evaluation.

During FY1987, the evaluation of the present OPG with the Jamaica Family Planning Association will be carried out in order to examine the effectiveness of private sector involvement in family planning programs. Outside evaluators will be contracted for this exercise.

3. Other AID Health/Nutrition/Population Activities

It should be mentioned that at present there are over 15 ongoing S&T funded projects in Jamaica in the health/nutrition/population sector, which account for a total annual contribution of nearly US$1.5 million. In the past year, the S&T project manager of only one of these activities visited Jamaica. As a result, much of the responsiblity for in-country monitoring of the activities has fallen to USAID/OHNP. It is estimated that this requires a minimum total of approximately two person months per year of Mission staff time.

E. SHELTER AND URBAN DEVELOPMENT SECTOR

USAID and the GOJ have been involved in a dialogue on shelter policy and institutional development since 1981. As a part of this effort, USAID assisted the GOJ to elaborate a National Housing Policy which was adopted by Cabinet in October 1982. The policy clarified institutional roles and established the goals and framework within which sectoral problems and constraints are being addressed. A fundamental objective was to rationalize the roles of the public sector shelter finance and production institutions so that affordable shelter could be efficiently provided to low income people on a cost recoverable basis. The national housing policy also outlined how the reorganization of the housing finance system could encourage greater private sector participation in both the financing and production of housing.

The USAID shelter program has been designed to assist the GOJ to meet the objectives of its policy. During 1982-85, AID's shelter activities directed Housing Guaranty ($40 million in 2 projects) and Grant resources ($1 million) towards implementing housing production and institutional realignment policy goals. The $15 million HG-011 project, contracted in March 1983, provides financing for starter homes, upgrading and Credit Union sponsored home improvement and mortage loans. This loan is 75% disbursed against works in place, with physical works initiated on all program components. Of this, about 20 percent of the project is complete with mortgages issued and 55 percent of the project has physical works complete with mortgage origination to begin in June 1985.

The strategy for HG-012 ($25 million) authorized in September, 1983, was to provide support in a two-step process: a first $10 million loan for an accelerated starter home program and a second $15 million loan to support and continue HG-011 initiatives as needed. USAID did not authorize HG-012 investor selection until late 1984 because of GOJ failure to reach an agreement with the IMF and subsequently until USAID received assurances as to how the HG debt would be treated in the US bilateral agreement carrying out the Paris Club debt rescheduling. In spite of this one year delay, progress in the first 4 months has been very good. Design work is complete on the 5 sites programmed for this phase. On one 221 unit site, 80% of the infrastructure and 30% of the unit construction is complete. Pre sales of units on this site will begin in June leading to occupancy by November 1985.

The second $15 million tranche is currently being designed taking into account the implementation experience of the HG-011 project. Most of these resources will be used to continue the successful upgrading program initiated under the 1977 HG-010 project and continued under HG-011. Five million dollars of this loan may be used to finance uprading activities in Kingston as a parallel activity to the more general revitalization activities planned for the FY 86 Inner Kingston Improvement Program (532-0120).

Although the implementation of these projects and the complementary technical assistance have provided new insights into sectoral constraints there have also been measurable achievements during the last two and one-half years implementation effort: public sector interest rates have been increased; the Ministry of Construction (MOC) has divested most of its old portfolio to the CHFC, a well run parastatal housing finance institution; units are priced on a cost basis; a portion of production has been shifted to the private sector, basic MOC planning and monitoring functions have been introduced and are being institutionalized; and unit and site design is based on the affordability of the solution to the proposed beneficiary.

In addition to the HG-011 and 012 work described above, AID is undertaking complementary activities in FY 85. A housing needs assessment and housing finance system analysis will assist the GOJ and the USAID in revising both practicies and strategies for the Jamaica shelter program. The proposed FY 85 shelter project for which PID approval was granted by LAC under the FY 83 HG-012 project ($15 million HG-012B) will be designed to support new policy and institutional initiatives adopted as an outcome of the above analysis. The proposed project will finance a continuation of the starter home program currently being financed by the initial loan for the HG-012 project.

A new two-component project (532-0117) to strengthen the capacity of urban institutions to plan and manage urban growth will also be initiated in FY 85. A grant to the Town Planning Department will assist the GOJ to rationalize and improve its urban development planning and regulatory functions. Another grant to the College of Arts, Science and Technology Building Department will assist Jamaica to continue to provide trained personnel for the construction industry and professions related to urban development.

The economic and financial constraints facing Jamaica described elsewhere in this paper have a direct negative impact on availability of resources for shelter. While real incomes have declined over the past year, the high import component of construction (25%), and the recent devaluations of the Jamaica dollar (close to 67% from 1983-1985) coupled with wage limits have made the 280 square foot starter homes barely affordable to a below median income family. Indeed, across the board constuction costs are increasing at a rate which approximates the devaluation rate.

In accordance with its economic stabilization program, the GOJ has been forced to drastically reduce its budget deficit. As a result, the 1984/85 GOJ housing capital development budget was cut to zero from $7.5 million in 1984-85. Private credit has also been tightened. Due to the credit stringency, most commercial banks have ceased mortgage lending; construction financing, when available, now carries interest rates of more than 30 percent.

The net effect of these economic conditions and financial constraints has been to reduce the availability of both private and public investment in housing and to price the housing that is available beyond the capacity to pay of most low income households.

As mentioned above, there has been limited progress towards implementing policy goals in the two and one-half years since the GOJ adopted a national shelter policy. The changes have essentially addressed the need to restore institutional order, and management and financial discipline to the sector. A base for improvement has been established but the recent experience has also underscored the complexity of the sector constraints and the need and opportunity to consolidate present gains and pursue further reforms. For example, some overlapping and redundant institutional functions and responsibilities still remain; management and administrative weaknesses persist, and practices frequently conflict with stated policy goals.

The public sector housing finance institutions have not been able to successfully achieve their objectives of assuring a sufficient flow of resources to the shelter sector. This has been primarily because they cannot assure timely resource mobilization and do not have the means to attract private investment to expand the pool of resources beyond that available directly from the GOJ.

A pivotal constraint to be overcome is the almost insular stance of private sector housing finance institutions who have limited their market to clients in the top 15 percent of the income distribution, leaving the financing of the bulk of the shelter to the public sector.

Programmatic problems continue. Although the human settlement upgrading and the starter home concepts have been demonstrated in Jamaica, the difficulties associated with land acquisition and registration, title certification, inadequate tax incentives and/or penalties, all lend themselves to legal problems, boundary disputes, disrupted planning procedures, high land purchase and development costs, and disincentives to private sector development. Streamlining of the whole system is required that is based on some combination of administrative reform, enforcement of present legal remedies, new legislation if necessary, and a more comprehensive planning approach. The experience with land issues, infrastructure costs and present cost recovery systems argues for modifying the upgrading and starter home concepts to promote small site "infill" development and a broader and more comprehensive approach to neighborhood upgrading which may allow for major infrastructure costs to be spread over a larger beneficiary group.

The lack of trained personnel in both the private and public sector also poses programmatic constraints. The skills required to efficiently design, produce and manage housing are lacking in both the public and private sectors. Consequently, in the private sector, poor construction management has led to delays and disputes. Public sector institutions have not been judicious in awarding contracts nor expeditious in resolving contract disputes, processing private sector applications or coordinating installation of off-site infrastructure. Adequate staffing, efficient procedures and effective organization need to be established in key public sector institutions.

The urban systems are presently overloaded. The demand for infrastructure facilities and services exceeds the management and financial capacity of local and central governments to deliver new and maintain present services. Developers ignore the approval processes because application review is lengthy and the sanctions for proceeding are not sufficient to deter illegal actions. Budget and manpower shortages exacerbate the problem. The lack of GOJ resources limits government's ability to purchase land, maintain infrastructure and other urban services and, as such, contributes to the deterioration of urban areas, especially in Kingston.

The goal of AID's shelter and urban program in Jamaica is to improve the living standards of the poor in urban areas through:

* rationalization of public and private sector roles in shelter and urban development;

* establishment of a stable housing finance system; and

* acceleration of housing production and marketing.

AID will encourage adoption of policy reforms related to these key areas by designing its projects to reinforce policy and institutional change. This goal underpins the Mission's broad goal of economic development through the introduction of structural adjustments in the economy. To carry out this goal, USAID and RHUDO conduct a continuing policy dialogue with the GOJ to identify priorities and establish the program.

