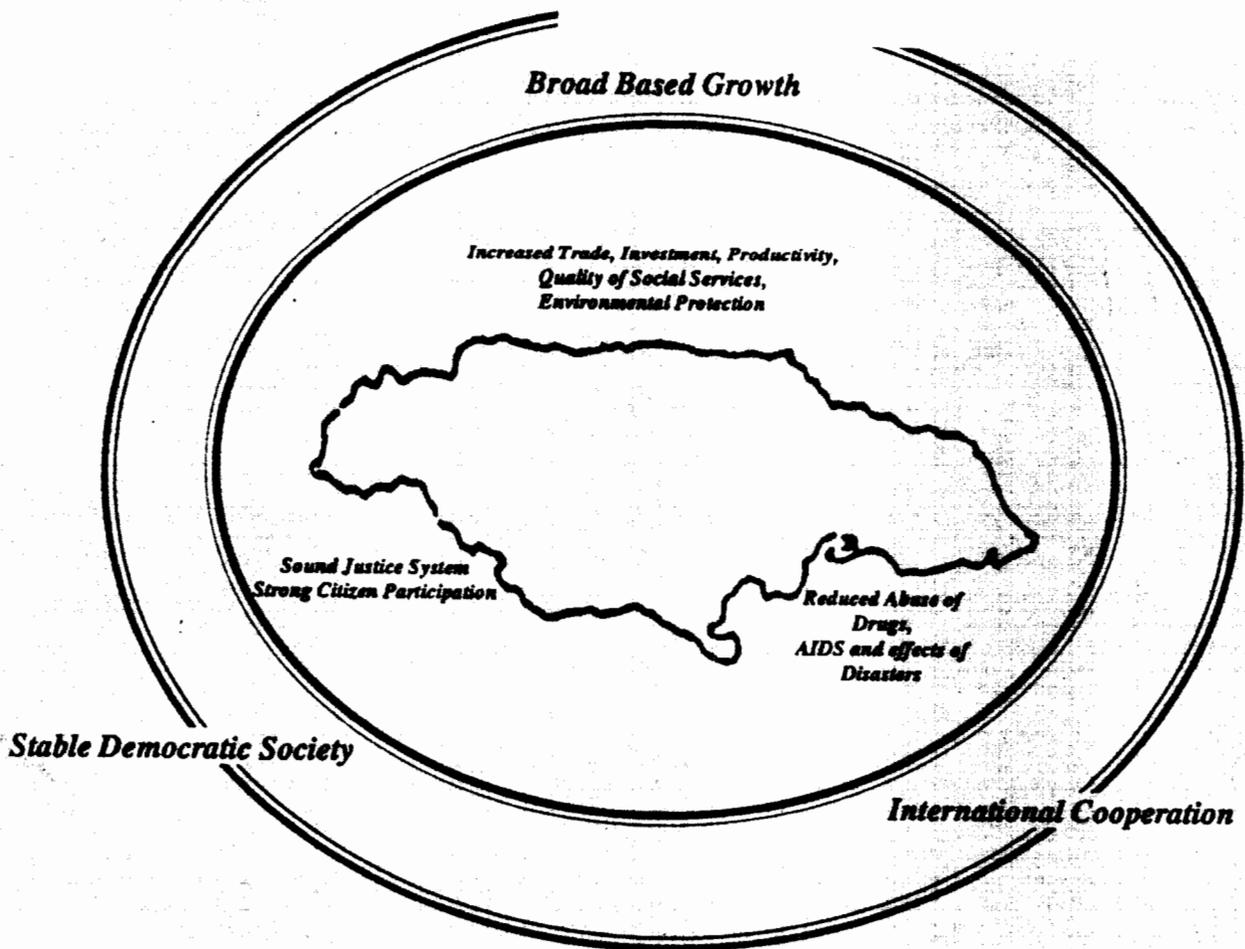


ACTION PLAN - FY 92/93

FOR

JAMAICA



UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT

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I. Relationship of the Bureau Objectives to the Country Strategy

A. Status of the Policy Dialogue

1. The Policy Setting

In the mid-80's, faced with an economy that was producing ten percent less than the output of fifteen years previously and becoming increasingly dependent on external loans and grants for survival, the Jamaican government began a cautious, but earnest attempt to revamp and revive the economy. Jamaica's major creditors - the IMF, the World Bank, and AID - worked closely with the GOJ to unwind the inward looking economic policies of the past and place the Jamaican economy squarely and solidly on the path to private sector led, export oriented growth.

Using a combination of policy dialogue - backed up by ESF cash transfers and PL 480 commodities - and DA funding of technical assistance, AID supported the GOJ in the reform process through policy analysis and support on a number of fronts. AID was particularly effective with privatizing and it assisted the GOJ in moving out of cement production, banking, hotel ownership, telecommunications, and a host of smaller scale enterprises involved in manufacturing and distribution. With AID's assistance, the government has sold, or leased long term, some 50,000 acres of farm land, raised its fees for irrigation, moved many hospital and health support services into the private sector and deregulated the distribution of petroleum products. Although not solely dependent on US assistance, the above achievements, and a host of similar privatization activities, are the unmistakable legacy of AID's involvement. At first slowly, and now more rapidly, the Jamaican bureaucracy is shrinking in size and power, and government presence in the productive sector is dwindling.

An impressive array of policy reforms are already in place. Tariffs have been lowered (drastically for some imports), quantitative restrictions are few, and most untargetted food subsidies and price controls are gone. Virtually all remaining public sector enterprises are for sale, except for those associated with national insurance or housing schemes, and even those are coming under closer scrutiny. Rates and fees charged by public sector companies are being sharply increased, as are the charges for identifiable costs of traditional government services.

2. Progress Toward Policy Objectives

To support and accelerate the continuation of the reform process, over the past year USAID stressed the following policy objectives under its ESF cash transfer, PL 480 and DA assistance program: 1) To liberalize the foreign exchange regime to increase private sector access to foreign exchange; 2) to reduce the government's direct role in economic activity, primarily through continued divestment or closing of public enterprises while building private capacity; and 3) to improve remaining government services through decentralization, better cost sharing and tax reform to increase revenue.

The key agenda items in support of these objectives were: 1) Bank of Jamaica establishment of a market driven foreign exchange trading at commercial banks; 2) completion of sale of remaining government-owned hotels, phasing out of the Jamaica Commodity Trading Corporation (JCTC), and central coordination and management of privatization activities, 3) implementation of the General Consumption Tax (GCT), 4) adoption of decentralized management and financing principles within the Ministries of Health and Education, and 5) working to institute a viable interest rate and cost recovery policy for the housing sector through our housing guarantee program.

Significant progress was achieved with the institution of an interbank foreign exchange system in September, 1990. Although restrictions on free exchange still apply, and the bulk of foreign exchange (three-fourths or more) continues to go to the central bank for official use, the rate - including that for funds purchased by the BOJ - is determined generally by market forces. Progress was evident also in government privatization efforts as remaining hotel interests are being sold as planned, and coordination of sale/long term lease of a broad array of factory properties and land was vested in the National Investment Bank of Jamaica, and - when that proved to be less effective than anticipated - directly under the Prime Minister. In support of strong verbal commitments to an accelerated pace of divestment by the Prime Minister and the Deputy Prime Minister (who was made also Minister of Finance) the government sold its remaining shares in Telecommunications of Jamaica, is considering plans to sell Air Jamaica and has expressed willingness to divest the publically owned railroad, facilities at the Montego Bay Airport, and other properties. The government also is encouraging public/private ownership wherever possible, including private generation of electrical power with sale to the public grid. Under some pressure from the private sector as well as AID and the IDB-IBRD, the government likewise began to address seriously the politically thorny issue of JCTC, agreeing to an A.I.D. financed study of mechanisms for private sector procurement of PL 480 food commodity imports initiated in January, 1991 and generally exploring alternatives for phasing out JCTC's monopoly role in importing automobiles, pharmaceuticals, and certain building materials.

Although repeatedly deferred in the past, the GCT maybe nearing Parliamentary approval, although it continues to face strong opposition from special interest groups. The AID financed Revenue Board Project has helped develop the institutional structure required to administer and enforce the tax. AID-financed training of revenue agents has been directed toward GCT collection, and the appropriate taxpayer registration and information have proceeded despite the legislative delay.

In the health sector, the GOJ made a major policy decision to decentralize health services and will be phasing in individual hospital boards as the major locus of management. The Ministry of Health has increased collections of user fees to augment increased revenue for health facilities. Divestment activities continued as contracts for catering, laundry and portering services were advertised for Spanish Town Hospital. The Ministry of Health is committed to replicating divestment of hospital services throughout the health system.

USAID's policy dialogue in the education sector has benefitted from AID-financed research on the effectiveness and efficiency of the education system, pilot efforts to measure costs and benefits of decentralization of the school system, and policy studies to provide both the GOJ and USAID with a broader range of options for improving education and job skills training and making it more demand driven. The successful School/Community Outreach Program for Education (SCOPE) demonstrated the advantages of a community based school maintenance and support system. These efforts indicate that enhancing local initiative and more effectively involving the private sector result in expanding the resource base for supporting educational improvement, better addressing the felt needs of local communities, and improving the delivery of education through greater and better local management of educational affairs.

In the housing program, we successfully encouraged the National Water Commission to improve collections of user fees but progress has been slow towards rationalization of highly subsidized interest rates for shelter related loans. Sustainability of the housing program was further threatened by failure of the Ministry of Finance to compensate the implementing agency under HG-012 for losses due to subsidized credit and exchange rate fluctuations. The Mission continues to work closely with top GOJ officials to resolve these and related issues identified in a 1990 RIG audit of HG-012.

3. Priority Policy Areas for FY91-93

The above policy thrusts are important to the sustained, broad-based economic growth of Jamaica, are areas where we continue to have an important impact, and are fully consistent with Bureau Objectives. We accordingly plan largely to "stay the course" on our current agenda, and support aggressively further liberalization in the foreign exchange regime; reductions in the government's role in the productive sector; policies and actions that increase the private sector's role and ability to power the economy; more decentralized and responsive government services; and active local community involvement in the development process. We will support reforms in these areas with balance of payments support and policy dialogue, policy analyses, and targetted project inputs such as technical assistance, training and other support.

Foremost on the macro policy agenda is further liberalization of the trade and exchange regime. This will require that the Bank of Jamaica stop managing the current foreign exchange spot rate. Dialogue in support of this effort will include measures to bring about even greater flows of funds through the new exchange's futures market; reductions in the categories of foreign exchange specifically reserved for the BOJ; a lower percentage take for BOJ from the interbank market; and continued transfer of the management of foreign exchange related paperwork to commercial banks.

Concurrently, USAID will support measures aimed at a growing independence of the central bank, and more pronounced separation of monetary and fiscal policies. It is essential that the Bank be more independent of political involvement, and be more aggressive with respect to protecting the integrity of the banking system, to support growing separation of monetary and fiscal policy. Over the Action Plan period, USAID will attempt to reduce constraints on development of longer-term government debt instruments, and encourage active participation of the Ministry of Finance in debt structuring and management. In part this problem must be addressed through the buildup of adequate analytical staff and decision making authority in this Ministry. Policy dialogue for liberalizing access to bond trading and relieving government processing requirements will be pursued under our program in FY 92-93. On a parallel track USAID will provide support to institutions and regulatory bodies to encourage private Jamaican capital markets development.

In other areas, passage of appropriate GCT legislation and smooth implementation of the tax are priority agenda points. As the year progresses, tax reform emphasis will shift back to completing the third leg of the tax reform stool, namely the integration of payroll taxes into an improved, and further refined, income tax system that is linked to a fully functioning GCT. Privatization will remain firmly on the policy reform agenda, with both its traditional emphasis on continued divestment and a new emphasis on bringing market oriented decisionmaking to entrenched public sector activities in energy and transportation. Support for pro competition legislation and consumer protection regulation will be an integral part of this agenda.

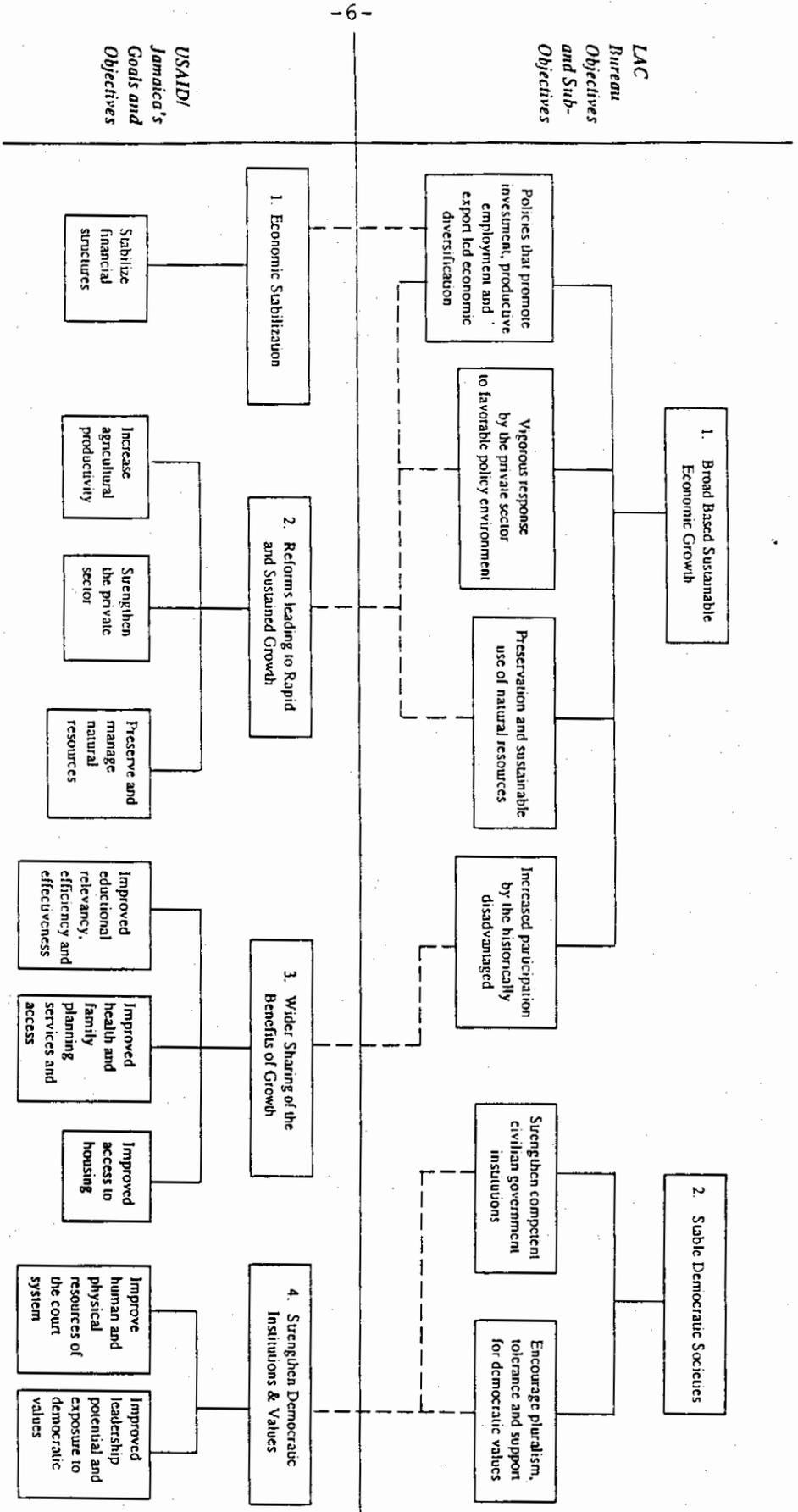
B. Relationship of Existing CDSS and Policy Dialogue to Bureau Objectives

USAID's 1989-93 CDSS focuses on the need to stabilize Jamaica's fragile economy while establishing a sound basis for rapid and sustained economic expansion through increased agricultural production, preservation of the environment, and private sector led growth. Wider sharing of the benefits of growth through sound and sustainable approaches to education, health, population and housing is another key goal of the CDSS, as is strengthened democratic institutions centered on an improved justice system.