The following are short term shelter and urban objectives:

* review with the GOJ modifications to the national housing finance system which include: consolidation of institutional functions of the JMB in an expanded NHT; establishment of a reserve fund in the MOF to provide continuity of resources to the GOJ's program;

* review with the GOJ the activation of a secondary mortgage market program which will leverage private sector investment in low income shelter, assure a more reliable flow of resources, target GOJ resources to the lower income population and increase private activity in the provision of shelter;

* develop a more comprehensive approach to urban upgrading and expand this program to include not only urban services, but home improvement loans (or new units where appropriate) to increase the number of families benefitting from the imrpovement of services and, by serving a larger neighborhood, contribute to stabilization of low income communities;

* expedite production and marketing of shelter for low and moderate income families, including related infrastructure and community facilities to increase the number of units delivered and, through more timely delivery, help reduce costs;

* initiate steps to assist a consortium of public and private interests to effectively begin the revitalization of inner Kingston;

* develop a training and technical assistance program which will increase the capacity of relevant institutions to plan and program for shelter and urban development and increase the number of qualified technicians in public and private sector construction;

* create jobs especially for the low income, high unemployment group; and

* leverage private investment, thereby adding to total investment in urban areas.

Over the long term, (1986-1990) USAID/RHUDO strategy will be to continue to assist with the rationalization of the roles and institutional strengthening of key institutions involved with shelter and urban development. This assistance will be continued in four arenas:

* housing finance - rationalize the housing finance system within the context of national financial policy;

* production - increase production of low income shelter, develop alternative affordable solutions, improve the management and planning capabilities of housing institutions, and involve the private sector in development and construction of low and moderate income housing;

* urban development - encourage private/public partnership to initiate revitalizing blighted urban areas, and assist the GOJ to rationalize and improve its urban development planning and regulatory functions; and

* training - increase the pool of skilled urban development and construction industry personnel by improving local training capacity and providing training opportunities.

Additional technical assistance will be targeted to promote the restructuring of the housing finance system, to assist public institutions to expedite production and improve management, to support the creation of a public/private urban redevelopment agency and to support the efforts of the Town and Country Planning Dept. and the College of Arts, Science and Technology to improve the professional skills of public and private sector technicians.

Current funding is targetted to finance starter homes, upgrading and home improvement projects principally through the public sector. Increased participation from the private sector will be encouraged through turnkey schemes. Technical assistance is focused on streamlining and improving the housing finance system and as such providing incentives to the private sector to finance lower income housing and on removing project implementation bottlenecks in public sector institutions.

In order to achieve AID's short term objectives, however, additional capital and technical assistance will be required. Additional capital assistance will be targetted for the construction of some starter homes and implementation of a more comprehensive approach to squatter upgrading and urban rehabilitation. In addition, AID will consider providing, if conditions warrant, seed capital to launch a private/public urban redevelopment consortium which will focus resources on key urban problems starting with inner Kingston.

Families whose income is below the median (J$10,000 per year) compose the USAID target group for the shelter and urban sector. In many cases these families have more than one wage earner. They may work as basic level civil servants, teachers, laborers, skilled and unskilled construction workers, factory workers, higglers (street vendors), taxi drivers, domestic helpers, hotel workers or in similar jobs. Experience with the HG shelter program shows that over 40% target group households are headed by women.

PROJECT DESCRIPTIONS

FISCAL YEAR 1987 INNER KINGSTON IMPROVEMENT PROGRAM

Project 532-0120
Grant - US$2,000,000
Loan - US$5,000,000
HG - US$5,000,000 (from an already authorized project)

Major Development Problems Being Addressed:

Kingston is the overwhelming financial, commercial and urban centre of Jamaica. Kingston is the capital of the country, the site of Jamaica's productive economic activity other than agriculture, mining and tourism, the nation's financial hub and, except for the travellers who disembark at Montego Bay, the visual gateway from the outside world to Jamaica. Despite its primary status, inner Kingston, the central and downtown area, has deteriorated significantly over the last 25 years. The reasons are complex and may parallel the patterns of the older industrial cities of the U.S. "Urban blight" has become "urban slum".

Kingston's social, economic, and physical conditions - abandoned and deteriorated buildings, poorly maintained services, chaotic and congested traffic patterns, high unemployment, inadequate security, decaying residential blocks -- are the visual evidence of the depth of Kingston's image problem. These conditions, in turn, have adversely affected national and international financial, industrial and commercial locational and investment decisions. The alternative locational sites outside downtown have required expensive extension of infrastructure services while downtown services are under utilized. This pattern has also contributed to central city unemployment which has exacerbated the security problem and thus reinforced a generally negative image of the city as a whole.

Despite the problems, inner Kingston has recognized resources which could well serve Jamaica's national economic development efforts; infrastructure, though needing some rehabilitation, is available; no land values; centralized location provides efficiency advantages; desirable waterfront development base; basic institutional "anchors" are in place (Bank of Jamaica, Urban Development Corporation, International Conference Center, Government Ministries, Institute of Jamaica, National Gallery, legal offices, established merchant and commercial activities, national produce markets). This situation has not gone unrecognized by community, business and government leaders who are interested in revitalizing inner Kingston as a base for economic growth and employment.

Relationship of Project to Overall AID Policy Objectives:

The project will address all four of AID's main policy tenets. It will establish and/or work with essentially private institutions (a community development foundation or corporation and restoration company) and mechanisms in which market forces can generate development. It will transfer technology at a variety of levels in urban renewal and development including: real estate marketing and market research; organizational development; urban design; urban financial strategies; planning; and public administration reforms. A range of policy issues are found in the anticipated scope of the project: real estate taxation; special assessment districts; private vs public service delivery; public participation with privately led redevelopment. Institutional development will involve assisting the new Kingston Restoration Company to plan and institute its first projects and facilitating the development of a community based development foundation or corporation.

Consistency of the Project With Overall Mission Strategy:

A project focused on inner city redevelopment has the advantage of injecting a demand for labor, support for small business and demand for intermediate products into the economy quickly at a time when aggregate demand is slack and unemployment high. It is thus an effective instrument for executing the macro-economic strategy that is AID's priority for the next two years. The project is also consistent with the Mission's Urban Development Strategy which calls for supporting projects in Kingston targeted at removing obstacles to greater private sector investment.

Major Project Components, Activities and Organizations:

The overall goal is to foster redevelopment, new investment and employment in inner Kingston. This will be accomplished by assisting several private institutions working in partnership with the key government agencies. A broad based community institution (perhaps a foundation) will provide a forum for community discussion interaction and/or fund raising. This institution will assist in documenting the image of downtown as seen by the community at large. The Kingston Restoration Company, which may be more broadly constituted as a community development corporation, is positioned to take the lead on downtown redevelopment. Its board represents major private financial institutions and the GOJ's Urban Development Corporation (UDC), an experienced capital project developer. The GOJ's role will include broad policy guidance as well as the direct participation of the UDC and the Town Planning authority.

Inner Kingston offers a promising test case of the potential for public/private partnership in pursuing civic interests. Funding, leadership, most of the planning initiative and management will have to come from the private sector but be exercised in a manner consistent with national government objectives.

The project will work to serve several worlds in planning and execution: the world of tourism, commerce and real estate development and the world of low income residential households, higglers and small businesses. Project priorities will clarify during the planning process but to ensure an integrated approach six concepts or pillars have been proposed for program design: (1) Waterfront Development - in planning, utilize the natural locational advantages of the Kingston waterfront that have made waterfront redevelopment for tourism and/or commercial ventures successful in many cities; (2) Selective Rehabilitation - target resources to help develop a high visability development in a concentrated physical location and assure that this activity is connected to the rest of the city within a development frame in which scattered private investment can fill in; (3) Revolving Loan Program - reach owners of smaller properties and small businesses who are redlined because of their location; (4) Job Creation - foster a deliberate attempt to utilize neighborhood residents in jobs generated by reinvestment; (5) Community Planning and Self-help - through community participation in goal setting and opportunities for self help in upgrading; (6) Leveraging - incorporate a process for maximizing leverage through competition for funding based on matching resources whether capital expenditures or "sweat equity" community projects.

AID funds will be used for technical assistance, training and to assist in establishing a revolving loan fund for financial support to businesses and developers. Technical assistance will provide analytic support for marketing, planning, development activities and strategizing. It will also assist the core Jamaican staff in making the KRC and/or community foundation "operational," including the development of guarantee programs or other investment instruments.

The loan fund activity will be particularly important to small business and small developers who will need assistance with financing the rehabilitation and/or expansion of their businesses. It is anticipated that $5 million of HG funds from currently authorized loans will be made available for infrastructure investment related to upgrading activities.

Project Budget:

	Year 1	Year 2	Year 3	Year 4	Total
Development Assistance					
1. Technical Assistance operations & training	560	480	400	260	1700
2. Commodities/Equipment	70	40	30	20	160
3. Contingency					140
4. Revolving Loan Program	1000	2000	1000	1000	5000
TOTAL					7000
Housing Guaranty					
1. Infrastructure and Housing Activities	750	1500	2000	500	5000

PID Approval:

The Mission will submit a PID to AID/W for approval and will request authority at that time to develop and authorize the Project Paper in the field.

Target Group:

The direct beneficiaries of the project are the thousands of residents and hundreds of businesses located in the initial redevelopment area. Indeed, a primary thrust of the program design will be to retain current occupants and promote business expansion on site. Preliminary consultations with present business people e.g. garment manufacturers, higglers and retail outlets reveal a high interest in expanding their activities on site. Local residents and nearby residential areas will benefit immediately from construction activity and job creation resulting from business expansion and commercial rehabilitation. Even modest success from a concerted development effort will have important indirect or secondary benefits; improving both the self-image and international reputation of Kingston; a return of cruise ships; increased use of the Conference Center; stronger and more responsive public development institutions.

FISCAL YEAR 1986 SHELTER SECTOR INSTITUTIONAL DEVELOPMENT

Project 532-0121
Grant $3,000,000

Major Development Problems Being Addressed

Jamaica is producing less than 50 percent of the shelter units it requires based on demographic change, replacement of stock and existing backlog. The public sector with shrinking resources has taken responsibility for an increasing share of new construction, serving a market up to the 80th percentile. The private housing finance institutions continue to limit their financing to the top 15% of the market. Concurrently Jamaica is losing the economic and social benefits which would result from a greater production of shelter units This situation is the result of a complex set of macro and micro-economic factors plus technical and institutional constraints that interrelate with one another to inflate costs and impede a rational and efficient housing delivery system. Improving the delivery of shelter and associated services in Jamaica requires the cooperative efforts of numerous public and private housing institutions including the Ministry of Construction-Housing (MOC-H), National Housing Trust (NHT), Caribbean Housing Finance Corporation (CHFC), Jamaica Mortgage Bank, Estate Development Company (EDCO), the Housing Task Force (TF), building societies and credit unions, planning agencies and utility companies.

Few managers, unskilled supervisors, high costs, poor resource mobilization and allocation, inadequate planning and marketing, ineffective budget and financial control systems are compounded by institutional rivalries and private sector dependency on government. There is also a general expectation that housing will be provided as a social-political benefit as opposed to being provided as a socio-economic asset. Without a critical appraisal of the roles of the public and private sectors in the delivery of housing to all income levels, without the design of mechanisms whereby public sector institutions can leverage increased private investment, and without institutional consolidation and improvement in the management system, there is a danger of further dissipation of shelter resources and deterioration in overall sector performance.

Relationship of Project to Overall AID Policy Objectives

Institution building, a tenet of overall AID policy, is essential to build up the capacity and capability of entities responsible for the policy, planning, management and delivery of shelter programs. This project will attempt to modify the policies and practices of shelter institutions so that they can use capital and human resources more effectively in responding to the needs of the private sector and the urban poor. Also to be targeted are improved institutional efficiency in planning and providing services, including improved design to reflect affordability, marketing and cost recovery; and strengthening institutional capacity through management assessment and provision of training.

Consistency of Project with Overall Mission Strategy

The waste of resources by inefficient and ineffectual institutions counteracts GOJ and AID efforts to improve Jamaica's economic performance. Mission strategy recognizes this and identifies institution building as a priority area.

The proposed project is consistent with AID strategy in that it will assist private sector institutions (credit unions and building societies) contractors and developers to take on an expanded role in the delivery of lower income shelter and to perform more effectively, reduce public sector bottlenecks to private sector investment, transfer financial and management technologies, continue the policy dialogue and improve public sector performance.

Major Project Components, Activities and Implementing Organizations

This project builds on AID's shelter sector, skills training and technical assistance experience as well as the recommendations of a recent financial institution analysis and housing needs assessment. Technical assistance, combined with capital resources available under the HG programs, will be targeted on the primary institutions: building societies, credit unions, National Housing Trust, Caribbean Housing Finance Corporation, and the Ministry of Construction (Housing).

Activities will include (1) support of further institutional merger and/or consolidation, (2) policy revision, (3) instituting improved management and financial planning processes, (4) improved training programs including use of appropriate technology, (5) continued training in project design and management, (6) development of revised contract and tendering procedures, (7) improving the structure and management of user charges, and, (8) determining more equitable tax administration practices for infrastructure cost recovery.

Project Budget

Below is a summary project budget:

	USAID Funding Level (US$000)		
	Year 1	Year 2	Total
1. Long term Resident: Advisor/Technician (72 Person-Months at $10,000 per month)	360	360	720
2. Short Term Technical Assistance: (50 Persons, average 40 days at $600)	500	700	1200
3. Training: Short Term Technical Assistance (1466 days at $600)	380	500	880
Participant Training (15 persons for one semester at $15,000 each)	75	75	150
5. Commodities	25	25	50
TOTAL	1,340	1,660	3,000

PID Approval

The Mission will submit a PID to AID/W for approval. This approval will constitute authority to proceed with the Project Paper and develop the project for implementation.

F. ENERGY

Energy is an element of any modern economy that cuts across all sectors and plays an inevitable role in efficiency and cost of production. The energy crises of 1974 and 1979 have played a major role in Jamaica's balance of payments disequilibrium. Jamaica currently spends some US$451 million, which is over 40% of its export earnings, on imported petroleum. Energy conservation measures, supported by an AID project, have resulted in savings estimated at US$20 million annually. A further potential for substantial reductions in this demand on foreign exchange exists through conservation, development of alternative energy resources, and utilization of indigenous and renewable resources.

Since there is little hope for the discovery of petroleum in Jamaica, reducing the import burden of energy can only come from increased efficiency in electric generation and automotive transport and conversion to domestic renewable sources of fuels. The constraints and costs are enormous, and the ideal solution is by no means obvious. The GOJ energy institutions, consisting principally of the Ministry of Mining, Energy, and Tourism (MMET), the Jamaica Public Service Co. -the electric utility - (JPS), and the Petroleum Corporation of Jamaica - the oil refinery - (PCJ) have different perspectives of the public interest. Agro 21 is now entering the picture as the Prime Minister's choice to lead the development, in conjunction with a joint USAID-S&T/EY project, of high biomass sugar cane (energy cane) as a joint product crop that, if feasible, would generate surplus power to feed the national grid while producing sugar.

Energy cane is but one of several real possibilities for imported fuel substitution. Jamaica has two large deposits of peat which feasibility studies show could be developed as a boiler fuel for electricity generation yielding 90 MW of power annually for 30 years. Fast growing fuelwood trees offer the possibility of hillside environmental protection and small farmer income while providing the nation with both a boiler fuel (perhaps in conjunction with energy cane) and charcoal for industrial and household use. USAID's proposed Hillside project will assist in the fuelwood system development based on on-going AID supported research and lessons learned in other developing countries. Finally, there is some further potential for small hydro development, but unit costs are high.

On the transport demand side, there seems to be little possibility for dramatic reduction of imported petroleum fuels. Nevertheless, the vehicle fleet is gradually becoming more fuel efficient, and the World Bank is supporting efforts to improve public transportation and traffic flow.

The World Bank is the principal donor in the energy field, with ongoing programs supporting the rehabilitation of JPS' generating facilities as well as the urban transportation project mentioned above. The IBRD is also concerned with the enterprise viability of both JPS and PCJ. A Japanese credit is financing the acquisition of barge mounted diesel units which will serve as more efficient peaking power generation allowing the older units to concentrate on base load generation. The Canadian Assistance Program and various European donors show a continuing interest in financing mini-hydro projects.

USAID's involvement in the energy sector is focused through the Energy Sector Assistance Project (ESAP). The project activities consist of energy use conservation investments, alternative energy development, and development of the institutional capacity of MMET so that it can function as an effective planning and coordinating entity in energy matters. The energy use conservation element consisting of solar hot water heating, retrofits of air conditioning and other heavy power using applications, insulation installations, etc., has been the most successful to date, with annual savings from the relatively modest investments estimated to be US$20 million in reduced petroleum imports.

Alternative energy development, principally fuelwood and energy cane, is now picking up momentum. The institution building effort has suffered from high staff turnover due to low civil service salaries, but a small cadre of dedicated staff, aided by technical assistance, is making an important contribution. The credit funds available through the National Development Bank and the commercial banking system are now beginning to move, but the Mission plans to deob/reob some $3.5 million of the $5.9 million in credit funds to meet immediate needs in the Section 106 field.

Upon the completion of the ESAP, the Mission will phase out of energy as a separate sector. It is expected that the energy cane study, if feasible, will lead to IBRD and private sector investment, as the Bank is active in both sugar and electric power already, and a private investor has already indicated interest. Continuing activity on fuelwood will be approached through the Hillside Agriculture Project. Energy conservation activities will continue on their own now that various private sector engineering firms have developed an effective capacity to identify opportunities for savings, and both the private and public sector energy consumers are now well aware of the rapid pay-back of conservation efforts.