This basic strategic thrust remains sound and is generally consistent with the Bureau's Objectives. There are close relationships between USAID's Goals of (1) economic stabilization, and (2) reforms leading to rapid and sustained growth; and Bureau sub-objectives stressing (1) policies to promote investment, productive employment and export-led economic diversification, (2) the vigorous response of the private sector and (3) preservation and sustainable use of natural resources. Likewise, USAID's Goal of wider sharing of the benefits of growth links closely with the Bureau's sub-objective of increased participation by the historically disadvantaged. Finally, USAID's Goal of strengthening democratic institutions and values relates to the Bureau's sub-objectives of strengthening civilian government institutions and encouraging pluralism and support for democratic values. USAID's policy agenda is focussed on improving the macro and sectoral policy environment for sustainable broad based economic growth led by the private sector, and our project portfolio contributes to the reform process in a variety of ways. Figure 1 shows the linkages between the CDSS goals and objectives, and the Bureau's objectives and sub-objectives.

Although we are generally satisfied that our current CDSS provides an appropriate strategic framework for the present, we are making important changes in emphasis. These changes are in response to sharpened Bureau priorities as well as new Administration programs

FIG. 1 RELATION OF BUREAU OBJECTIVES TO USAID/JAMAICA'S OBJECTIVES



such as the Enterprise for Americas Initiative, shifting priorities in Jamaica, reductions in resource levels and current levels of Congressional earmarking. Our Action Plan will place increasing emphasis on the following:

- expanding trade and investment through improving the overall investment climate; making policy, procedural, and regulatory changes conducive to business and export development; and overcoming production, financial and marketing constraints;
- deepening our involvement in the environmental protection and natural resource management area;
- reinforcing trends toward sustainability, decentralization, cost-sharing, and privatization in the provision of better education and health services;
- promoting local participation and pluralism particularly at the community level;
- contributing to stronger democratic institutions through an upgraded and more sustainable system of justice;
- maximizing leverage from declining resources and consolidating our portfolio into a less resource and staff-intensive package.

Activities in these priority areas will largely drive our program during FY 91-93 to promote rapid, broad-based and sustained growth within a stable democratic society. We plan to concentrate on these areas of emphasis because they present excellent opportunities to consolidate our program around high priority Bureau and Jamaican development objectives, and they represent areas where experience has shown we have good potential to effect important change. Concentration on these areas will also help us to better support and respond to the opportunities that will be opened for Jamaica through the Enterprise for the Americas Initiative while helping to assure that all levels of society can become active partners in development. Our overall goal in emphasizing these programmatic thrusts is to move toward a more streamlined portfolio that will allow us to do fewer things, and do them very well.

These changes in emphasis and closer program realignment to Bureau goals dovetail well with emerging priorities of the GOJ. Prime Minister Manley, in his 1991 New Year's message to the nation, announced a four point program to improve production through increased reliance on the private sector. Main elements of the new strategy include: 1) urging private agencies to take over many government-owned businesses, including some factories, commercial operations and

services; 2) liberalizing policies and restrictions to reduce stumbling blocks to production; 3) streamlining functions to cut out unnecessary areas of government, simplify procedures, and decentralize the system where possible; and 4) increasing the focus on the development of human resources such as education and health services. The GOJ has also made clear its intent to conclude early cooperative agreements with the USG on all aspects of the Enterprise for the Americas Initiative (EAI). Working within the context of a broader USG Country Team, A.I.D.'s policy dialogue and project activities will directly support the EAI's trade, investment, debt reduction and environmental enhancement objectives.

The key areas of USAID's evolving programmatic emphasis noted above are consistent with the current CDSS. However, USAID has concluded that our priorities are shifting enough within the CDSS to warrant a fresh look at our strategic framework. We expect to do this between now and early FY 1992, and produce a new CDSS that will govern preparation of next year's Action Plan.

The Work-plan in Table I shows actions we anticipate over the next year to help achieve the Strategic Objectives and contribute to Bureau Objectives. Table III shows the relationship between the Strategic Objectives and Bureau objectives. We look forward to Bureau assistance in early FY 92 to arrange for the MSI consultant team to help refine the Strategic Objectives.

II Performance Related to LAC Bureau Objectives

In the ensuing sections we discuss performance over the past year as it relates to Bureau objectives, organized under the CDSS Goals. Because the strategic objectives have only recently been developed, no attempt has been made to discuss last year's progress in relation to the new strategic objectives.

A. Bureau Objective: Broad Based Growth

1. Increased Agricultural Productivity

USAID efforts in agriculture over the Action plan period have focused on an agriculture and natural resource strategy for sustainable agricultural development. Assuming relief from travel controls, we plan to complete a comprehensive portfolio assessment and strategy in the spring of 1991, which will provide the basis for better focusing future efforts in the Agriculture sector.

Agricultural production in most crops of interest to AID have increased over the past several years although yields are still below those obtained in some other areas of the Caribbean for comparative subsectors. During the period 1986 - 1990, there was a marked increase in production of aquaculture, banana, coffee, milk (dairy) and poultry (See Table below). In 1990 all the subsectors experienced growth patterns above the pre-hurricane Gilbert period (1988) with the exception of coffee which is still below the 1987/88 production level. Poultry and banana have made the most significant increases of all the subsectors. USAID projects contributed to increased production in a variety of ways as discussed below.

Agricultural Production for Selected Crops

<u>Crops/Livestock</u>	<u>Unit</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Aquaculture	lbs.	3,170	4,667	6,000	5,984	7,500
Milk	qrts.	16,000	19,000	20,900	21,000	21,500
Poultry	lbs.	68,856	83,105	75,413	85,000	124,000
Banana	tons	21	34	28	43	75
Coffee	kg.	27	28	41	15	25

N.B. 1990 figures are preliminary

Under the on-going Crop Diversification/Irrigation Project approximately 85% of the planned irrigation structure is complete and water delivery to farmers has increased twofold. GOJ has approved an increase of 100% in water rates in the Project area. Additional work with the farmer beneficiaries is needed to help assure increases in yields from the additional water, and this objective will be pursued under the small farmer linkage component.

The Agricultural Export Services Project funded workshops on opportunities for exporting to the U.S., and on biocontrol and proper pesticide use. Approximately 1/3 of the participants were women. The workshop on Export Marketing will result in the publication of a manual providing comprehensive information on agricultural export requirements.

A mid-term evaluation conducted for the Agricultural Research Project recommended continued support to agricultural research at least through the current PACD. The research program produced new techniques for control of sigatoka disease of bananas and the biocontrol of root weevil. These new techniques can reduce production costs up to 50% for bananas and increase coffee, cocoa and root crop production by 10-20%.

The Agricultural Education Project has overcome major delays in construction and should complete all facilities by August 1991. To ensure sustainability, the College of Agriculture Foundation was established under the Project. Initially funded under the Project, the Foundation will seek other sources of income for its future operations. The Project's contributions to agricultural production will be long term, and will be assessed during a 1993 evaluation.

The Hillside Agriculture Project successfully achieved a number of objectives during the year. There have been dramatic increases in productivity through utilization of proper orchard management techniques, with production doubling for many farmers involved in the Project. Increased use of tree crops has led to reduced tillage, reduced use of pesticides, increased ground cover and increased organic matter in the soil. The Project has led to a significant increase in cocoa in the Rio Minho Valley. Besides working towards the goal of increasing the productivity of economic tree crops among small farmers, the Project is contributing to a gradual shift away from the destructive plowing of steep hillsides for short term crops towards a more permanent and profitable cropping system based on perennial crops.

2. Strengthening the Private Sector

USAID's private sector program continues to benefit from the four major assessments undertaken in 1988-89 covering small business environment, feeder industries, the export marketing process, and financial markets. Assessments revealed the importance of focussing on Jamaican-based constraints to exports and investment, and taking an integrated approach that addresses several constraints simultaneously. These findings were employed to develop the Export Development and Investment Promotion Project (EDIP) and re-direct remaining resources under the Technical Consultations and Training Grant (TC&TG) during the year.

The Mission utilized TC&TG resources to help structure improved policies on agricultural prices, tariff and duty structures, privatization, foreign exchange liberalization, and fiscal and monetary controls. Also, a computerization program supported by TC & TG at the Ministry of Finance will substantially enhance their capacity to conduct policy analysis and manage fiscal affairs.

Breakthroughs supported by AID in 1990 included greater foreign exchange accessibility and commitment to new pro-competition legislation. The Mission has been seeking greater competition at all levels of the economy, especially in the financial sector to strengthen the impact of market-led reforms. In this regard we financed a high-level study tour and subsequent technical assistance which we financed in 1990 to draft new legislation to promote business competition and fair trade practices. New legislation is now pending on pro-competition, banking, and financial services which in aggregate will substantially enhance the impact of the privatization and restructuring reforms undertaken so far.

Initiated under TC&TG and now expanded under EDIP, the Mission has provided strong support to the GOJ's privatization program which has reduced GOJ debt obligations, returned under-utilized assets to productive use and contributed to increased opportunities for private investors. USAID provided a variety of assistance to facilitate privatization, (e.g. training 8 high-level Jamaicans on privatization and divestiture strategies) and co-financed professional services for privatization assistance at three implementing organizations. Financing a little over US\$1 million in professional services fees since its inception in 1985, the A.I.D. program has contributed to over US\$200 million in sales of GOJ assets. Direct Mission technical assistance in 1990 supported implementation of divestiture plans for 10,000 acres of agricultural lands, and J\$45.0 million (more than US\$5 million) in other GOJ assets.

Government sales include hotels, factory space, and a variety of manufacturing and service industries GOJ. Support for privatization has increased during 1990, becoming a centerpiece of the current Jamaican administration's economic policy. A new high-level committee was recently constituted to seek ways of expediting the process and expanding consideration for private investment to the areas of power, water and transportation.

Apart from policy reforms, the Mission has continued to promote our innovative PL480 Section 108 Auction System. It has proven as developmental as traditional development finance programs, with a fraction of the normal implementation costs. Active bidding for a total of J\$75 million (more than US\$9 million) at two auctions in 1990 resulted in loan agreements with five separate banks. In pursuit of fuller integration of all elements of the financial system, the Mission is formulating an expanded PL480 Auction System that will include non-bank financial organizations, and beginning implementation of a new Microenterprise Development Project that will support sustainable lending strategies.

The recently terminated Private Development Bank (PDB) project, expanded the loan portfolios and related services of the National Development Foundation, Jamaican Agricultural Development Foundation, and Trafalgar Development Bank to serve small medium businesses. In 1990, TDB initiated over 25 new start-ups or plant expansions for small and medium business. The Trafalgar Development Bank now has the institutional and financial base to continue loans to small and medium businesses.

The Mission strategy of focussing on resolving constraints to private sector growth calls for improved government-provided services and increased productivity, and improved profitability and higher non-traditional export sales in the most promising sectors. Using TC&TG and recently EDIP Project financing, we have delivered in-plant technical assistance, training, and marketing assistance through JAMPRO and International Executive Service Corp programs to over 120 firms a year. In the export garment sector alone, we have supported growth from 1982 levels when exports totalled US\$11 million and employment of 1,600 persons, to present exports of US\$235 million and employment of 27,000 persons. AID-financed marketing and management assistance to the Free Zone Authority has improved support services for businesses and will lead to greater utilization of 600,000 square feet of space.

Due to the large number of small activities financed under TC&TG it has been difficult to document program impact. With assistance from Management Systems International (MSI) the Mission recently designed a management information system (MIS) for AID-supported trade and investment programs. Using a disciplined data gathering approach, the MIS will link beneficiaries with USAID systems to monitor program and project performance, and result in improved decision making and better documentation of success stories and failures.

3. Preserve and Manage Natural Resources:

Significant progress has been made towards the Protected Areas Resources Conservation Project (PARC) objectives: a conservation data center was established at the University of the West Indies to collect and organize natural resource data, training and community outreach have begun at the Montego Bay Marine park, a vigorous Advisory Committee is tackling the issues of establishing a marine park including legislation, zoning and identifying solutions to related problems such as pollution of the bay. Progress on the Blue Mountain National Park was delayed by early failure to recruit a manager, but by year-end a well-qualified manager was on the job.

Over the next year, we will need to address the continuing lack of GOJ resources to address environmental issues and the lack of a strong institutional structure to manage programs. Both issues will be addressed under the environmental component of the Enterprise for the Americas Initiative to some degree, and through the establishment of a National Park Trust Fund assisted by a debt for nature swap facility under PARC. Recent GOJ passage of Natural Resources Conservation Authority Act should help establish a more effective policy, regulatory and institutional framework for environmental action.

4. Improved Health and Family Planning Services

The Health Management Improvement Project which ended in June 1990 has made significant contributions to the development of Jamaica's successful Primary Health Care program, especially the development of policy options for managing public health services. Project initiatives included the divestment of hospital support services, improved fee collections and decentralization of health services and delegation of greater autonomy to hospital and hospital boards. These actions helped shape the Ministry of Health's sectoral strategy, and our new Health Sector Initiatives Project will help the Ministry extend management and financial reforms.

Although the number of AIDS cases has increased from 137 in 1989 to 180 in September 1990, an evaluation of AIDS/STD Prevention and Control Project, found that progress made in the first eighteen months provides an excellent foundation for future action. A Women's Health Study of 113 female sex workers is being used to guide future interventions with this high risk group.

Significant progress has been made in reducing fertility in Jamaica. The Contraceptive Prevalance Survey reported that 55% of reproductive age women are using contraceptives and that fertility rates have declined from 3.5 in 1983 to 2.5 in 1989. There is almost universal recognition of the program products, Panther and Perle. The program also holds the highest share in the market for pills and condoms. USAID assistance has made possible a network of parish liaison officers ensuring that family planning information is widely spread across the island.

5. Improved Educational Opportunities

The Mission's education portfolio continues to stress improvement in relevancy, effectiveness, and efficiency of basic education. The Primary Education Assistance Project (PEAP), helped to develop the successful School/Community Outreach Program for Education (SCOPE) which features community-based school maintenance and support systems, including local fund raising. All the schools in the project reported a marked decrease in school vandalism, a significant increase in teacher-pupil morale and an increase in local contributions to support education. As a result of the success of SCOPE efforts, the MOE was able for the first time to initiate the Community Maintenance Program.

Policy Studies conducted during the past six months assisted the GOJ in developing its Five Year Development Plan as well as for the development of the PEAP II project. Under the Basic Skills Training project, policy studies have helped to assist GOJ in the setting up a more effective Technical Vocational Training System and are leading to the development of a national technical/vocational educational authority. Phase 1 of the UWI Management Education Project achieved the acceptance and promotion of the Institute of Business in the private sector. Large companies have provided endowments to the department of Management Studies (DOMS) to pay for senior lecturers to enhance the DOMS. In addition the first group of students in the Executive MBA program graduated in June 1990.

6. Improved Access to Housing

The Mission has had some success in helping shelter and infrastructure institutions develop self-sustaining delivery systems through policy and institutional changes. Policy initiatives have resulted in water and sewer hook-up to squatter areas throughout the island, and increased cost recovery through broader application and better collection of user fees. Work is well underway with the general design of prototypes for the private/public sector joint venture concept, whereby government will provide land and private developers will produce and market the sites for borrowers below the median income. Under the Low Cost Shelter Development Project, a workshop in September focussed on the role of NGOs and the informal sector in the development of service sites projects, and developed strategies to be applied to future service sites.

As of the end of January, most of the 31 audit recommendations in HG-012 to correct deficiencies in the housing guarantee program were still open after 6 months. Considerable staff time was spent in recent months to resolve and close outstanding audit issues that also relate to the financial soundness of the program. Disbursements have been suspended under the program since May, and will not be resumed until the issues are resolved. During the current Fiscal Year, a \$15 million

Housing Guaranty (HG) project had been proposed. The Mission decided to postpone additional programming of such activities until pressing policy and audit issues are addressed satisfactorily by the GOJ. We will evaluate both HG -102 and HG-013 in FY 91. We will continue to work closely on sector management and reform issues for the duration of this year and, depending on the GOJ response, may later propose a follow-on activity in FY 92.

B. Bureau Objective: Stable Democratic Societies

1. Improve Human and Physical Resources of the Court System.

An evaluation in 1990 indicated that the Caribbean Justice Improvement Project has played a significant role in improving the image of the legal system in Jamaica. Major achievements have been the in-country and overseas training of over 300 judges, registrars, and other key professionals and paraprofessionals; renovations of 14 Resident Magistrates Courts and the Supreme Court; a computerized court registry system for the Supreme Court; purchasing of legal books and periodicals, and the publication and distribution of 750 sets of the Laws of Jamaica.

2. Improve Leadership Potential and Exposure to Democratic Values.

The CLASP II Program continues to support the strengthening of democratic initiatives through equipping leaders and potential leaders, especially those from socially and economically disadvantaged classes, with technical skills, academic education and an appreciation and understanding of the workings of a free enterprise economy in a democratic society.

C. Program Impact

The preceding discussion on progress toward policy objectives (Part I) and performance related to LAC Bureau Objectives (Part II) includes several major accomplishments towards our program objectives including the following:

- Successful support with other donors for creation of the Interbank Foreign Exchange System to provide for a market driven distribution of foreign exchange necessary for export oriented growth;
- GOJ commitment to implementation of a general consumption tax (a value added tax) supported by AID to broaden the tax base and provide more sustained revenue generation for the government.
- Commitment by the GOJ to explore options for phasing out the monopoly role of the Jamaica Commodity Trading Corporation (a state trading company) - a consistent goal under our PL 480 self help measures - and continued progress in privatizing GOJ assets;
- Doubling in yields from tree crop farmers involved in the Hillside Agriculture Project and increased production in other crops A.I.D. is supporting;
- Significant progress in establishing a marine park to conserve marine resources;
- Decentralized community education system successfully demonstrated under the Primary Education Assistance project and being widely replicated;
- Institutionalization of decentralized health management with private sector provided services for public hospitals;
- Successful completion of major objectives of the Caribbean Justice Improvement Project.

These milestones are clearly linked to Bureau sub-objectives to improve the policy environment, encourage a vigorous private sector response, preserve natural resources, increase participation of the historically disadvantaged, and to strengthen competent civilian government institutions. However, the development impact of these and other USAID supported initiatives during the year is more difficult to assess. Moderate growth in real GDP (estimated at approximately 2%) occurred thanks in large part to strong performance from tourism (more than \$600 million in 1990, an increase of more than 30% from 1989) and bauxite/alumina (estimated close to \$700 million) and some agricultural products such as bananas (production and exports up more than 50% in 1990). However, early indications are that non-traditional exports grew little if any during the year, and growth generally was constrained by the dual pressures of restrictive monetary policy and

scarce foreign exchange. Private investment maintained its 24-25% share of GDP, but the data on private investment did not reflect the increasing importance that privatization is playing in the economy. In short, the mixed performance of the Jamaican economy over the past year, and the difficulty in attributing economic performance to AID activities make assessment of impact very difficult. We hope to better evaluate such impacts as we develop and apply specific indicators of performance over the next few years. To help us evaluate progress during the coming year, we request that the MSI team the Bureau has arranged for early FY 92 to help refine our Strategic objectives and indicators, also conduct an evaluation of progress up to that date. This exercise should help determine where we need to focus additional effort as we prepare for a new CDSS, and build on the framework developed by MSI during January, 1991 to put in place a management information system for our private sector activities.

Other program oriented evaluations we plan during FY 91-92 include:

- 1) An assessment of the Agricultural program in FY 91 to determine an appropriate Agricultural strategy and determine how best to structure our Agricultural portfolio to meet strategic objectives;
- 2) An evaluation of our private sector program approach to include an assessment of the tourism industry and its needs in late FY 91, an evaluation of the impact of privatization on the economy by early FY 92, and an evaluation of the Export Development and Investment Promotion (EDIP) Project in mid FY 92 to look at the results from the various project components and to help decide how to best focus the project for maximum impact on Bureau Objectives;
- 3) An evaluation of the assistance we have provided over the past eight years to the Revenue Board to help us decide next steps we might take in the important tax policy area. We will look particularly at:
 - the equity and incentive effects of tax reforms put in place,
 - the effectiveness of reform implementation,
 - the degree to which favorable results are likely to be sustained;
- 4) An evaluation of our Shelter Program in mid FY 91 to determine the progress and impact of our policy agenda, the relative cost/benefits of the program, and approaches for future efforts in the shelter area;
- 5) An assessment in mid FY 91 of the effects of decentralized resource control in the education sector to help refine our approach to improving local participation in mobilizing and managing development resources.

III. Summary of New Initiatives

The Mission plans to authorize two new projects, one project supplement and one (ESF) program during FY 1991. All of the project activities were presented in last year's Action Plan and are thus not included as New Project Descriptions (NPDs) in this year's presentation. However, we are including an NPD for the new ESF Program slated to begin in May 1991. Briefly, the status of each of these activities is:

-- the Family Planning Initiatives (532-1063) PID was approved by the Mission Director in July 1990, based on the delegation of authority received in last year's Action Plan cable; the Project Paper is now being developed. This Project, which will contribute to the Mission's goal of wider sharing of the benefits of economic growth, and the Bureau's goal of broadly-based, sustainable economic growth, aims to assist the GOJ to develop sustainable family planning services with maximum involvement of the private sector;

-- a Concept Paper for the Tourism Infrastructure Project Support (TIPS) (532-0168) was reviewed by AID/W in April 1990, and the co-financing effort should soon move into the final stage of project design. A Project Paper is being developed based on a recent State-AID/W decision on the appropriate role for AID financing. This Project, which will leverage significant additional resources for Jamaica to support environmentally sound development in the country's key foreign-exchange earning sector, will contribute to Mission and Bureau achievement of broadly-based, sustainable economic growth; particularly through increased foreign exchange earnings.

-- a PID for the Inner Kingston Development Project Phase II was reviewed by the Mission in August, 1990, at which time it was deemed more appropriate to treat this follow-on effort as an amendment to the existing project rather than a new project. The Project Paper Supplement will be developed this spring. The supplement will allow AID to continue its involvement, highly successful to date, in revitalizing the downtown Kingston area as a center of economic activity and source of employment, thus contributing to the achievement of broadly-based sustainable economic growth led by private sector development; and

-- an NPD for the new ESF program, Policy Reform in Support of Private Investment (532-0164), is included in this Action Plan. The Program, which is targetted at the Bureau objective of broadly-based, sustainable economic growth, is planned for authorization this year with an initial obligation of \$5 million in May and subsequent obligations in FY 1992 and 1993.

Also, during FY 91 the RHUDO office will explore the possibility of a regional disaster mitigation and preparedness project which would assist disaster-prone Jamaica better prepare for hurricane, floods, earthquakes, etc. Although no Mission OYB resources or major staff commitment will be necessary for this activity, it will help us meet Strategic Objective X on mitigating efforts of disasters.

In FY 1992, the Mission plans to authorize three new projects and one project supplement, and in FY 1993, one new project, and one project supplement as detailed in the NPDs which follow. These are:

<u>Title and Number</u>	<u>Proposed LOP</u> <u>(\$000)</u>
FY 92:	
Sustainable Justice Reform (532-0175)	3,000
Jamaica Environmental Fund Support (532-0173)	3,000
Local Participation in Development (532-0170)	3,500
AIDS/STD Prevention and Control Project Amendment (532-0153)	2,000
FY 93:	
Export Development and Investment Promotion (EDIP) Amendment (532-0135)	5,000
Protected Areas Resources Conservation (PARC) II (532-0174)	3,000

The FY 92 initiatives build on previous Mission efforts in key areas: administrative justice, environmental protection, participatory development, and AIDS prevention and control. The Sustainable Justice Reform Project will contribute to achievement of the CDSS objective of strengthening democratic institutions and values through the Strategic Objective to improve the sustainability and responsiveness of the Justice System, and the LAC Bureau Objective of supporting the evolution of stable, democratic societies. The Project will build upon the improvements made under the Caribbean Justice Improvement Project, and will focus on the implementation of reforms to increase the efficiency and responsiveness of the judicial system. The Jamaica Environmental Fund Support Project is targetted at the Mission's Strategic Objective to strengthen policies and institutions for environmental protection, and the CDSS and Bureau subobjective of preservation and sustainable use of natural resources, an increasingly important area of concern for Jamaica. It will use DA resources to complement local currencies generated under the President's Enterprise for the Americas Initiative (EAI) to help strengthen Non-governmental

organizations (NGOs) and their activities to assure EAI funds have maximum effective impact. The Local Participation in Development Project, which will strengthen community level organizations' ability to more effectively resolve local problems, will respond primarily to the Bureau Objectives to promote the evolution of stable, democratic societies and also will help provide opportunities for the disadvantaged. It will contribute to the Mission's Strategic Objective to strengthen citizen participation in the resolution of local problems. The AIDS/STD Prevention and Control Project Supplement will continue our efforts to address this critical area of concern for the health of Jamaica's population, while meeting the Bureau Objective to respond to the need for international cooperation.

In FY 93, the Mission plans to initiate one new project in an area of long-term importance to Jamaica: the preservation of natural resources. The planned Protected Areas Resources Conservation (PARC) II Project will continue the Mission's involvement in strengthening policies and institutions critical to preservation and sustainable use of natural resources in a follow-on project to replicate pilot activities undertaken in the first PARC Project and to broaden the scope of institutional development and policy activities. The Mission plans to amend another activity, the Export Development and Investment Promotion (EDIP) Project in FY 93 to add an additional \$5 million for increasing efforts within the most successful and promising project components. It is expected that a good portion of the additional resources will be directed toward further accelerating the investment and foreign exchange earning potential from tourism. Specifics will be developed from a tourism strategy exercise to be completed by the Mission during FY 91.

While it is premature to specify other activities planned for FY 93 and beyond, the Mission does plan to consider an Agricultural sector program after the agricultural strategy exercise to take place later this year. We first need to look closely at sector constraints and determine whether an appropriate role for AID is possible within resource availabilities.

NEW PROGRAM DESCRIPTION FOR FY 1991

BUREAU OBJECTIVE: SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH

SUB-OBJECTIVE: Encourage the adoption of and continued adherence to economic policies that promote investment, productive employment, and export-led economic diversification.

PROGRAM TITLE: POLICY REFORM IN SUPPORT OF PRIVATE INVESTMENT

PROGRAM NUMBER: 532-0164

PROGRAM FUNDING: (000) FY91: \$5,000 (G) LOP: \$30,000

FUNCTIONAL ACCOUNTS: ESF

PROGRAM GOAL: To strengthen the role of the private sector and increase this sector's productive capacity.

PROGRAM PURPOSE: To provide continued balance of payment assistance in support of economic reforms that permit more efficient use of domestic private saving.

A. Consistency with Mission Strategy, Other AID Activities and Other Donors:

The Mission's strategy is to support Jamaican policies and institutions that contribute most to increasing broad based economic growth led by the private sector. In past years, this has meant underwriting the Jamaican Government's efforts to establish a more market-oriented, private sector driven economy. These efforts are now beginning to pay dividends in the form of sustained growth rates and dwindling government involvement in productive sectors of the economy. This program will build on past achievements in the economic policy reform arena with focus on the efficient use of private savings. As specific reforms are identified, we will coordinate with other donors to ensure compatibility, but we do not anticipate any problems with the approach we have outlined.

B. Relationship to Overall AID Policy Objectives:

This program continues the support of economic policy reforms placing the emphasis on changes in the domestic saving/investment flows. Improvements in the flow are vital to sustaining economic growth and reducing reliance on outside assistance and/or capital assets now concentrated in the hands of relatively few households.

C. Major Development Problem the Program will address:

Jamaica needs time to grow large enough, economically, to support its debt burden while improving the overall level of living. Past balance of payment assistance to Jamaica has been well spent. There is an imperative for continued balance of payment support in the years immediately ahead to sustain the transition to economic independence and support an appropriate policy framework.

The development process in Jamaica needs an additional push to achieve the highest possible returns from all resources; to a great extent this means improving the quality of the economic resources that are brought to the market place. This cannot be achieved without more efficient use of domestic private saving to increase private investment. Savings are currently drawn off into the financial system in the form of economic rents, due to a lack of effective competition among financial institutions and an overvalued exchange rate.