IMPLEMENTATION NARRATIVE

As noted in other sections of the Action Plan, USAID has reassessed its strategy and reviewed its portfolio in an attempt to tailor its assistance to the current Jamaican economic reality. The results of this effort are summarized in the following Table of Proposed Obligations: FY 1985-87 (ABS Table IV), and the Project Ranking Table (ABS Table V). Sectoral strategy applications, interventions and benchmarks are described in more detail in Section III.

Briefly, the Mission is: (1) soliciting additional ESF and DA resources for FYs 1985, 1986, and 1987; (2) proposing to convert $3.0 million of EHRD loan and $4.0 million SDA loan, contained in the FY 1985 OYB, to grant for reprogramming for new activities; (3) planning to deobligate $5.0 million of ARDN loan, $200,000 of ARDN grant, and $3.5 million of SDA loan, to be reobligated for alternate purposes; and (4) requesting grant, rather than loan, financing for most new initiatives projected for FY 1986 and FY 1987.

As can be seen from a comparison of the FY 1985 "OYB" and "Proposed" columns in the Table of Proposed Obligations, the implications for the FY 1985 DA budget are minimal with respect to both total, and individual appropriation account levels. (The single exception is Health, where an additional $3.0 million of grant funding is being requested for pharmaceutical procurement).

This is due in part to the Mission's decision to take advantage of deob-reob authority in order to shift resources, where appropriate, from slow disbursing, ongoing projects to new interventions aimed principally at helping the GOJ increase production for export to offset losses from the contraction of the bauxite/alumina sector. The loan/grant split is affected, however, and a substantial increase in ESF balance of payments assistance is requested.

Sizeable increases, especially in ESF resources, are projected for FY 1986 and FY 1987. These increases are based on the Mission's revised analysis of Jamaica's needs in light of the current crisis, and the assumption that U.S. interest in the eventual success of the GOJ's economic recovery/stabilization program remains high. Future interventions will be closely linked to achievement of overall program objectives. Requested levels of PL-480 assistance for FY 1986-87 are the same as those for FY 1985.

The program, as currently envisioned, presents no major mortgage problems. Proposed new project starts are expected to be relatively quick disbursing, and, as noted above, pipelines of some ongoing projects will be reduced through the deob-reob process, with the reobligated funds going to support these new initiatives.

The Project Ranking Table reflects the importance, in this order, of: (1) continued, substantial balance of payments support; (2) FY 1986 increments for new projects, begun in FY 1985, with reprogrammed FY 1985 resources, which are aimed at addressing immediate production and/or employment needs; (3) further commitments to ongoing activities; and (4) proposed, new FY 1986-87 project starts.

With respect to a documentation/authorization schedule, the principal point to be stressed at this time is that, given the timing of the current portfolio review and reprogramming exercise, the Mission will very likely need AID/W concurrence in some September, 1985, obligations. Every effort will be made to complete necessary design work over the next two to three months. The review/approval/CN process will involve at least another month, if all goes well. In light of the changed circumstances and the fact that Brooke/Alexander was in effect for Jamaica during almost the entire first quarter of FY 1985, thus preventing the use of PD&S for design, the Mission does not consider this request unreasonable.

The proposed documentation/authorization schedule for FY 1986-87 new project starts is contained in the following Table.

Project	PID	PP/PAAD
Shelter Sector Inst. Development (0121)	Aug. 85	Dec. 85
Mgt. Training or Regional School of Management	Oct. 85	June 86
Inner Kingston Improvement Program (0120)	Nov. 85	May 86
Prod. & Employment IV (0111)	-	Nov. 85
Hillside Agriculture Development (0101)	Dec. 85	July 86
Export Prom./Mkt. Devel. (0130)	Dec. 85	July 86
Pop. & Fam. Planning Services (0069) - PP Suppl.	-	Feb. 86
Alt. Health Care Fin. (0125)	Nov. 86	Apr. 87
Prod. & Employment VII (0129)	-	Nov. 86

PROPOSED OBLIGATIONS: FY 85 - 87 (ABS TABLE IV - Modified)

($000)

Project Title/No.		Acct.	L/G	FY Init. Obl.	FY Final Obl.	LOP Cost Auth.	LOP Cost Prop.	FY 85 OYB	FY 85 Prop.	FY 86 CP	FY 86 Prop.	FY87	Mortgage
Integrated Rural Develop.	(0046)	FN	L	77	80	10,690	9,490	-	(-1,200)	-	-	-	-
Fish Produc.System Dev.	(0059)	FN	G	79	82	1,175	975	-	(- 200)	-	-	-	-
			L	79	82	2,240	1,440	-	(- 800)	-	-		-
Agricultural Marketing	(0060)	FN	L	81	82	13,800	11,800	-	(-2,000)	-	-	-	-
Agro-Industrial Develop.	(0081)	FN	L	82	84	10,489	9,489	-	(-1,000)	-	-	-	-
Agricultural Education	(0082)	FN	G	84	85	3,000	3,000	2,700	2,700	-	-	-	-
			L	84	85	9,500	9,500	1,150	1,150	-	-		-
Voluntary Sector Develop.	(0085)	FN	G	83	86	575	575	175	175	-	-	-	-
Small Farm.Prod/Mktg.-OPG	(0097)	FN	G	83	85	360	660	30	330	-	-	-	-
Hillside Agriculture*	(0101)	FN	G	86	88	-	10,000	-	-	2,000	1,000	3,000	6,000
			L	86	88	-	-	-	-	3,200	-	-	-
JADF.Tech.Supp.& Inv.OPG*	(0105)	FN	G	85	85	-	1,000	1,300	1,000	-	-	-	-
			L	-	-	-	-	1,000	-	-	-	-	-
Ag.Coop.Devel. OPG	(0107)	FN	G	84	85	500	500	300	300	-	-	-	-
Hillside Assessment	(0113)	FN	G	85	85	-	600	600	600	-	-	-	-
Crop.Diversif./Irrig.1/*	(0123)	FN	G	85	87	-	10,000	-	1,000	-	4,800	4,000	-
						-	-	-	(+ 200)	-	-	-	-
			L	85	87	-	5,000	-	(+5,000)	-	-	-	-
Prog.Dev. & Support*	(9103)	FN	G	56	C	-	-	500	700	300	700	500	-
Subtotals		FN	G					5,805	6,805	2,550	6,500	7,500	6,000
			L					2,150	1,150	3,200	-	-	-
			T					7,955	7,955	5,750	6,500	7,500	6,000

Project Title/No.		Acct.	L/G	FY Init. Obl.	FY Final Obl.	LOP Cost Auth.	LOP Cost Prop.	FY 85 OYB	FY 85 Prop.	FY 86 CP	FY 86 Prop.	FY87	Mortgage
Pop.& Fam.Plng.Serv.*	(0069)	PN	G	82	87	5,211	10,211	1,311	1,311	-	2,500	2,500	-
Pop. Policy Support*	(0114)	PN	G	86	87	-	5,500	-	-	2,500	-	-	-
			L	86	87	-	2,000	-	-	1,000	-	-	-
Prog.Devel. & Support	(9104)	PN	G	56	C	-	-	- 127	127	39	39	40	-
Proposed OPGs*	(9999)	PN	G	77	C	-	-	200	200	-	500	500	-
Subtotals		PN	G	-	-	-	-	1,638	1,638	2,539	3,039	3,040	-
			L	-	-	-	-	-	-	1,000	-	-	-
			T	-	-	-	-	1,638	1,638	3,559	3,039	3,040	-
Health Mgt.Improv.*	(0064)	HE	G	81	86	1,017	8,017	-	3,000	-	4,000	-	-
			L	81	86	8,554	8,554	-	-	-	-	-	-
Voluntary Sector Devel.	(0085)	HE	G	83	86	574	574	194	194	-	-	-	-
Alt.Health Care Financing	(0125)	HE	G	87	88	-	3,000	-	-	-	-	2,000	1,000
Prog. Devel. & Support*	(9108)	HE	G	56	C	-	-	50	50	40	90	40	-
Subtotals		HE	G					244	3,244	40	4,090	2,040	1,000
			L				-	-	-	-	-	-	-
			T					244	3,244	40	4,090	2,040	1,000