D. Program Description:

This program will utilize policy based cash transfers and local currency funded assistance to bring about: 1) improved private sector access to foreign exchange and 2) more efficient Jamaican financial markets. The first objective will be pursued primarily through the support and strengthening of the new interbank foreign exchange system. This will include dialogue to bring about even greater flows of funds through the new exchange system's futures market, which is relatively less specifically reserved for the Bank of Jamaica (BOJ); a lower percentage take for the BOJ from the interbank market; greater reliance on the exchange rate to regulate availability, which initially may require faster J\$ depreciation; and continued transfer of the management of foreign exchange related paperwork to commercial banks.

To facilitate the flow of private saving into private investment, the program will support policy dialogue for reforms in three essential areas: 1) measures to widen and deepen Jamaican capital markets, including new debt instruments, 2) revisions in the operation of the BOJ to increase its independence and reduce its reliance on selective credit controls and 3) greater capacity in the Ministry of Finance for analysis and formulation of fiscal policies favoring private saving and investment.

E. Implementation Arrangements:

Under the proposed program, the Government of Jamaica will be permitted to service U.S. and other official debt with the funds from the cash transfer and will be required to deposit an equivalent amount of local currency into a Special Account in the Bank of Jamaica. Local currency proceeds will be programmed in support of the reforms.

F. Financial Plan:

The cash transfer will occur in a series of tranches, with the first \$5 million to be obligated in May 1991 and disbursed upon evidence of satisfactory progress against agreed upon policy reform measures.

G. Sustainability:

The reforms supported by this program are aimed at improving the efficient use of domestic saving, a key element in Jamaica's overall strategy for sustained economic growth.

H. Mission Management Responsibilities and Principal Design Issues

The program will be designed and implemented by existing USDH staff from the Office of Economics and Private Enterprise and the Office of Program and Project Development.

NEW PROJECT DESCRIPTION FOR FY 1992

BUREAU OBJECTIVE: SUPPORT THE EVOLUTION OF STABLE,
DEMOCRATIC SOCIETIES

SUB-OBJECTIVE: Encourage the strengthening of competent
civilian government institutions that will
merit the confidence of political and
military leaders, citizens and investors.

PROJECT TITLE: SUSTAINABLE JUSTICE REFORM

PROJECT NUMBER: 532-0175

PROJECT FUNDING: (000) FY92: \$1,050 (G) LOP: \$3,000

FUNCTIONAL ACCOUNTS: PSEE

PROJECT GOAL: To enhance the institutionalization of
democracy in Jamaica through a more
functional, efficient and structured
Justice System.

PROJECT PURPOSE: To develop a credible, responsive system
of Justice that can be sustained by the
people of Jamaica.

A. Consistency with Mission Strategy, Other AID Activities and Other Donors:

A main goal in the AID Country Development Strategy Statement (CDSS) is Strengthening Democratic Institutions. Important elements of the strategy are improvement of the physical and human resources of the court system, and policy reforms in the justice system. The proposed project complements the World Bank's Administrative Reform Program.

B. Relationship to Overall AID Policy Objectives:

This project is consistent with AID policy in regard to supporting the efforts of Jamaica in strengthening democratic institutions. A strong, responsible, and independent justice system is a cornerstone of democracy and a positive force for just economic and social development.

The Mission policy dialogue agenda with the GOJ is to support policy reforms which maximize the efficiency of the service provided by the system, including the upgrading of salary levels, improvement in cost sharing by revising the fee system, and better use of resources.

C. Major Development Problem the Project will address:

A major issue for Jamaica in the future is how to further improve and to sustain an adequate justice system and establishment. Under current institutional arrangements, significant budget increases are needed to upgrade salaries and finance other recurrent costs adequately to assure that the justice system does not deteriorate over the coming years. However, necessary budget increases are unlikely within the current economic environment. As a supplement or alternative to budget increases, judicial system reforms must be established to improve the responsiveness and efficiencies of the system so that it may more effectively administer justice with limited funds.

D. Project Description:

This project will continue efforts begun under the Caribbean Justice Improvement Project to enhance the quality of the justice system through policy research assistance, upgrading of a few consolidated facilities and legal resources, and appropriate training of legal system personnel. In response to evaluation findings, the project will also assist the Government of Jamaica to pursue cost effective ways to increase efficiency throughout the legal system, in order to better serve the immediate needs of the Jamaican people and to maintain the machinery of justice in the future. Improving the systems for routine maintenance and inventory control will also be objectives under the project. Inputs in this regard will include technical assistance, training and commodities to improve the personnel and administration system, streamline legal documentation and record keeping, improve maintenance and property control systems, consolidate facilities, improve training procedures, and improve cost sharing by revising the fee system.

Women are expected to benefit equally with men from the improvements resulting from the project, and to participate fully. While women are still under-represented at the highest levels of the Judicial system, they constitute a majority of overall employees. As part of project design, a special effort will be made to identify means of increasing the role of women at the higher levels of the judicial system, and to ensure that the administration of justice gives full consideration to women's concerns and issues.

E. Implementation Arrangements:

The project will be implemented by the Ministry of Justice. There will be a Project Director and a Training Coordinator. Most contracting will be done by the host country; however, USAID/Jamaica will closely monitor the contracting process and will participate in the selection of the Project Director and Coordinator. Some commodity procurement is anticipated.

F. Financial Plan:

The Project will involve AID contributions of \$3 million over 4 years, to be matched by host country contributions of the Jamaican dollar equivalent of approximately \$2 million for a total estimated cost of \$5 million. The planned obligation of AID resources is as follows:

(\$000)

<u>Component</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>TOTAL</u>	
Technical assistance		150	350	450	300	1,250
Training		100	250	200	200	750
Commodities		50	250	100	100	500
Construction		<u>100</u>	<u>200</u>	<u>100</u>	<u>100</u>	<u>500</u>
TOTAL		400	1,050	850	700	3,000

G. Sustainability:

The project's main purpose is to develop a more sustainable system of Justice. Sustainability will be achieved through judicial system reforms to improve the responsiveness and efficiency of the system so that it may more effectively administer justice with limited funds, improve maintenance systems, consolidate facilities, improve training procedures, and improve cost sharing by revising the fee system.

H. Mission Management Responsibilities and Principal Project Design Issues

The Project will be developed and implemented by the Office of Program and Project Development (OPPD). LAC/DI will provide the services of a contractor to assist in the development of the Project Identification Document (PID). The project will be implemented using existing Direct Hire and Foreign Service National staff resources in OPPD.

The principal design issues to be resolved are: 1) identifying a mechanism to ensure that GOJ recurrent costs are kept to a reasonable level while the basic quality of service is not compromised; and 2) devising implementation arrangements to minimize Mission staff time dedicated to the project while maintaining control and flexibility.

NEW PROJECT DESCRIPTION FOR FY 1992

BUREAU OBJECTIVE: SUPPORT THE ACHIEVEMENT OF BROADLY-BASED
SUSTAINABLE ECONOMIC GROWTH

SUB-OBJECTIVE: Encourage preservation and sustainable use
of the natural resource base.

PROJECT TITLE: JAMAICA ENVIRONMENTAL FUND SUPPORT PROJECT

PROJECT NUMBER: 532-0173

PROJECT FUNDING: (000) FY92: \$1,100 (G) LOP: \$3,000

FUNCTIONAL ACCOUNTS: ARDN, PSEE

PROJECT GOAL: To preserve the long-term health of
Jamaica's natural environment.

PROJECT PURPOSE: To assist the Government of Jamaica and
Non-governmental organizations maximize
the impact of local currencies generated
under the Enterprise for the Americas
Initiative.

A. Consistency with Mission Strategy, Other AID Activities and Other Donors:

The protection of biological diversity and tropical forests in their natural habitats and better managing other natural resources are key objectives of the FY 89-93 CDSS. The GOJ views the establishment of an effective environmental management capability as a priority. The Canadian International Development Agency, the World Bank, and the United Nations Development Program are all designing complementary environmental projects.

B. Relationship to Overall AID Policy Objectives:

This project is supportive of AID objectives to strengthen environmental policies and institutions. The project will facilitate the development of the capabilities of Non-Governmental Organizations (NGOs) to design and implement solutions to environmental problems. These enhanced capabilities are expected to lead to greater public support for effective environmental legislation, regulations and institutions.

C. Major Development Problem the Project will address:

Growth in the Jamaican economy is closely related to conditions in the mineral industries, tourism and agriculture--all dependent to varying degrees on the long term health of the environment and natural resources. Jamaica's major environmental problems can be summarized under three broad headings:

1. Deforestation: The rate of deforestation is currently estimated at 3% per year. Watershed areas are becoming increasingly denuded by small farmers and charcoal burners, and government sponsored development agencies.
2. Coastal Zone Degradation: Coastal wetlands, mangrove swamps, coral reefs, and near shore environments are being destroyed by unregulated development and the process of urbanization which are impacting on these fragile ecosystems.
3. Pollution: Surface and ground waters are suffering increased pollution from inadequately treated or untreated sewage and industrial effluents, urban storm water run-off, and contamination from improperly sited landfills.

D. Project Description:

The Enterprise for the Americas Initiative (EAI) provides the basis for substantial flows of local currencies into the environmental protection area. It is expected that Jamaica will establish a special Environmental Fund to receive and allocate these resources. Such a fund will need careful application to assure maximum impact on the major environmental problems outlined above. This project will provide support for non-governmental organizations (NGOs) receiving local currencies from the Jamaica Environmental Fund under the EAI, and will work with government bodies to ensure that complementary activities are undertaken to support and broaden the impact of NGO initiatives. The project will provide foreign exchange for necessary external technical assistance and management needs, plus associated training and commodities in support of Fund activities. In addition, it will work with both Jamaican government agencies, and NGO's to analyze issues, prioritize and design solutions to problems of environmental management, establish viable responses, and monitor results and document lessons learned. Project funds will also be used to assist in the strengthening of private and public sector institutions to effectively address environmental issues.

Direct Outputs: 1) Establishment of an analysis and management unit for the Enterprise for the Americas Initiative, 2) strengthening of NGO's as implementors and recipients of EAI generated resources, and 3) management support for projects that will begin to arrest deterioration of the natural environment.

All Jamaicans will benefit through the reversal of environmental deterioration and through a more sustainable approach to development. Local NGO's and GOJ officials will benefit through direct TA and Training. Disadvantaged groups including women and poor rural dwellers will benefit through targetted efforts to enhance and protect scarce natural resources. Project design will ensure that women will be encouraged to participate in project-sponsored activities.

E. Implementation Arrangements:

The project will be implemented by a project management unit housed at the offices of the Jamaica Environmental Fund. This unit will operate under policy direction of the USAID Mission Environmental Committee, and the GOJ Ministry of Finance, Planning and Development.

F. Financial Plan:

<u>Component</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>TOTAL</u>
Technical assistance	500	500	500	1,500
Training	250	250	250	750
Commodities	300	100	100	500
Special Projects	<u>50</u>	<u>100</u>	<u>100</u>	<u>250</u>
TOTAL	1,100	950	950	3,000

G. Sustainability:

A major purpose of the project is to establish a sustainable approach for addressing Jamaica's major environmental problems. Any additional GOJ recurrent costs as a result of project activities should be incorporated in the GOJ budget by the end of the project.

H. Mission Management Responsibilities and Principal Project Design Issues

The project will be managed by the Existing staff of the Agriculture and Rural Development Office, with assistance from the Controller's Office, the Contract Management Unit, and the Office of Program and Project Development, the Office of Engineering and Energy and the Regional Housing and Urban Development Office.

Key issues that must be addressed during project design and implementation are: (1) the availability of adequate local environmental NGO's to effectively implement the intent of the environmental component of the EAI; and (2) the establishment by the GOJ a Natural Resources Conservation Authority coordinate environmental regulation and management activities.

NEW PROJECT DESCRIPTION FOR FY 1992

BUREAU OBJECTIVES: SUPPORT THE ACHIEVEMENT OF BROADLY-BASED, SUSTAINABLE ECONOMIC GROWTH; and SUPPORT THE EVOLUTION OF STABLE, DEMOCRATIC SOCIETIES

SUB-OBJECTIVES: Encourage increased economic opportunities for the disadvantaged; and strengthen public participation in democratic processes.

PROJECT TITLE: LOCAL PARTICIPATION IN DEVELOPMENT

PROJECT NUMBER: 532-0170

PROJECT FUNDING: (000) FY92: \$1,000 (G) LOP: \$3,500

FUNCTIONAL ACCOUNTS: ARDN, HE, EHR, PSEE

PROJECT GOAL: To increase the participation of local communities in the promotion and benefits of sustainable economic growth.

PROJECT PURPOSE: To strengthen community-level government and non-government organizations to enable them to more effectively resolve local development problems.

A. Consistency with Mission Strategy, Other AID Activities and Other Donors:

Two of the Mission's objectives are to increase opportunities for broader participation in economic growth and to strengthen democratic processes. The project seeks to identify new methods for delivering development assistance that will be relevant to all sector offices in the Mission. USAID has developed experience in the kind of activity envisaged in the project, and other donors have expressed interest in USAID efforts to support decentralization of management and enhancement of community/private sector/school activities related to education. CIDA is also seeking alternative means for delivering development assistance, while the IBRD and IDB are less active in this regard.

B. Relationship to Overall AID Policy Objectives:

Empowering local communities to more effectively identify problems and work to resolve them is an important step in strengthening public participation in the democratic process and is also important to increasing economic opportunities at the local level. This project will explore ways to work with local community organizations, both government and non-government, to strengthen local capacity to more effectively participate in the political and economic processes central to achieving the

Bureau objectives of broad based growth and stable democratic societies.

C. Major Development Problem the Project will address:

During the 1970s and 1980s, Jamaica's government became increasingly centralized through a series of legal/regulatory acts made possible by the fact that local government is not protected by Jamaica's Constitution. Overcentralization with its concomitant reduction in local management not only constrained the delivery of needed services, but also stifled local initiative. Currently, local government has neither the authority nor the capability to identify and respond to local needs. Non-governmental organizations that might serve to supplement local government and also lobby for change are generally weak at the local level. The current government recognizes the problem and has been exploring ways to enhance local authority and capability. This project will provide a way to test alternatives in effectively building local capacity as decentralization policies are pursued.

D. Project Description:

This project proposes on a pilot basis to strengthen local government and non-government organizations to assist these organizations better meet local needs. It will do this through the provision of technical assistance, training, commodities and a limited number of grants for organizations which indicate a desire to participate in the program. The project activities will include:

1. funding several alternative approaches, on a pilot basis, for equipping local communities to help themselves in areas such as community planning; accessing important health and education services; and building and maintaining local access to financial and technical services for agriculture and small enterprise development. Approaches will likely include funding one or more NGOs to assist communities, mobilizing the private sector support and using more well endowed and experienced communities to help those less equipped;
2. develop a referral service so that, over time, communities take advantage of one another's experiences and capacities to the maximum extent possible; and
3. utilize local research capacity to develop, monitor and evaluate pilot efforts in a manner that assures that relevant cost effective pilot efforts are written-up and results disseminated in Jamaica and elsewhere in the West Indies.

Special attention will be given during project design to identifying women's groups which might benefit from the capacity building process under the project.

E. Implementation Arrangements:

It is expected that one or more Jamaican NGOs in conjunction with U.S. NGOs will be used as "umbrella" intermediaries to provide linkage to local communities for training, resources and overall management.

F. Financial Plan:

<u>Component</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>TOTAL</u>
Technical assistance	300	300	300	300	1,200
Training	100	100	100	100	400
Commodities	300	50	100	50	500
Grants	<u>300</u>	<u>400</u>	<u>400</u>	<u>300</u>	<u>1,400</u>
TOTAL	1,000	850	900	750	3,500

G. Sustainability:

The project will result in improved self sufficiency at the local level through the enhancement of local capacity.

H. Mission Management Responsibilities and Principal Project Design Issues

The project will be developed by a design committee initially chaired by the director of the Office of Education and Human Resources, with the cooperation of the Office of Program and Project Development, Office of Agriculture and Rural Development and the Office of Health, Nutrition and Population. A decision will be made during the design phase concerning overall responsibility for project management within the Mission.

The Mission will use PD&S funds to: inventory existing local efforts (e.g., PVOs, church groups, communities) to develop capacity to manage more of their own affairs; explore legal and regulatory issues for decentralizing authorities to local communities; assess communities with respect to local capacity and organizations they would favor working with to improve community capacity; and gather the experience of other donors in this regard.

An assessment of local needs and capabilities will be carried out during project design to determine how to efficiently manage the project and minimize the administrative burden on USAID. We will

investigate the desirability of developing a "response mode" project; e.g., one that sets down criteria for submitting/funding proposals (as under the Small Development Activity Fund) as opposed to an "initiative mode" where USAID or a contractor directs interventions on a selected basis.

The current government has indicated it is committed to decentralization of government authority. However, an issue that will affect the project approach is how substantive that commitment is and how permanent it is likely to be, especially if there is a change in government.

PROJECT SUPPLEMENT DESCRIPTION FOR FY 1992

BUREAU OBJECTIVES: BROADLY-BASED SUSTAINABLE ECONOMIC GROWTH;
and INTERNATIONAL COOPERATION

SUB-OBJECTIVES: OPPORTUNITIES FOR INCREASED PARTICIPATION
BY THE HISTORICALLY DISADVANTAGED; and
SUPPORT USG FOREIGN POLICY INITIATIVES

PROJECT TITLE: AIDS/STD Prevention and Control Project
Supplement

PROJECT NUMBER: 532-0153

PROJECT FUNDING: (000) FY92: \$965 (G) LOP: \$2,000

FUNCTIONAL ACCOUNTS: AIDS; Health

PROJECT GOAL: To reduce the transmission of the Human
Immunodeficiency Virus (HIV) and other
sexually transmitted diseases (STDs) in
Jamaica.

PROJECT PURPOSE: To continue the Jamaican national HIV/STD
prevention program and control the
transmission of HIV and other STDs in
Jamaica.

A. Consistency with Mission Strategy, Other AID
Activities and Other Donors:

The Project Supplement will expand and refine the HIV/STD prevention and control activities initiated under the initial Project in FY88. The current challenge is to harness the resources which now exist within the community to enhance the efforts of the National Program in stopping the spread of HIV. The Project will use existing infrastructure to achieve its goals by working with public and private sector organizations to implement strategies to control the spread of HIV and other STDs.

B. Relationship to Overall AID Policy Objectives:

The project aims at protecting the health of the people of Jamaica, and is of vital importance to the development of the country. It contributes to achievement of the Mission objective of supporting U.S. Government efforts to reduce the incidence of drugs, AIDS and the effects of disasters.

C. Major Development Problem the Project will address:

Jamaica continues to suffer from dramatically increasing rates of AIDS cases and extremely high rates of STDs. The potential negative impact

of AIDS and STDS on the Jamaican tourist industry, now the highest earner of foreign exchange in the country, is of special concern to the Government of Jamaica (GOJ). This growing epidemic if it continues unabated can cause serious economic and social disruptions for the country.

D. Project Description:

The GOJ has developed a National Plan of Action for AIDS Prevention and Control, and the Project activities are part of this National Plan. The objectives of the Project are to: 1) define the epidemiology of HIV infection and AIDS so that Project interventions can be targeted; 2) strengthen AIDS and STD surveillance; 3) educate the public and relevant professional groups about AIDS and STD prevention; and (4) develop and implement specific strategies to reach those most at risk with information on HIV and STD prevention and control.

The Project Supplement will build upon the general awareness and knowledge base of the general population created by previous communication and education efforts. However, a strengthened emphasis will be on face to face communication, and STD diagnosis and treatment.

E. Implementation Arrangements:

The Project will be implemented through the Ministry of Health's National HIV/STD Control Program and other private and public entities. To date other ministries such as the Ministry of Education and Youth and Social Development have worked in conjunction with the Ministry of Health's National Program to stem the spread of HIV and other STDs. These and other relevant public and private sector entities have been and will be encouraged to take initiative in implementing strategies to assist in achieving the goals of the national program.

F. Financial Plan:

This Project Supplement will add \$2.0 million to the existing authorized level of the Project, making a new life-of-project total of \$4.5 million. Planned obligations for the supplement are as follows:

	(\$000)			
<u>Component</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>TOTAL</u>
Technical Assistance	500	270	30	800
Training	100	230	20	350
Commodities	200	200	-	400
Local Costs	<u>165</u>	<u>265</u>	<u>20</u>	<u>450</u>
TOTAL	965	965	70	2,000

G. Sustainability:

The program's approach to the problem is to use local infrastructure within the private and public sectors in implementing strategies. It is intended that this assistance will enable these local organizations to continue their roles in controlling the spread of the virus following PACD.

H. Mission Management Responsibilities and Principal Project Design Issues

The Project Supplement will be managed by the Office of Health, Nutrition and Population, using existing staff resources.

NEW PROJECT DESCRIPTION FOR FY 1993

BUREAU OBJECTIVE: SUPPORT THE ACHIEVEMENT OF BROADLY-BASED
SUSTAINABLE ECONOMIC GROWTH

SUB-OBJECTIVE: Encourage preservation and sustainable use
of the natural resource base.

PROJECT TITLE: PROTECTED AREAS RESOURCES CONSERVATION
(PARC) II

PROJECT NUMBER: 532-0174

PROJECT FUNDING: (000) FY93: \$ 360 (G) LOP: \$3,000

FUNCTIONAL ACCOUNTS: ARDN, PSEE

PROJECT GOAL: To preserve the long-term health of
Jamaica's natural environment.

PROJECT PURPOSE: To create a sustainable National Park
System for the protection of natural
habitat areas in Jamaica.

A. Project Description: PARC II will build on the initiatives and lessons learned in PARC I through expansion of national parks, buffer zone development and consolidation of management activities. It will contribute to economic growth through the conservation of natural ecosystems that serve as a basis for tourism and water supplies. An evaluation of PARC I will help determine the priority areas for attention under PARC II, but it is anticipated that major outputs will be: 1) Growth of the Natural Parks Trust Fund, 2) Incorporation of 4 new areas into the National Parks System as determined by an analysis of potential sites under PARC I), 3) Natural Resources Data and 4) Buffer zone development. Approximately 250,000 men and women living near protected areas will directly benefit from the protection and enhancement of the tourism product, and preservation of critical watershed areas. Long-term sustainability will be pursued through Debt for Nature swaps designed to fund capital and recurrent costs, and through the provision of technical assistance and training to strengthen the institutional base for effective natural resource management.

B. Relationship to AID Country Strategy: The protection of biological diversity and tropical forests in their natural habitats is a central element of USAID/Jamaica's FY 89-93 CDSS. This project will contribute to the Mission's strategic objective of strengthening policies and institutions critical to preservation and sustainable use of natural resources. It also complements other USAID Jamaica projects both current and planned to promote agricultural exports and tourism. The project forms an essential component of Jamaica's National Forestry Action Plan (1990) and complements the activities of other donors such as CIDA (Strengthening the Forestry Dept.), and World Bank (Support for the Rural Agricultural Development Authority).

NEW PROJECT DESCRIPTION FOR FY 1993

BUREAU OBJECTIVE: SUPPORT THE ACHIEVEMENT OF BROAD-BASED SUSTAINABLE ECONOMIC GROWTH

SUB-OBJECTIVE: Encourage a vigorous response by the private sector

PROJECT TITLE: Export Development and Investment Promotion II

PROJECT NUMBER: 532- 0135

PROJECT FUNDING: (000) FY93: \$1,525(G) LOP: \$5,000

FUNCTIONAL ACCOUNTS: PSEE

PROJECT GOAL: Stimulate broad based economic growth in Jamaica, resulting in increased levels of employment and higher real incomes.

PROJECT PURPOSE: Increase exports and diversify investment, leading to expanded sources of foreign exchange, diversification of ownership and products, and deeper linkages between exporters and local producers.

A. Project Description: EDIP II is an amendment to EDIP I that will add \$5 million to the current \$2.0 million LOP and extend the project by 4 years. EDIP II will build on the successes and lessons learned in EDIP I, expanding efforts to promote domestic and foreign investment and exports. It will also help the USG be responsive to the Prime Minister's call to privatize GOJ assets and services, streamline GOJ operations, and increase competition. It will provide technical assistance, training and program support to public and private Jamaican institutions and to private investors. It will focus resources on the resolution of broad-based constraints to increased productivity, sales, and export earnings. Principal among these constraints are an unresponsive financial system, inefficient government-owned enterprises, low productivity, and lack of free access to foreign exchange. It will particularly emphasize assistance to promising sectors that earn foreign exchange such as tourism, information processing and furniture manufacture. Outputs will include increased export earnings, employment, reduced government debt, improved productivity, and increased sustainability of key business services.

B. Relationship to AID Country Strategy: The project responds to the goals outlined in the CDSS of assisting in encouraging rapid and sustained economic growth. It is also consistent with the Mission's strategic objectives to increase private sector investment and promote exports.

IV Resource Requirements

A. Program Resources

Overall program resources in FY 91 are expected to total \$13.7 million DA and \$10 million in ESF and \$33.6 million in Food Aid (\$43.6 million if we access the reserve).

The DA/ESF totals are substantially below the \$16 million DA and \$25 million ESF request levels, and this has contributed to an increase in the DA mortgage level from \$38.9 million in FY 90 to an expected \$42.8 million at the end of FY 91. The FY 92 CP levels indicate a restoration of the \$16.5 million level for DA and a partial restoration of ESF to \$15 million. A new Housing Guarantee activity is also possible in FY 92. While the increase over FY 91 is an encouraging development, problems still remain.

USAID sees three important development program resource issues that will affect our capability to progress meaningfully toward Bureau and Mission joint objectives: overall DA and ESF resource levels are below planning levels; the types of resources available by functional account constrain our ability to finance priorities such as democratic initiatives, environmental protection and strengthening the private sector; and the shift in responsibility for administering PL 480 Title I from AID to USDA significantly decreases our resource base for policy dialogue, and the availability of local currency resources we can program to support our development objectives.

To prepare for a possible decline in program resource levels and better consolidate our portfolio for impact, we are limiting new starts to three in 1992 (plus one amendment) and two in 1993 (plus one amendment) while allowing eleven older projects to terminate over the same period. Figures 2.0 and 2.1 below show the dramatic decline in units of management between FY 90 and FY 93. As projects are phased out and new starts are minimized, our project portfolio will decline from 33 at the beginning of FY 91 to 21 by the end of FY 93.

While the \$16.5 million CP level will be important to allow us to aggressively pursue Bureau objectives with new and amended projects in priority areas, we have phased our portfolio to assure a decline in mortgage levels even under a "worse case" scenario of straight lined OYBs at the \$13.7 million level. For FY 92 and FY 93 total life of project funding for new projects will be less than annual operating year budgets, even at the level of \$13.7 million. This approach will gradually bring our mortgage down to a sustainable level below the 2.5 mortgage ratio as shown in Figures 3.0 and 3.1 below, with the \$16.5 million OYB level reflected in Figure 3.1 bringing the mortgage down even more rapidly.

While the overall mortgage levels will trend downward after FY 91, the trends among functional accounts vary. Figure 3.2 is the mortgage trend chart among functional accounts between FY 91-93 with a \$13.7 OYB. (Note: AID/W asked us to do a mortgage analysis during the SAR reviews based on this "worse case" scenario). It shows steady significant declines in ARDN, EHR, and PN accounts, a slight but steady decline in the HE account, an increase in the mortgage for AIDS until FY 93, and a sharp increase in the mortgage levels for the PSEE account. The relative portion of the mortgage shifts markedly between FY 90, when about half of the Mission's mortgage was in the ARDN account and PSEE represented only about 15% of the total mortgage; and FY 93, when the PSEE account will represent about a third of the total mortgage. Figure 3.3 shows similar trends, with an assumed OYB of \$16.5 million.

This shift in mortgage levels toward PSEE activities vividly shows the increasing importance that PSEE funds are playing in the Mission's portfolio, largely because projects that best address a number of Bureau Objectives (private sector, democratic initiatives, many types of environmental protection activities) need PSEE funds. Indeed, the existing high mortgage level in the PSEE account and the reduced FY 91 OYB level of \$13.7 million severely constrain our new start and project amendment capability. The implications of a straight-lined budget in the future would be even more ominous for our program. Moreover, deobs/reobs are not expected to be significant beyond FY 91 and will have little effect on PSEE.

Vulnerable PSEE financed projects at the \$13.7 million level include the Inner Kingston II project proposed at \$5 million, Sustainable Justice Reform at \$3 million, the Microenterprise project with a \$1.1 million PSEE mortgage expected at the end of FY 91, the Tourism Infrastructure Project Support with \$3 million in PSEE funding projected, and the Export Development and Investment Promotion Project (EDIP) with a \$3.47 million mortgage in PSEE funds, and a proposed \$5 million amendment in FY 93. These are all key projects important to achieving Mission and Bureau objectives, but at the \$13.7 million the Mission will have to decide to either postpone projects, stretch out the PACDs or eliminate one or more projects altogether.

At the \$16.5 million FY 92 CP level the picture is brighter. However, unless sufficient funding is provided for PSEE activities, estimated at a minimum of \$5 million each year for FY 92 and FY 93, we will still face problems in meeting our PSEE mortgage requirements prior to current PACDs. The largest impact of shortages in the PSEE account will fall on trade and investment activities. Disaggregating the PSEE account and looking at annual obligations shows that trade and investment activities constitute the largest portion of PSEE obligations each year from FY 90 - 93. Moreover, obligations for PSEE trade and investment activities trend upward from FY 90, when they were \$1.975 million; to FY 93, when they are expected to total \$3.1 million.