Project Title/No.		Acct.	L/G	FY Init. Obl.	FY Final Obl.	LOP Cost Auth.	LOP Cost Prop.	FY 85 OYB	FY 85 Prop.	FY 86 CP	FY 86 Prop.	FY87	Mortgage
Basic Skills Training*	(0083)	EH	G	83	87	4,900	4,900	1,000	1,000	1,200	1,200	950	-
			L	83	87	8,500	11,500	3,350	350	-	3,000	-	-
Management Training 2/	(0084)	EH	G	85	88	-	4,000	600	600	1,000	1,000	1,200	1,200
Voluntary Sector Develop.	(0085)	EH	G	83	86	1,621	1,621	500	500	221	221	-	-
Board of Revenue Assist.	(0095)	EH	L	83	85	4,552	4,552	618	618	-	-	-	-
Brother's Broth.Found.OPG	(0106)	EH	G	84	85	300	300	180	180	-	-	-	-
Regional Sch.of Mgmt. 2/*	(0115)	EH	G	86	89	-	14,000	-	-	2,000	3,000	4,000	7,000
Educ. Data Analysis and Policy Formulation*	(0116)	EH	G	86	86	-	1,000	-	-	1,000	-	-	-
Primary Educ. Asst.Proj.*	(0126)	EH	G	85	87	-	10,000	-	3,000	-	3,000	3,000	1,000
Coop.Develop.& Trng. OPG	(0180)	EH	G	85	87	920	920	250	250	350	500	170	-
Prog.Devel.& Support 3/*	(9105)	EH	G	56	C	-	-	550	550	300	500	300	-
Proposed OPGs*	(9999)	EH	G	77	C	-	-	-	-	-	250	250	-
Subtotals		EH	G					3,080	6,080	6,071	9,671	9,870	9,200
			L					3,968	968	-	3,000	-	-
			T					7,048	7,048	6,071	12,671	9,870	9,200

Project Title/No.		Acct.	L/G	FY Init. Obl.	FY Final Obl.	LOP Cost Auth.	LOP Cost Prop.	FY 85 OYB	FY 85 Prop.	FY 86 CP	FY 86 Prop.	FY87	Mortgage
Spec.Dev.Activities Fund	(0029)	SD	G	66	C	-	-	150	150	150	150	150	-
Energy Sector Assist.	(0065)	SD	G	81	85	300	300	300	300	-	-	-	-
			L	81	85	13,400	9,900	-	(-3,500)	-	-	-	-
Low Cost Shelter Devel.	(0067)	SD	G	82	85	985	985	235	235	-	-	-	-
Tech.Cons.&Trng.Grant 4/*	(0079)	SD	G	81	87	1,000	5,000	-	4,000	-	-	-	-
Voluntary Sector Develop.	(0085)	SD	G	83	86	230	230	110	110	-	-	-	-
Trafalgar Develop.Bank 5/*	(0091)	SD	G	84	87	1,200	1,200	800	800	350	400	-	-
			L	84	87	20,000	20,000	4,000	(+3,500)	3,000	3,000	3,500	-
Nat.Dev.Found.Expan. OPG	(0108)	SD	G	84	85	470	470	220	220	-	-	-	-
Urban Sector Tech.Asst.*	(0117)	SD	G	85	86	-	900	500	500	250	400	-	-
Indus.Dev. Inst. OPG	(0118)	SD	G	85	86	-	1,000	750	750	250	250	-	-
Kgn.Urban Dev.Found. OPG	(0119)	SD	G	85	86	-	1,000	750	750	250	250	-	-
Inner Kgn.Improv. Prog.*	(0120)	SD	G	87	88	-	2,000	-	-	200	-	1,000	1,000
			L	87	88	-	5,000	-	-	3,000	-	3,000	1,000
Shelter Sect.Inst. Dev.*	(0121)	SD	G	86	88	-	3,000	-	-	250	1,000	1,000	1,000
Export Prom/Mkt.Dev.*	(0130)	SD	G	86	87	-	10,500	-	-	-	2,500	3,000	4,500
Prog. Dev. & Support*	(9106)	SD	G	56	C	-	-	500	750	500	750	500	-
Proposed OPGs*	(9999)	SD	G	77	C	-	-	250	-	400	-	400	-
Subtotals		SD	G					4,565	8,565	2,600	5,700	6,050	6,500
			L					4,000	-	6,000	3,000	6,500	1,000
			T					8,565	8,565	8,600	8,700	12,550	7,500
Totals		DA	G					15,332	6,332	13,800	29,000	28,500	22,700
			L					10,118	2,118	10,200	6,000	6,500	1,000
			T					25,450	28,450	24,000	35,000	35,000	23,700

Project Title/No.		Acct.	L/G	FY Init. Obl.	FY Final Obl.	LOP Cost Auth.	LOP Cost Prop.	FY 85 OYB	FY 85 Prop.	FY 86 CP	FY 86 Prop.	FY87	Mortgage
Tech.Cons.&Trng.Grant 4/	(0079)	ES	G	81	87	12,960	22,960	4,500	-	5,000	5,000	5,000	-
Produc. & Empl. V	(0100)	ES	L	85	85	65,000	65,000	65,000	65,000	-	-	-	-
Internat.Youth Conference	(0110)	ES	G	84	85	1,000	1,000	500	500	-	-	-	-
Produc. & Empl. VI*	(0111)	ES	L	86	86	-	65,000	-	-	65,000	-	-	-
			G	86	86	-	130,000	-	-	-	130,000	-	-
Produc. & Empl. V Suppl.*	(0127)	ES	G	85	85	-	60,000	-	60,000	-	-	-	-
Tourism Promotion*	(0128)	ES	G	85	85	-	4,500	-	4,500	-	-	-	-
Produc. & Empl. VII	(0129)	ES	G	87	87	-	130,000	-	-	-	-	130,000	-
Subtotals		ES	G					5,000	65,000	5,000	135,000	135,000	-
			L					65,000	65,000	65,000	-	-	-
			T					70,000	130,000	70,000	135,000	135,000	-
GRAND TOTAL		DA/ESF	G					20,332	91,332	18,800	164,000	163,500	22,700
			L					75,118	67,118	75,200	6,000	6,500	1,000
			T					95,450	158,450	94,000	170,000	170,000	23,700
PL 480 Title I			L	-	-	-	-	-	35,000	30,000	35,000	35,000	-
PL 480 Title II 6/			G	-	-	-	-	-	6,000	441	6,000	6,000	-
Section 416 7/			G	-	-	-	-	-	10,000	-	-	-	-
Housing Guaranties 8/			L	-	-	-	-	-	15,000	-	15,000	-	-

FOOTNOTES: Table of Proposed Obligations: FY 85-87

* Project either not contained in, or changed from, FY 1986 CP.

1/ Includes reobligation of $5.0 million FN loan and $200,000 FN grant which will be deobligated from the following projects:

Integrated Rural Development	$1.2	(L)
Fish Production Systems Development	$0.8	(L)
	$0.2	(G)
Agricultural Marketing	$2.0	(L)
Agroindustrial Development	$1.0	(L)

Deobs shown in FY 85 column as non-add negative amounts (- xxx). Reobs shown in same column as non-add positive amounts (+ xxx).

2/ Pending outcome of current needs assessment, Mission will proceed to develop single management training project, either regional or bilateral, in FY 1986.

3/ Includes $250,000 for narcotics education initiative.

4/ Mission proposes conversion of $4.0 million SD loan contained in OYB for Private Development Bank to SD grant to be obligated under TCTG. ESF $4.5 million grant contained in OYB for TCTG will be reprogrammed as cash transfer grant for tourism promotion.

5/ Includes reobligation of $3.5 million SD loan to be deobligated from Energy Sector Assistance Project.

In addition to those noted above, Mission is proposing following OYB shifts/additions:

1) FN:

a) conversion of $1.0 million loan contained in OYB for JADF Technical Support and Investment to $1.0 million grant, and reprogramming of grant to Crop Diversification/Irrigation;

b) reprogramming of $300,000 (G) from JADF Technical Support and Investment to Small Farmer Prod./Mktng. OPG to support replication of successful pilot project;

c) shift of $200,000 (G) from Proposed OPGs to PD&S to cover additional design requirements and program funded PSCs.

2) HE:

a) addition of $3.0 million (G) to HMIP for initial tranche of proposed pharmaceutical procurement component;

3) EH:

a) conversion of $3.0 million loan for Basic Skills Training revolving loan component to grant for start-up of new Primary Education Assistance Project;

4) SD:

a) shift of $250,000 (G) from Proposed OPGs to PD&S to cover additional design requirements; and

5) ES:

a) addition of $60.0 million ESF grant for balance of payments support.

6/ Represents estimated world market value of surplus dairy products donated to JADF. (CP figure represents cost to USG at $0.05 per lb.). Pending final decision on monetization of Section 416 donations, commodities in future years may be provided under Section 416 rather than PL 480 Title II.

7/ Does not include value of proposed Section 416 donation of 1,400 MT of ultra high temperature (UHT) milk to Jamaica in FY 1985.