FIG. 2.0 USAID/JAMAICA PORTFOLIO
ACTIVE, TERMINAT. & NEW PROJECTS: 89-93

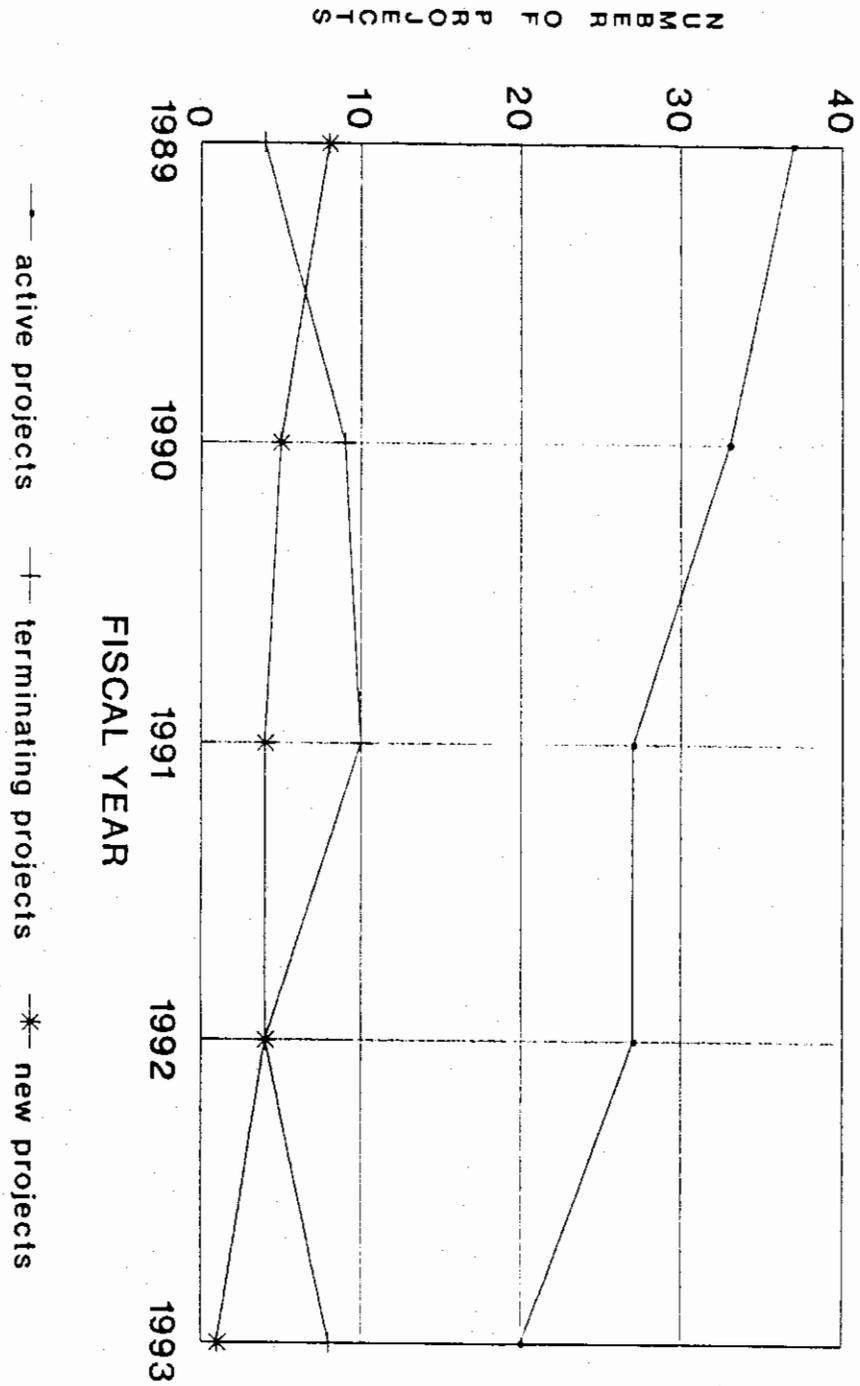


Figure 2.1: USAID/JAMAICA PORTFOLIO: LIFE OF PROJECT PROJECTIONS

PROJECT NUMBER	PROJECT NAME	U.S. FISCAL YEAR									
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
		QUARTERS									
		(+ = 1 quarter; M=indicates beginning of project; & = indicates end of project)									
AGRIC. & RURAL DEV. SECTOR											
5320060	AGRIC. MARKETING-RURAL ROADS	++++	++++	&							
5320082	AGRICULTURAL EDUCATION	++++	++++	++++	++++	++++	+++&				
5320097	SMALL FARMER PROD. & MARKETING	+++&									
5320101	HILLSIDE AGRICULTURE	++++	++++	++++	++++	++++	+&				
5320105	JAMAICA AGRIC. DEVEL. FOUNDATION	++++	++++	++++	++++	++++	+++&				
5320108	NATIONAL DEVELOP. FOUNDATION	+++&									
5320113	HILLSIDE ASSESSMENT	++++	&								
5320123	CROP DIVERSIFICATION & IRRIGATION	++++	++++	++++	++++	+++&					
5320128	AGRICULTURAL RESEARCH PROJECT	++++	++++	++++	++++	+++&					
5320148	PROTECTED AREAS RESOURCES CONS.	M	++++	++++	+++&						
5320148	PROTECTED AREAS RESOURCES CONS. II					M	++++	++++	+++&		
5320157	FOOD AID MONITOR. & SUPPORT GRANT	M	++++	++++	++++	++++	+++&				
5320165	AGRICULTURAL EXPORT SERVICES	M	++++	++++	++++	++++	++++	++++	+++&		
PL480	TITLE I	++++	++++	+++&							
PL480	TITLE II SCHOOL FEEDING PROGRAM	++++	+++&								
PL480	TITLE II SUPPLEMENTARY FEEDING PROGRAM	M	+++&								
5320170	LOCAL PARTICIPATION IN DEV.				M	++++	++++	++++	+++&		
EDUCATIONAL SECTOR											
5320029	SPECIAL DEV. ACTIVITIES	++++	++++	++++	++++	++++	+++&				
5320083	BASIC SKILLS TRAINING	++++	++++	&							
5320085	VOLUNTARY SECTOR DEVELOPMENT	+++&									
5320126	PRIMARY EDUCATION ASSISTANCE I	++++	+++&								
5320129	UNI SCHOOL OF MANAGEMENT IMPROV.	++++	++++	++++	++++	++++	++++	+++&			
5320147	PTIIC	++++	++++	++++	+++&						
5320155	PEAP II		M	++++	++++	++++	++++	+++&			
5320169	CLASP II		++++	++++	++++	++++	++++	++++	++++	++++	+++&
HEALTH SECTOR											
5320064	HEALTH MANAGEMENT IMPROVEMENT	++++	+++&								
5320069	POPULATION AND FAMILY PLANNING	++++	++++	+&							
5320122	PRIV. SECTOR PROM. OF FAM. PLANNING	++++	+++&								
5320152	HEALTH SECTOR INITIATIVES	M	++++	++++	++++	++++	++++	++++	+++&		
5320153	AIDS/STD PREVENTION & CONTROL	++++	++++	++++	++++	++++	+++&				
5320161	DRUG ABUSE PREVENTION	M	++++	++++	++++	++++	+++&				
5320163	FAMILY PLANNING INITIATIVES			M	++++	++++	++++	++++	++++	++++	+++&
PRIV. SECTOR, ENERGY & ENVIRONMENT											
5320079	TECH. CONSULTAT. & TRAIN. GRANT	++++	&								
5320091	PRIVATE DEVELOPMENT BANK	++++	+++&								
5320095	REVENUE BOARD ASSISTANCE	++++	++++	&							
5320135	EXPORT DEVELOP. & INV. PROMOTION		+++	++++	++++	++++	+&				
5320156	MICROENTERPRISE DEVELOPMENT		M	++++	++++	++++	+++&				
5320173	ENVIRONMENTAL FUND SUPPORT				M	++++	++++	+++&			
5320120	INNER KINGSTON DEV. PROJECT	++++	++++	+++&							
5320120	INNER KINGSTON IMPROV. PHASE II			M	++++	++++	++++	++++	+++&		
5320162	CARIBBEAN JUSTICE IMPROV. PROJECT	++++	++++	++++	&						
5320175	SUSTAINABLE JUSTICE REFORM				M	++++	++++	+++&			
5320168	TOURISM INFRASTRUCTURE PROJECT SUPPORT			M	++++	++++	++++	++++	+++&		
DISASTER RELATED SECTOR											
5320158	HURRICANE RECONSTRUCTION	+++	++++	+++&							
5320185	EMERGENCY REHABILITATION PROJECT	+&									
ESF											
5320146	P & E IX (PROD. & EMPLOYMENT)	M	+++&								
5320154	P & E X (PROD. & EMPLOYMENT)		M	+++&							
5320164	P & E XI (PROD. & EMPLOYMENT)			M	++++	&					
	P & E XII					M	+&				
HOUSING & URBAN DEVELOP.											
5320067	LOW COST SHELTER DEVELOP.	++++	++++	+++&							
5320117	URBAN TECHNICAL ASSISTANCE	++++	++++	+++&							
5320149	TECH. SUPP. FOR SHELTER & URBAN SV.	++++	++++	++++	++++	+++&					
532-HG-012B	JAMAICA SHELTER SECTOR SUPPORT PRIVATE SECTOR	++++	++++	++++	++++	+++&					
532-HG-012C	JAMAICA SHELTER SECTOR SUPPORT BASIC SHELTER	++++	++++	++++	++++	+++&					
532-HG-013	JAMAICA SHELTER & URBAN SERVICES POLICY PROGRAM	++++	++++	++++	++++	+++&					
ACTIVE PROJECTS AT END OF FY:		37	33	27	27	21	12	8	2	2	0
TERMINATING PROJECTS IN FY:		4	9	10	3	8	9	4	6	0	2
NEW PROJECTS IN FY:		8	5	4	3	2	0	0	0	0	0

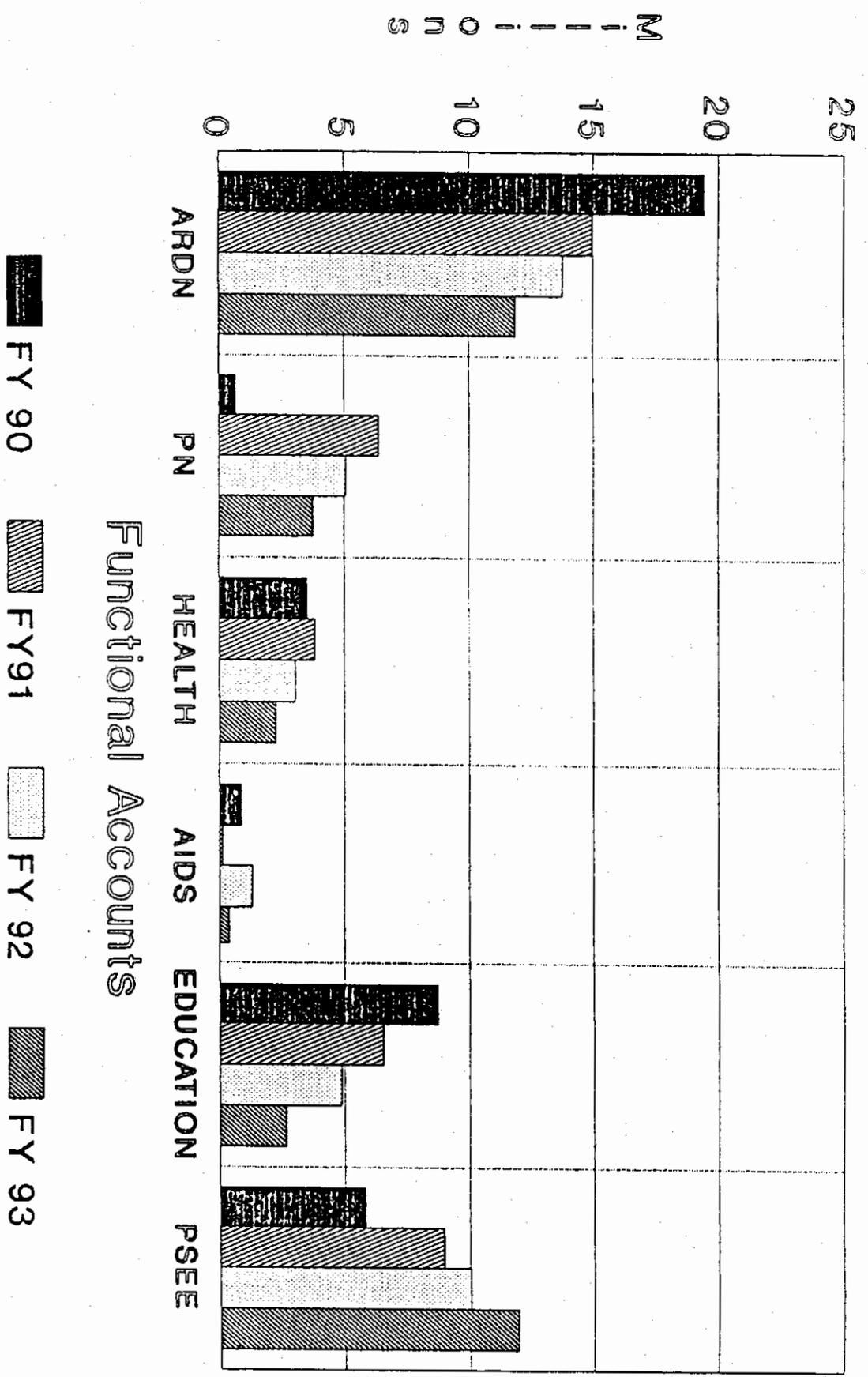
FIGURE 3.0:
MORTGAGE ANALYSIS SUMMARY; SCENARIO 1
MORTGAGE BASED ON \$13,721

<u>FUNCTIONAL ACCOUNT</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
ARDN	19,402	14,960	13,768	11,879
PN	660	6,375	5,075	3,775
HEALTH	3,492	3,810	3,028	2,246
AIDS	865	120	1,310	380
EDUCATION	8,730	6,551	4,887	2,673
PSEE	5,809.8	8,951.8	10,028.8	11,955.8
SUBTOTAL	38,958.8	40,767.8	37,976.8	32,908.8
MORTGAGE RATIO	2.75	2.97	2.77	2.4
POTENTIAL DEOBS/ REOBS		2,067	-	-
EXPECTED TOTAL MORTGAGE WITH DEOBS (\$2.067)	38,958.8	38,700.8	35,909.8	30,841.8
MORTGAGE RATIO	2.74	2.82	2.62	2.25