8/ Represents anticipated FY of execution of loan agreements. $15 million for FY 1985 authorized in September, 1983. Additional authorization of $15 million expected to be approved in FY 1985.

PROJECT RANKING FY 86 (ABS Table V)

($000: cumulative)

	Project Title/No.		Acct.	L/G	FY 86
1.	Prod. & Empl. VI	(0111)	ES	G	(130,000)
2.	PL 480 Title I		PL	L	(35,000)
3.	Tech.Cons. & Trng.	(0079)	ES	G	(5,000)
4.	PD&S	(9103)	FN	G	500
5.	Crop Divers./Irrig.	(0123)	FN	G	5,300
6.	PD&S	(9105)	EH	G	5,600
7.	Prim.Educ. Asst.	(0126)	EH	G	8,600
8.	PD&S	(9106)	SD	G	9,100
9.	Export Prom./Mktng.	(0130)	SD	G	11,600
10.	PD&S	(9104)	PN	G	11,639
11.	Pop./Fam.Plng.Serv.	(0069)	PN	G	14,139
12.	Reg.Sch.of Mgt./Mgt. Trng.		EH	G	17,139
13.	Trafalgar Dev. Bank	(0091)	SD	G	17,539
14.	Shelter Sect.Ins.Dev.	(0121)	SD	G	18,539
15.	Urban Sect.Tech.Asst.	(0117)	SD	G	18,939
16.	Hillside Agric.	(0101)	FN	G	19,939
17.	Basic Skills Trng.	(0083)	EH	G	21,139
18.	PD&S	(9108)	HE	G	21,179
19.	Health Mgt. Improv.	(0064)	HE	G	23,179
20.	Voluntary Sector Dev.	(0085)	EH	G	23,400
21.	Coop.Dev./Trng. OPG	(0180)	EH	G	23,900
22.	Proposed OPGs	(9999)	EH	G	24,150

	Project Title/No.		Acct.	L/G	FY 86
23.	Trafalgar Dev. Bank	(0091)	SD	L	27,150
24.	Indus. Dev. Inst.	(0118)	SD	G	27,400
25.	Kgn. Urban Dev.Found.	(0119)	SD	G	27,650
26.	PD&S	(9105)	EH	G	27,850
27.	Reg. Sch.of Mgt. Trng.		EH	G	28,850
28.	PD&S	(9108)	HE	G	28,900
29.	Health Mgt. Improv.	(0064)	HE	G	30,900
30.	Spec.Dev. Act. Fund	(0029)	SD	G	31,050
31.	PD&S	(9106)	SD	G	31,300
32.	PD&S	(9103)	FN	G	31,500
33.	Proposed OPGs	(9999)	PN	G	32,000
34.	Basic Skills Trng.	(0083)	EH	L	35,000

PROJECT RANKING FY 87 - (ABS Table V)

	Project Title/No.		Acct.	L/G	FY 87
1.	Prod. & Empl. VII	(0129)	ES	G	(130,000)
2.	PL 480 Title I		PL	L	(35,000)
3.	Tech. Cons. & Trng.	(0079)	ES	G	(5,000)
4.	PD&S	(9105)	EH	G	300
5.	Crop Divers./Irrig.	(0123)	FN	G	4,300
6.	PD&S	(9105)	EH	G	4,600
7.	Prim.Educ. Asst.	(0126)	EH	G	7,600
8.	PD&S	(9106)	SD	G	7,900
9.	Export Prom./Mktng.	(0130)	SD	G	10,000
10.	PD&S	(9104)	PN	G	10,940
11.	Pop. & Fam.Plgn.Serv.	(0069)	PN	G	13,440
12.	Reg.Sch.of Mgt./Mgt. Trng.		EH	G	17,440
13.	Shelter Sect.Ins.Dev.	(0121)	SD	G	18,440
14.	Hillside Agric.	(0101)	FN	G	21,440
15.	Basic Skills Trng.	(0083)	EH	G	22,390
16.	PD&S	(9108)	HE	G	22,430
17.	Proposed OPGs	(9999)	EH	G	22,680
18.	Coop.Dev./Trng. OPG	(0180)	EH	G	22,850
19.	Inner Kgn.Improv.Prog.	(0120)	SD	G	23,850
20.	Alt.Health Care Finan.	(0125)	HE	G	25,850
21.	Spec.Dev. Act. Fund	(0129)	SD	G	26,000

PROJECT RANKING FY 87 - (ABS Table V)

	Project Title/No.		Acct.	L/G	FY 87
22.	Trafalgar Dev.Bank	(0091)	SD	L	29,500
23.	Inner Kgn.Improv.Proj.	(0120)	SD	L	32,500
24.	Reg.Sch.of Mgt./Mgt. Trng.		EH	G	33,700
25.	PD&S	(9103)	FN	G	33,900
26.	PD&S	(9106)	SD	G	34,100
27.	Proposed OPGs	(9999)	PN	G	34,600
28.	Proposed OPGs	(9999)	SD	G	35,000

GRAY AMENDMENT

The Gray Amendment requires that 10 percent of all FY 84 and FY 85 Development Assistance Funds be made available for goods and services provided by minority and women-owned enterprises regardless of their size. Such enterprises include historically Black Colleges and Universities (HBCUs) and Private Voluntary Organizations (PVOs) controlled by individuals who are Black, Americans of native Origin and individuals who are otherwise economically and socially disadvantaged. Firms qualifying as "Section 8 (a)" firms may also be included within the Gray Amendment guidelines.

Mission Policy

USAID/Jamaica's Standard Operating Procedure (SOP) 506 is designed to ensure that appropriate development funds are utilized in accordance with the Gray Amendment:

The SOP 506 establishes the following specific procedures and responsibilities to implement the goals of the Grey Amendment.

1. Project Officers and all other Mission personnel engaged in the design of A.I.D development activities are required to give serious consideration, in the design stage, to the involvement of minority and women-owned enterprises in the provision of goods and services.

2. PIDs, PPs, Grants and Cooperative Agreements are to contain a contracting plan which describes the types of procurement contracts (Host Country or direct A.I.D) proposed and the types of organizations to which contracts will be awarded. Particular emphasis should be given to identifying prospective procurement contracts for technical services, commodities and construction, as well as separable elements carried out through contracts with small, minority-owned, and/or women-owned business firms, including "Section 8 (a)" firms who meet the above tests.

3. Where Host Country contracting is utilized for the procurement of goods and services for a particular project, the relevant USAID Project Officer is responsible for providing, through Project Implementation Letters, the relevant information on minority and women-owned firms to counterpart host country project personnel.

4. One of the special circumstances to be taken into account when deciding between Host Country or A.I.D. direct contracting is whether a proposed procurement can be performed by a qualified socially or economically disadvantaged firm under Section 8 (a) of the U.S. Small Business Act. In such a situation, A.I.D. would contract

directly with the U.S. Small Business Administration, which sub-contracts with a "Section 8 (a)" firm, and host country contracting procedures would not be employed.

5. All PIDs,PPs, Grants and Cooperative Agreements will be reviewed by the USAID/J Executive Committee to ascertain whether a contracting plan has been included which demonstrates adequate consideration for, and the actual provision of, opportunities for HBCUs, minority and women-owned enterprises and PVOs controlled by Black Americans and individuals who are otherwise disadvantaged, including "Section 8 (a) firms.

6. Project Officers are required to review future procurement actions under their approved projects for Gray Amendment compliance.

7. The Office of Project Development and Support will monitor Mission compliance with the Gray Amendment in all design and implementation aspects of the USAID/J development assistance projects, and will maintain a log of all contracts awarded, both qualifying and non-qualifying, in cooperation with the Contracting Officer.

Mission Compliance with Gray Amendment Requirements

1. At the present time the Mission is utilizing the services of Ronco Corporation. Ronco currently has mission contracts of US$4,112,030, and another amendment of their contract will introduce a further US$77,255, bringing the total contract amount to US$4,189,285. Ronco is involved with the Agricultural Marketing , Agro 21 and Basic Skills Training projects, as well as providing technical assistance to the National Union of Cooperative Societies.

2. In the recent past Mission has utilized the services of two other firms qualifying under the Gray Amendment: (a) A.L. Nellum Corp; and (b) Creative Associates. The former was engaged, from FY 1980 to FY 1984, to provide technical assistance to the Agricultural Planning Project for a total amount of US$1.3 million. Creative Associates has been used on four occasions since 1984 to perform project evaluations in the education sector amounting to US$80,000.

3. The Mission does not currently utilize the services of any Historically Black Colleges and Universities (HBCUs). However, the following HBCUs are providing services to the University of the West Indies under centrally funded contracts: (a) Lincoln University; (b) Florida A&M; and (c) Texas A&I.