FIGURE 3.1:
MORTGAGE ANALYSIS SUMMARY: SCENARIO 1
MORTGAGE BASED ON \$16,500

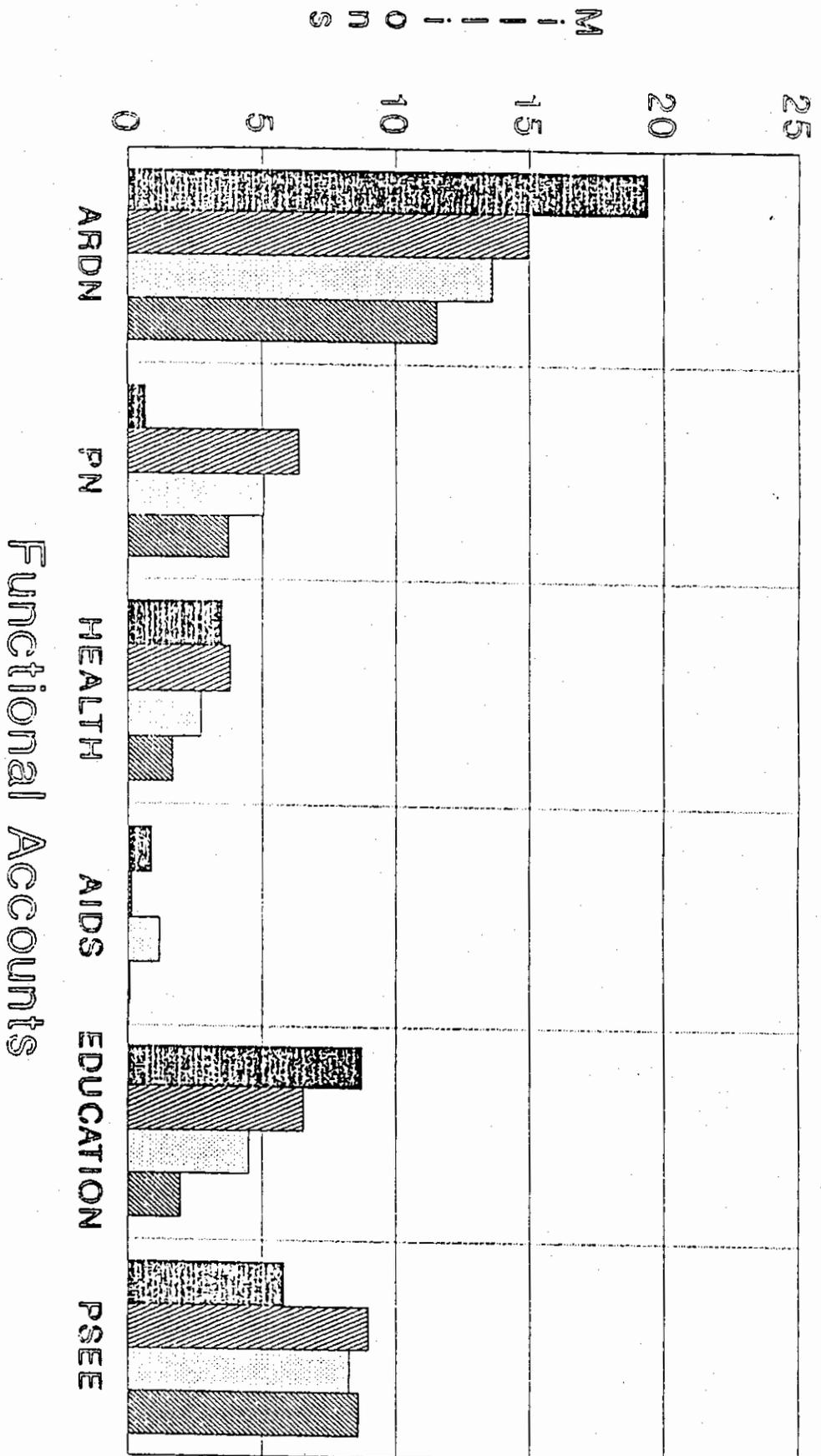
<u>FUNCTIONAL ACCOUNT</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
ARDN	14,960	13,608	11,559
PN	6,375	5,075	3,775
HEALTH	3,810	2,728	1,646
AIDS	120	1,155	70
EDUCATION	6,551	4,530	1,959
PSEE	8,951.8	8,221.8	8,406.8
SUBTOTAL	40,767.8	35,317.8	27,415.8
MORTGAGE RATIO	2.97	2.13	1.66
REOBS/DEOBS	2,067		
EXPECTED TOTAL MORTGAGE WITH DEOBS (\$2,067)	38,700.8	33,250.8	25,348.8
MORTGAGE RATIO	2.82	2.02	1.54

Figure 3.2: MORTGAGE ANALYSIS SUMMARY
 Scenario 1: based on \$13.721 million OYB



Mortgage ratios: FY90 = 2.74; FY91 = 2.82;
 FY92 = 2.62; FY93 = 2.25

Figure 3.3: MORTGAGE ANALYSIS SUMMARY
 Scenario 2: based on \$16.5 million OYB



Mortgage Ratios: FY90 = 2.74; FY91 = 2.82;
 FY92 = 2.02; FY93 = 1.54

M I I I I O N S

As noted above, the loss of PL 480 Title I for policy related self help measures will affect our policy dialogue leverage. In the past PL 480 self help measures helped reduce or eliminate agricultural price subsidies (e.g. milk powder in 1982), reduce quantitative agricultural import restrictions, and begin to phase out the monopoly position of the GOJ as an importer of many commodities. We expect to prepare for the challenge presented by loss of PL 480 resources by exploring new ways of working with USDA and by transferring more of the policy dialogue burden previously carried by PL 480 self help measures to our remaining DA portfolio. This will be accomplished by building policy objectives into future projects and by exploring ways to address sectoral policies through coordinated project efforts directed at common sector policy constraints. We also will continue to look for areas where we can leverage our limited resources such as the planned FY 91 Japanese cofinancing initiative for tourism infrastructure development.

The Table IV shows the planned program uses of local currency as a result of ESF, PL 480 Title I and II and Section 416. In FY 91 we expect to program local currency associated with ESF for trust fund requirements (discussed below), for helping to meet the needs of AID projects for counterpart funds (\$1.9 million) and to provide sector budget support for programs in support of priority policy areas (e.g. privatization). During FY 91 we still have program responsibility for PL 480 Title I Agreements signed prior to January 1, and this will result in US\$30 million equivalent in local currency for us to program this year. Seventy-five percent of this will be programmed for sectoral budget support in agriculture, rural development, health and education. The other twenty-five percent (\$7.5 million) will be programmed for Section 108 activities.

Sectoral uses of local currency generated from Title I are shown in the following tables. The FY 1989 Title I Program generated J\$185 million (more than US\$25 million) which was programmed and disbursed as follows:

FY 1989 LOCAL CURRENCY DISBURSEMENT

<u>SECTOR</u>	<u>J\$ (MILLIONS)</u>	<u>PERCENT</u>
Agriculture	J\$ 4.6 million	25
Education	23	12
Health	69	37
Rural Development	<u>47</u>	<u>26</u>
	<u>185</u>	<u>100%</u>

The FY 1990 Title I Program generated J\$196 million. Of this amount, \$135 million has been disbursed. Since the GOJ will continue to disburse through the end of their 1990/91 fiscal year (March 31, 1991), a complete breakdown of disbursements by category is not possible. The FY 1991 program was signed on October 12, 1990. The initial Title I Agreement provides for US\$30 million with a 25% Section 108 program. The remaining 75% of the program will generate the local currency equivalent of US\$22.5 million or approximately JA\$200 million (using an exchange rate of J\$9.00 to US\$1.00). Furthermore, if our request for an additional US\$10 million from the unallocated reserve is approved, there could be an additional J\$90 million.

These funds will be programmed into the GOJ's FY 91/92 budget which begins on April 1, 1991. Funds will provide a valuable contribution to the identified sub-sectors, in particular USAID projects requiring local currency support. In FY 1990, almost 25% (J\$43 million) of local currency generations went for counterpart contributions of USAID projects and the loss of these funds may impact on our ability to assure adequate counterpart funds for our programs.

Section 416 generations in FY 91 are expected to total the local currency equivalent of \$1.7 million from sales of butteroil. We plan to use these generations to support the government's program to control typhoid in Savanna-La-Mar, western Jamaica. USDA approval is pending.

Title II has been used in the past to support direct feeding programs in Jamaica with mixed results. The high cost of transportation and accelerated tropical spoilage rates have been troublesome. Monetization to support the Jamaica Agricultural Development Foundation (JADF) lending program to the Agricultural sector has been more successful. More than US\$10 million has already been lent for 365 approved projects and loan reflows are rapidly capitalizing the JADF. The Title II Support for JADF is expected to end in FY 1992 with a final \$1.8 million from monetized Title II corn.

Under the recently enacted Farm Bill, USDA is responsible for formulating a strategy for use of Title I local currency proceeds. Options include general budget support on more specific uses for U.S. agricultural market development and U.S. agro investment in Jamaica. For FY 1992 and beyond, we plan to work with USDA to develop a successor program to our Section 108 auction program that has provided resources to the banking system for development loans. Other local currency generations are expected to be programmed by USDA to provide general budget support for general economic development purposes.

We are looking for new approaches to obtain maximum impact from our portfolio. This includes taking a more targeted approach to programming ESF related local currency. We are, for example, planning to program a significant portion of FY 92-93 ESF local currency to support the Tourism Infrastructure Project. We are exploring other ways to use local currency programmed in conjunction with our ESF to directly support activities that contribute to our Strategic Objectives, rather than simply programming the resources for

counterpart needs as we have done in the past. This effort to increase impact from our limited resources, however, will have to be carefully assessed with regard to staff intensiveness until the effects of the declining number of projects provide us leeway to more intensively manage remaining activities.

B. Operating Requirements:

USAID/Jamaica is in a very tenuous position with respect to funding operating costs. Approximately 70% of operating costs come from trust funds. Reducing the use of trust funds at this Mission means a considerable shift to scarce appropriated funds.

This Mission has been in a cost-cutting mode for several years. We have cut or replaced U.S. professionals with FSN's, closely monitored travel, delayed procurements, and contracted out maintenance services. Further squeezing of administrative costs will impair program effectiveness, the adequacy of administrative services for Mission personnel, and the quality of residential support for U.S. families.

Mission costs for FY 91 are 6.3% higher than FY 90 but less than FY 89. Escalating local costs are only minimally offset by favorable changes in the exchange rate. For cost savings, the Mission has replaced USPSC's with FSN's, obtained payment from RHUDO for its portion of the rent, and begun a program of monitoring utility consumption at residences. The Mission previously attempted to move from leased office space to purchasing the existing building through trust fund, but was unsuccessful in this effort. The cost of office space will become a pressing issue in FY 92 when our existing lease is up.

Budgeted costs for FY 91 are above the ABS level, \$3.760 million vs. \$3.605 million. The excess costs are due to price escalations during the last year. The Mission can meet the ABS target, but only at the cost of deferring all NXP procurement. The most critical area is computer equipment. The Mission is still running a WANG VS 100 which is at capacity. Procurement was delayed by renegotiations of State Department contract. It was later delayed due to budget shortfalls. The Mission will attempt to purchase and move some users to a LAN in late FY 91, but the minicomputer must be replaced.

Budgeted costs for FY 92 are significantly above the control level, \$4.511 million vs \$3.796 million. This is due to budgeting for the replacement of the minicomputer; a significant increase in rent because our lease is up in March 92 (the owner has already begun negotiations to sell the building); and significantly higher USDH costs due to a number of new post assignments. Moreover, the Mission may have to move to a new office location, with the cost to be paid from appropriated funds.

- Staffing

Since FY 87, Mission U.S. personnel have been gradually reduced. The most recent reduction was the Program Officer slot in our combined Office of Program and Project Development. Earlier reductions took place in the Controllers office (1 USDH and 2 USPSC's). With the growing importance of our private sector portfolio, we recently transferred one position from the Office of Agriculture and Rural Development to the Office of Economics and Private Enterprise.

With the current size and structure of the staff, we believe staffing is appropriate for the Mission's program during the next two years with one possible exception -- the Controller's Office. On the basis of a review of past internal control assessments, the Mission identified five areas of serious concern. Three of these areas relate to Controller operations. An operational assessment of the office is scheduled for later in FY 1991. When the assessment is completed, we will be able to decide on the appropriate size and composition for effective financial management functions.

Given the gradual reduction in units of program management and changes in program emphasis by FY 93, we expect to make appropriate adjustments in Mission staffing and organization. We are, for example, considering the implications of combining some offices as we consolidate our portfolio. Consideration of staff mix will be important as our program evolves. As we complete our Agricultural sector strategy exercise and develop a new CDSS over the next year, we will get a clearer fix on the most appropriate organizational changes.

-Trust Fund Use:

USAID/Jamaica has relied heavily on trust funds as a funding source for the mission operations (71% of budget in FY90). The need for trust funds has increased in FY91 despite Jamaica's move to a free exchange rate, and depreciation of the Jamaican dollar from 6.9 to one US\$, at the time of the ABS, to the current rate of 9.0 to one US\$. There have been offsetting increases in local costs especially for local purchases with a high import content (e.g. power, gasoline, many local manufactures) and therefore, higher trust fund requirements.

The Mission was able to carry forward into FY91 a trust fund balance adequate to cover estimated costs for the first five months of FY91. An additional payment by the GOJ will cover costs through May 91. It is expected that FY91 ESF generated local currency will cover trust fund needs for the balance of FY91.

Trust Fund Table

	FY90	FY91	FY92
Beg. Unliquidated Bal	3,241	5,666	3,666
Deposits	20,429	26,000	30,000
Obligations	18,004	28,000	32,000
End. Unliquidated Bal	5,666	3,666	1,666
Average Exchange Rate	6.7		
Exchange Rate 1/25/91		9.0	

With the assistance of the LAC bureau, Jamaica has discontinued the use of reverse accommodation exchange for lease payments. Reverse accommodation is used occasionally for salary payments of FSN's traveling in the U.S.

(USAID/JAMAICA)
 INFORMATION ON THE OPERATING EXPENSE BUDGET
 (in 000)

<u>Item</u>	FY1989 Actual	FY 1990 <u>Actual</u>	FY1991 <u>Projected</u>	FY1992
OE Budget				
Total OE Budget	\$ 3830.7	\$ 3536.8	\$ 3760.0	\$ 4511.0
-Dollar Approp.	(\$ 935.0)	(\$1033.4)	(\$1005.0)	(\$1241.0)
-Trust Fund	(\$2892.7)	(\$2503.4)	(\$2755.0)	(\$3327.0)
Personnel Ceilings				
Total Ceilings				
-USDA	20.3	21	20	20
-USRH	-	-	-	-
-PASA/RSSA	-	1	2	2
-FNDH	14.7	17	15	14
Actual Projected Work Force Levels				
Total Work Force				
OE -Funded				
-USDH	20.3	21	20	20
-USRH	-	-	-	-
-USPSC	2.1	3.7	3.3	3.3
-TCN (PSC or DH	-	-	-	-
-FSNDH	14.7	17	15	14
-FSNPSC	-	-	-	-
-Manpower Personal Services	-	-	-	-
-Other (Specify				
Project-/Program Funded				
-USPSC	4.3	4.8	4.9	4.0
-TCNPSC	-	-	-	-
-FSNPSC	1.1			
-Other (Specify)				

V. Issues

A. Portfolio Consolidation and Mortgage Levels

During the FY 91-92 Action Plan Review and the December, 1990 SAR review AID/W expressed concern about the breadth and diversity of the AID program in Jamaica and the high mortgage level. USAID has taken steps to limit new starts and will reduce its portfolio size by more than 33% between FY 90 and the end of FY 93 (from 33 to 21 active projects). Remaining activities are solidly linked to Bureau Objectives. The mortgage ratio is projected to fall to less than the target figure of 2.5 by FY 93 even assuming a "straight line" level of \$13.9 million.