4. The contract for technical assistance for the Agricultural Education project will be awarded to a Title XII institution. Extra points will be awarded in the evaluation criteria for technical proposals involving joint ventures with HBCUs.

5. In FY 1986-87, USAID/J will continue to build upon its past record, and to seek opportunities to expand its use of qualified Gray Amendment consulting firms and PVOs as well as HBCUs, for project design, evaluation, and implementation activities. The Hillside Agriculture Development Project will involve considerable technical assistance and PVO participation. In the area of private sector support, the Mission will continue to use TCTG to fund services which frequently can be provided by minority and/or women owned firms. The proposed Export Promotion and Marketing Development Project will also offer similar opportunities for qualified firms. Further, a number of project evaluations, surveys and assessments scheduled during the planning period will help the Mission to meet its Gray Amendment targets.

The addition of a full time Contracts Officer to the USAID staff in May, 1985, will greatly facilitate Mission compliance with provisions of the Amendment. Finally, it should be noted that the recently completed assessment of Mission performance in this area, conducted by The Omega Group, Inc., was favorable. Although a final report has not yet been received, an exit interview with the consultants indicated that goals had been met. Recommendations expected to be included in the report will help the Mission to improve upon its already satisfactory performance.

STAFFING NARRATIVE

Requirements

In anlyzying the personnel requirements to implement the $170 million program (plus PL 480) described in this Action Plan, Mission Management has determined that a minimum of 25 USDH positions is needed. These will be supplemented by five OE funded and six program funded U.S. personal services contractors.

USAID will continue at its present level of 23 USDH throughout the remainder of FY 1985 and most of FY 1986. By the end of FY 1986, however, when the two IDI's currently assigned to Jamaica will be incorporated into the Mission ceiling, the two additional FTE positions will be required. These requirements are reflected in the following USDH position listings, PSC descriptions and Table VIII estimates.

Justification

The USAID/J portfolio has grown in size and complexity during the FY 1981-85 period, from a $2.7 million DA and $10.0 million PL 480 Title I effort in FY 1980, to the currently approved $70.0 million ESF, $25.5 million DA and $35.0 million Title I program. The Mission is also managing a complex Title II and 416 program. The number of DA financed projects has increased from seven in 1980 to 23 (including OPGs) at present. The number of FTE positions, however, has increased by only five, from 18 in FY 1980 to 23 in FY 1985.

Underlying the quantum increase in the overall size of the program, as well as the number and diversity of projects, has been the high level, well publicized, U.S. interest in the success of the Seaga Government's economic recovery program. Concurrent with this interest has been greatly heightened "visibility" of the AID program in Jamaica. This, in turn, has brought about heavier analytical and reporting requirements, numerous inquiries from potential investors, particularly relative to CBI possibilities, increased media and Congressional interest, unsolicited proposals from PVOs, universities and consulting firms, and a growing number of Agency requests for Mission concurrence for inclusion of Jamaica in centrally funded activities and the inevitable, later requests for Mission input into evaluations of said activities. In sum, the demands on staff time have increased far more than indicated even by the much larger project portfolio and assistance levels. (The Mission henceforth will be discerning to the extreme in respect to application in Jamaica of centrally funded projects.)

The reprogramming of available funding reflected in the Action Plan will involve still heavier demands on staff time, especially over the next several months. In order to respond to these demands and effectively manage the proposed program, the Mission intends to implement the following adjustments in FY 1985-86 with AID/W concurrence/approval as necessary.

1. Conversion of one USDH Private Sector Program Assistant position to an Associate Director for Operations in the Office of the Director.

2. Recruitment of five, OE funded U.S. PSC's, four of whom will be locally hired, to:

   a) monitor the food assistance program, including PL 480 Title I, Title II (JADF) and Section 416;

   b) assist in economic and financial analysis related to policy dialogue;

   c) provide additional project implementation staff support;

   d) assist in the management of Mission credit programs; and

   e) provide additional secretarial support for the Offices of the Director and Program and Economic Planning.

3. Recruitment of six, program funded U.S. PSC's or PASA's, to assist in the management of the following projects:

   a) Agricultural Education (replaces JCC project manager);

   b) Hillside Agriculture/Environmental Profile;

   c) Crop Diversification/Irrigation;

   d) Regional School of Management/Management Training;

   e) Trafalgar Development Bank; and

   f) Export Promotion/Market Development.

4. Recruitment of three, OE funded FSN PSCs to provide staff support to Project Officers in project design, implementation and monitoring.

5. Increase of USDH staff during FY 1986 to add one Economist (IDI) and one Project Development Officer (IDI), and conversion of USDH Account/Financial Analyst position to Program Officer.

In implementing these proposed changes, the Mission will utilize the GOJ/USAID Trust Fund insofar as possible to cover increased OE costs, and will use program grant funds where appropriate.

USDH POSITIONS BY OFFICE- FY 1986

Position No.	Title
OFFICE OF DIRECTOR:	
1015	Mission Director
1018	Deputy Director
	Associate Director/Operations
1024	Executive Assistant
OFFICE OF MANAGEMENT OPERATIONS:	
1043	Management Officer
OFFICE OF CONTRACT MANAGEMENT:	
1064	Contract Officer
OFFICE OF PROGRAM & ECONOMIC PLANNING:	
1060	Economist
3022	Program Op. Officer
OFFICE OF PRIVATE ENTERPRISE DEVELOPMENT:	
2004	Priv. Sec. Devel. Off.
2008	Asst. P.S.D. Officer
OFFICE OF PROJECT DEVELOPMENT SUPPORT:	
3040	Project Dev. Officer
3042	Deputy Proj. Dev. Off.
OFFICE OF ENGINEERING & ENERGY:	
4028	Engineer
OFFICE OF CONTROLLER:	
5004	Controller
5010	Budget & Acct. Officer
5020	Acct./Fin. Analyst
OFFICE OF AGRICULTURE & RURAL DEVELOPMENT:	
6013	Agri. Dev. Officer
6018	Asst. A.D.O.
6024	Asst. A.D.O.
OFFICE OF HEALTH, NUTRITION & POPULATION:	
8026	H.N.P. Division Officer
8030	Public Health Advisor
OFFICE OF EDUCATION & HUMAN RESOURCES:	
8013	Human Res. Dev. Officer
8022	Program Analyst

FNDH POSITIONS BY OFFICE- FY 1986

Position Title

OFFICE OF MANAGEMENT OPERATIONS:
Chauffeur/Messenger

OFFICE OF PROGRAM & ECONOMIC PLANNING:
ECON Program Assistant
OPPD Program Assistant
OPPD Secretary

OFFICE OF PRIVATE ENTERPRISE DEVELOPMENT:
Program Assistant

OFFICE OF PROJECT DEVELOPMENT SUPPORT:
Program Assistant

OFFICE OF ENGINEERING & ENERGY:
Secretary

OFFICE OF CONTROLLER:
Supervisory Accounting Technician
Accounting Technician
Accounting Technician
Cashier

OFFICE OF AGRICULTURE & RURAL DEVELOPMENT:
Program Assistant
Program Assistant
Secretary

OFFICE OF HEALTH, NUTRITION & POPULATION:
Program Assistant
Secretary

OFFICE OF EDUCATION & HUMAN RESOURCE:
Program Assistant
Program Assistant
Participant Training Assistant

U.S. AND F.N. PSCs BY OFFICE

FY 1986

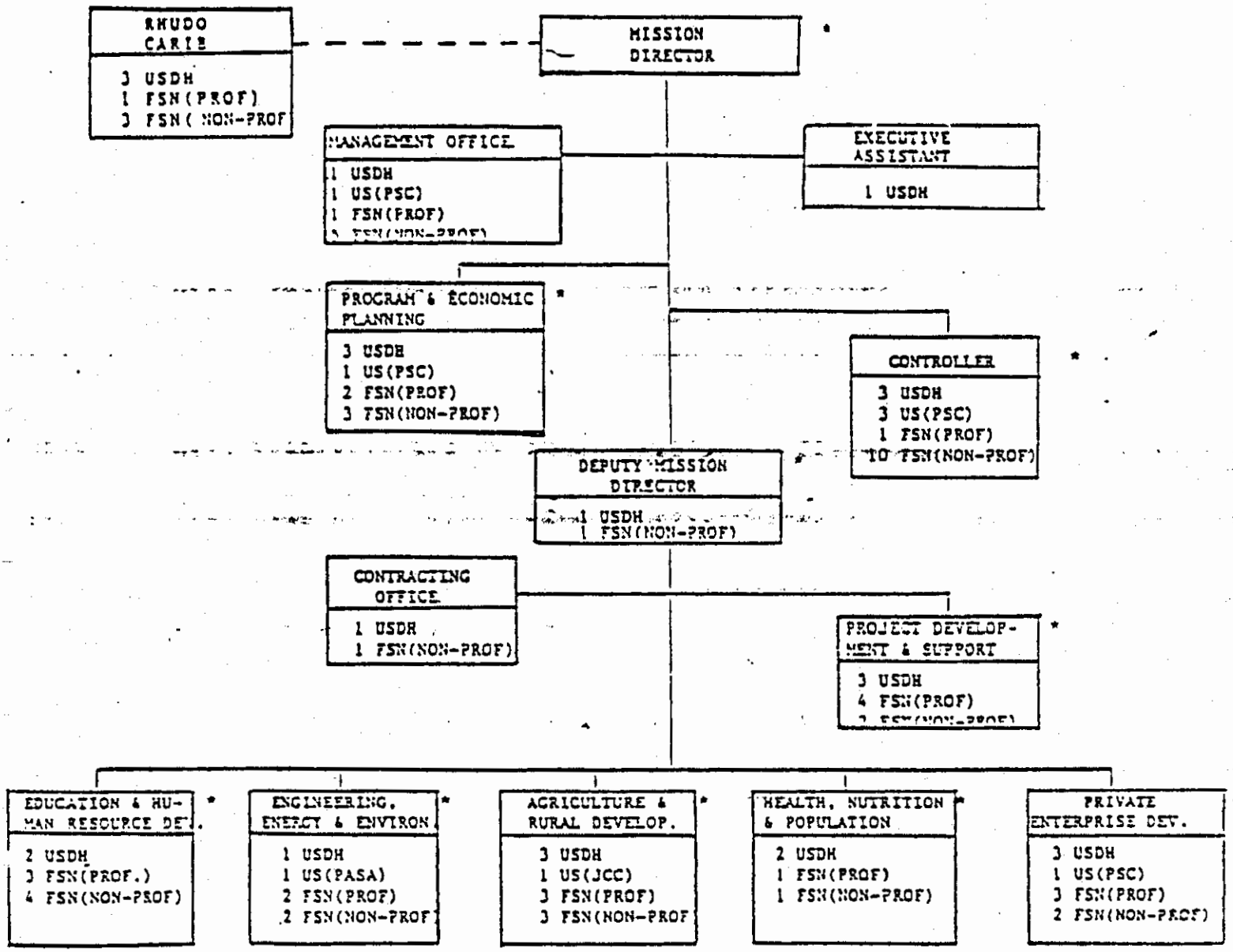
Position	Incumbent	US/FSN	Funded by	Description
OFFICE OF DIRECTOR:				
D/DIR Secretary	Myers, C.	FSN	OE	Secretarial duties
Director's Chauffeur	Coley, L.	FSN	OE	Chauffeur
OFFICE OF MANAGEMENT OPERATIONS:				
Secretary	Daniels, E.	FSN	OE	Secretarial duties
Admin. Management Specialist	Masters, P.	FSN	OE	Assists Mgmt. Officer, liaises with JAO/GSO
C&R Supervisor	Leonard, K.	US	OE	Supervises C&R operation
C&R Records Clerk	Lawson, A.	FSN	OE	Logs/assigns action/distributes cables/correspondence in C&R
C&R Mail Distribution Clerk	Henry, D.	FSN	OE	Receives, sorts and distributes mail
Xerox Operator	Beasley, C.	FSN	OE	Operates/maintains copying machine, distributes copies to offices
Receptionist	Ingram, Y.	FSN	OE	Logs visitors/issues security passes
Shipping Clerk (GSO)	Hamilton, J.	FSN	OE	Monitors shipment of HHE, HAB, POV, etc. for U.S. employees
Maintenance Man (GSO)	Hibbert, T.	FSN	OE	Monitors administrative contracts for offices, residences
Librarian		FSN	OE	Sets up and operates USAID library
Computer Systems Administrator	Kim, A.	US	OE	Operates VS 90 computer
OFFICE OF CONTRACT MANAGEMENT:				
Procurement Specialist/Secretary	Johnson, L.	FSN	OE	Drafts P.O.s and contracts; secretarial duties
OFFICE OF PROGRAM & ECONOMIC PLANNING:				
ECON Secretary	Mackay, K.	FSN	OE	Secretarial duties
OPPD Secretary	Baker, R.	FSN	OE	Secretarial duties
Food Assistance Specialist	Winn, T.	US	OE	Monitors P.L. 480 Title I/II and Section 416 programs
International Finance Specialist	Ahimaz, M.	US	OE	Assists in economic analysis for posicy dialogue
Secretary		US	OE	Secretarial duties, including typing of classified documents
OFFICE OF PRIVATE ENTERPRISE DEVELOPMENT:				
Secretary	Veira, T.	FSN	OE	Secretarial duties
Assistant Private Sector Officer	McLeod, M.	FSN	OE	Liaise with private sector organizations, appraise proposals for private sector development
Secretary	Silburn, H.	FSN	OE	Secretarial duties
Industrial Specialist	Lowe, J.	FSN	OE	Interact and consult with industrial organizations to recommend resource inputs for specific industrial development projects
Industrial Development Specialist	Wahlburg, D.	US	PROG	Interact and consult with industrial organizations to recommend resource inputs for specific industrial development projects
Banking Specialist		US	PROG	Manages Trafalgar Development Bank project
Export Development Specialist		US	PROG	Assists in implementation of Export Development Program

U.S. AND F.N. PSCs BY OFFICE

FY 1986

Position	Incumbent	US/FSN	Funded by	Description
OFFICE OF PROJECT DEVELOPMENT SUPPORT:				
Secretary	Henry, R.	FSN	OE	Secretarial duties
Secretary	Thompson, E.	FSN	OE	Secretarial duties
Senior Project Analyst		FSN	OE	Consult on program design and development
Project Analyst		FSN	OE	Consult on program design and development
Project Analyst		FSN	OE	Consult on program design and development
Project Implementation Specialist		US	OE	Advises/assists in project implementation
Banking Specialist		US	OE	Liaises with Ag. Credit Bank, Nat. Dev. Bank, JADF & Trafalgar Dev. Bank
OFFICE OF ENGINEERING & ENERGY:				
Energy Program Assistant	Dodd, N.	FSN	OE	Monitors Energy Project
Engineer	Payne, A.	FSN	OE	Provides engineering input to projects
Engineering Secretary	McLlaw, K.	FSN	OE	Secretarial duties
OFFICE OF CONTROLLER:				
Accountant	Jacobs, R.	US	OE	Performs financial reviews of projects, prepares general assessments, contract reports
Voucher Examiner Supervisor		US	OE	Reviews vouchers for correctness, maintains voucher log, corresponds with vendors, trains and evaluates subordinates
Secretary	Richards, J.	FSN	OE	Secretarial duties
Secretary	Cox, F.	FSN	OE	Secretarial duties, prepares T&A submission to AID/W, types schedules
Accounting Technician	Scott, B.	FSN	OE	Maintains accounting records for loan projects
Voucher Examiner	Hucey, C.	FSN	OE	Processes vouchers for payment
Accounting Maintenance Clerk	Johnson, C.	FSN	OE	Maintains accounting records for regional projects, prepares outstanding advance reports, accounts receivalbes ledger and report
Voucher Examiner	Cunningham, D.	FSN	OE	Processes vouchers for payment
Accounting Maintenance Clerk	Jones, J.	FSN	OE	Maintains accounting records for grant projects
Voucher Examiner	Martin, C.	FSN	OE	Processes vouchers for payment
OFFICE OF AGRICULTURE & RURAL DEVELOPMENT:				
Program Assistant	Rochester, V.	FSN	OE	Monitors agricultural projects
Secretary	Hamilton, A.	FSN	OE	Secretarial duties
Secretary	Ferguson, K.	FSN	OE	Secretarial duties
Program Assistant	O'Connor, T.	US	PROG	Monitors agricultural projects
Program Assistant		US	PROG	Manages Hillsides Ag./Environmental Profile activities
Program Assistant		US	PROG	Assists in Crop Diversification program
OFFICE OF EDUCATION & HUMAN RESOURCE:				
Training Program Assistant	Rigazio, M.	FSN	OE	Monitors participant activities
Management Training Specialist		US	PROG	Monitors Management Training projects
Secretary	Poulton, C.	FSN	OE	Secretarial duties
Secretary		FSN	OE	Secretarial duties
Secretary	Sarin, J.	FSN	OE	Secretarial duties

USAID/JAMAICA ORGANIZATIONAL CHART *1/



KEY TO ABBREVIATIONS:

PROF. Professional
NON-PROF- Non Professional

* Mission Executive Committee

USAID/JAMAICA
Effective JANUARY 1985

*1 Reflects FY1985 Organizational Chart. Revised FY1986-87 Chart will be submitted with ABS.