The Mission accordingly feels it has adequately addressed Bureau concerns to consolidate its portfolio and reduce mortgage levels, but will continue to look for other ways to further these objectives during the Action Plan period.

B. Staff Levels and OE

The Mission has reduced USDH staff levels to 20 and is continuing to look for ways to cut OE. However, as discussed in Section IV additional cuts in staff will be difficult to absorb before FY 93. Moreover, the Mission would like to complete its new CDSS before proposing staff levels for FY 93.

Operating Expense costs have been cut but cost increases for office space and new equipment needs will drive expenses up considerably in FY 92. Trust fund expenses are also accelerating due to recent local cost increases. We accordingly project a sizeable increase in OE budget needs for FY 92, from \$3.760 million in FY 91 to \$4.511 million for FY 92.

C. Audit Recommendations

Closing the outstanding audit recommendations for a Housing Investment Guarantee program (HG-012) has been a high Mission priority during the past seven months.

RIG/A/T conducted an audit of the HG-012 Housing Guarantee program in late 1989 and issued the final audit report dated July 3, 1990. The six month milestone has now passed and the audit will be reported to Congress on March 31, 1991. At the six-month expiration, 12 of 31 recommendations had been closed. In January, however, the GOJ initiated a series of actions which we believe warrants closing 12 additional recommendations. We believe these actions reflect a serious commitment on the part of the GOJ to resolve the outstanding issues. RHUDO/CAR and USAID/Jamaica are dedicating more staff time, additional TDY assistance, and support grant funding, in an all out effort to close outstanding issues not later than March 15.

The remaining outstanding audit issues are related to establishing procedures which will insure the sustainability of the HG-012 shelter program. Several involve cooperation between institutions and one or more Ministries. Key open recommendations are: (1) establishment of a reliable loss-clearing mechanism under the Ministry of Finance loan servicing agreement, (2) the budget allocation and actual utilization of budgeted funds for HG re-payments, and (3) a comprehensive collections plan for the delinquent mortgages in CHFC's portfolio, most of which were originated and are owned by the Ministry of Construction - Housing (MOCH) and will require MOC(H) assistance to collect.

The Mission is pursuing vigorously the closure of the outstanding recommendations. Audit issues require significant policy changes, and should help address the sustainability of the HG-012 shelter program. MOC(H) interest rates must be substantially increased, collections on non-performing loans must be actively pursued, titles must be provided for MOC(H) mortgages, and the MOF must see that funds are appropriated and disbursed, as required by the loan servicing agreement, to cover program losses. The MOF, MOC(H), CHFC and RHUDO will also have to closely monitor compliance with audit recommendations and impact of such recommendations on the financial management of the program. The Mission representatives will provide an update on the close-out process during the Action Plan review.

Table I - Part I

C. Strategic Objectives and their Performance Indicators

Strategic Objective #1

Environmentally Sustainable Increase in Exports and Production for Domestic Markets

- Growth in exports of goods and non-factor services and an increase in the ratio of international trade to gross domestic product.
- Continued progress toward a market-determined foreign exchange rate.
- Growth in production in Agricultural crops for which Jamaica has a comparative advantage.

Strategic Objective #2

Increase and Diversify Private Sector Investments

- More efficient use of capital to increase private investment.
- Growth in private investment in real terms and as a percentage of total investment.
- Implementation of a more equitable and efficient tax system.

Strategic Objective #3

Strengthen Policies and Institutions for Environmental Protection.

- More effectively enforced regulatory framework for the protection of the environment and management of natural resources.
- Strategy for assisting environmental institutions to effectively utilize available EAI resources developed.

Strategic Objective #4

Increase Environmentally Sustainable Productivity and Growth of Small Entrepreneurs including Small Farmers.

- Increase in share of population above poverty line.
- Small farmer productivity improved.
- Increase in number and size of income generating activities of microenterpreneurs.

Strategic Objective #5

Improve Quality and Sustainability of Health and Family Planning Programs Accessible to all Sectors of the Population.

- Implementation of management reforms in hospitals to improve efficiency of operations.
- Increased contraceptive prevalence.
- Increased couple years protection under contraceptive commercial retail sales program.
- Increasing portion of health system and budget under local control, with health support services increasingly privatized.
- More efficient and higher quality health services provided to all sectors of the population.
- Percentage of GOJ Health Sector Budget allocated to primary health care maintained or increased.

Strategic Objective #6

Sustainable Improvements in Relevancy, Effectiveness and Efficiency of Education for meeting the Employment Needs of Society.

- Higher quality and more relevant instruction for the primary school-aged population.
- Improved physical environment for learning and expanded local resource base due to increased community participation in the education system.
- Greater resources devoted to increasing the employment prospects for school leavers.

Strategic Objective #7

Increase the Affordability of Land, Shelter and Infrastructure to Individuals and Families at or Below the Median Income Level while strengthening Private Shelter Institutions.

- Improved access to adequate shelter and related services.
- More effective use of public resources in the shelter sector, directed to target population.

Strategic Objective #8

Improve the Sustainability and Responsiveness of the Justice System to Society's Needs.

- Implementation of management reforms to reduce the inefficiencies in the justice system, increase the effectiveness with which justice is administered and improve the credibility of the judicial system.

Strategic Objective #9

Strengthen Citizen Participation in the Resolution of Local Problems.

- More effective community based organizations engaged in community development activities and basic service delivery at the local level, with a greater degree of participation by local residents.

- Returned participants actively involved in local problem resolution.

Strategic Objective #10

Support U.S. Government Efforts to Reduce the Production and Export of Drugs, the Incidence of AIDS, and the Effects of Disasters.

- Strengthened institutional framework at the national level for drug abuse prevention.

- Sustainable AIDS/STD prevention and control program of education and communication in place.

- Improved capacity to prepare for and mitigate against the effects of disasters at the national and regional levels.

Table I: Part 2

USAID Jamaica's Strategic Objectives and Work Plan

Strategic Objective I:

Environmentally sustainable increase in exports and in domestic production

- Agreement reached with GOJ and Japanese on program to improve infrastructure in Tourism areas.
(March, 1991)
- Develop a USAID comprehensive agriculture and natural resource development strategy for promoting sustainable and effective increases in production and exports.
(May, 1991)
- Establish comprehensive research program to develop and to evaluate appropriate pasture grasses to improve beef and dairy production for Jamaica.
(May, 1991)
- Survey domestic production capacity and opportunities in U.S. markets for Jamaican information services businesses and distribute the results
(July, 1991)
- Increase productivity of bananas and yams for export through the introduction and utilization of new technologies.
(August, 1991)
- Strengthen the agricultural marketing system through the refurbishing of central warehouse facilities.
(August, 1991)
- Increase sustainability of 2 private business services organizations
(September, 1991)
- Complete studies for the Ministry of Agriculture on developing a more effective and efficient agricultural marketing system.
(September, 1991)

- Pass enabling legislation to establish a National Agricultural Research Institute to provide a sustainable agricultural research capability.
(September, 1991)
- Increase capacity for irrigation of domestic and export crops through raising the Rio Cobre Dam cap by three feet.
(September, 1991)
- Print an export directory and distribute it to U.S. importing businesses
(December, 1991)
- Continued progress toward a free foreign exchange system including an increase in importance of the commercial interbank foreign exchange system and a lower percentage take (below 50%) for the Bank of Jamaica from the interbank market.
(December, 1991)
- Provide management and marketing training to 200 craft market vendors and 100 small and microenterprise owners
(December, 1991)
- Train 150 shop-floor engineers in furniture, garments and other export industries, thereby improving productivity and sustainability of over 50 firms.
(December, 1991)

Strategic Objective 2:

Increase and Diversify Private Sector Investments

- Train labour leaders in improved productivity techniques
(March, 1991)
- Increase the availability of long term financing by auctioning J\$33 million under PL480-Section 108 to private financial institutions
(April 1991)
- Assessment of tourism industry needs completed.
(June, 1991)
- GOJ decision to adopt appropriate policies and procedures to allow for private sector importation of agricultural and other commodities
(June, 1991)
- Obtain Parliamentary approval of new General Consumption Tax legislation
(June, 1991)
- Procompetition legislation endorsed by GOJ Cabinet
(June, 1991)
- Increase foreign investment in duty free zones by upgrading marketing efforts and improving delivery of basic services
(July, 1991)
- Train at least 2 high-level GOJ officials in privatization strategies
(July, 1991)
- Finance 60 new micro and small business start-ups or expansions through National Development Foundation
(September, 1991)
- Conduct an evaluation of the impact of divestment on the economy
(September, 1991)
- Expedite the privatization process through technical assistance to the Prime Minister's office
(December, 1991)

- Investment climate improved through more equitable tax system, consistent policy of privatization, liberalized interest rates, continued reduction in price and import controls, and liberalized foreign exchange system
(December, 1991)
- Reduce GOJ debt and increase private investment by privatizing Air Jamaica and 5 other GOJ enterprises
(December, 1991)
- Reduce GOJ debt and increase private sector the availability of factory space by divesting 250,000 sq ft. of publicly owned factory space to the private sector
(December, 1991)
- Improve capital markets through improved Security Exchange legislation.
(December, 1991)

Strategic Objective 3:

Strengthen the policy environment and public and private sector institutions, including NGOs, to advocate and implement effective environmental protection and natural resource management measures

- Inventory and assess environmental NGO's with interest and ability to participate in the environmental component of the Enterprise for the Americas Initiative (EAI).
(March, 1991)
- Complete environmental study showing the impact of GOJ development policies on environmental degradation.
(March, 1991)
- Establish National Park Trust Fund to finance a national park system.
(July, 1991)
- AID project designed to support foreign exchange requirements of the Environmental fund, including NGO strengthening.
(August, 1991)
- Complete the establishment of two pilot national parks.
(December, 1991)

Strategic Objective 4:

Environmentally sustainable increase in productivity and growth of small entrepreneurs including small farmers

- Ten micro-businesses improved through International Executive Service Corp technical assistance
(March 1991)
- GOJ finalizes National Land Policy to broaden access to land for agricultural production and other uses.
(March, 1991)
- Environmentally sustainable agronomic and extension improvements demonstrated under the Hillside Agriculture Project are adopted by the GOJ for increasing tree crop productivity
(June, 1991)
- Increase the availability of financing to small businesses on a sustained basis.
(July, 1991)
- Establish a comprehensive and environmentally sound pesticide use training and monitoring program.
(August, 1991)
- Improve data base on small and micro enterprises by updating survey, analyzing the data and disseminating the findings
(December 1991)
- Improve management practices, product quality and sales of small craft vendors in tourism centers
(December 1991)
- Two thousand new farmers brought under production improvement program for tree crops
(December, 1991)

Strategic Objective 5:

Improve the quality and sustainability of health and family planning programs accessible to all sectors of the population

- GOJ adopts strategy for privatizing appropriate elements of the family planning program.
(April, 1991)
- Policy analysis completed and National Family Planning Board decision made on revising the fee structure for contraceptive retail sales program to maximize cost recovery while maintaining market share.
(August, 1991)
- Establish comprehensive management training program for the Ministry of Health to improve the management of health services for greater efficiency and quality.
(September, 1991)
- Ministry to finalize plans for decentralized health services administration to enable hospitals to have greater autonomy for management of resources at the local level.
(September, 1991)
- Seminar to disseminate results of private sector health investment climate survey to potential investors, insurance and health care providers to promote increased private investment.
(November, 1991)
- Divest catering services to private contractors in Kingston public hospital; and janitorial, catering and laundry services in Spanish Town Hospital.
(December, 1991)

Strategic Objective 6:

Sustainable improvements in the relevancy, effectiveness and efficiency of the education system for meeting the employment needs of society

- University of the West Indies adopts a financial plan for assuring the sustainability of the University's Department of Management Studies program.
(May, 1991)
- Management manuals for primary school administrators and officially adopted and used by the Ministry of Education to improve local administrative and management capacity.
(May, 1991)
- Plan approved by the Ministry of Education improving mathematics training in schools to enhance effectiveness of primary education and its relevance to meet the needs of the job market.
(May, 1991)
- Seminar with donors, GOJ and private sector on needs of the educational sector in the 1990's with emphasis on how to broaden and improve skills of job seekers.
(June, 1991)
- Establish program to train school and community (including private sector) leaders for better managing the education system at the local level and carry out GOJ's commitment to decentralize education and enhance community development.
(June, 1991)
- College of Agriculture and a secondary agriculture school expanded to increase enrollment by 20%.
(July, 1991)

Strategic Objective 7:

Increase the affordable provision of land, shelter, and infrastructure to individuals and families at or below the median income level while strengthening the sustainable role of private institutions within the shelter sector

- Resolve all outstanding issues for the HG-012 program and agree on a strategy with the GOJ which will ensure the viability of the Caribbean Housing Finance Corporation and of the Shelter Program.
(March, 1991)
- Implement a comprehensive plan to improve loan collections and thus sustainability of publicly financed shelter programs
(March, 1991)
- GOJ submits 1991 Program Implementation Plan identifying policy objectives and projects to be initiated and completed
(March, 1991)
- Ministry of Construction (Housing) completes contracting and initiates construction of 4200 unit Rosemont and Norwood upgrading sites
(April, 1991)
- GOJ completes policy actions required on land titling and subdivisional approval procedures for the borrowing of approximately \$4.0 million remaining under HG-013
(May, 1991)
- Improve water service operations and collections that will promote the sustainability of water services
(June, 1991)
- Ministry of Construction (Housing) initiates interest rate policy leading to a phased increased to move toward market conditions and to target lowest rates to the poor
(June, 1991)

- Finalize joint venture low cost housing projects with private builders, building societies and credit unions utilizing GOJ land
(September, 1991)
- Provide 8,500 shelter solutions, affordable to families at or below the median income level, through the housing Guaranty Program.
(December, 1991)

Strategic Objective 8:

Improve the justice system's sustainability and responsiveness to society's needs

- Completion of all equipment installation, improvement of facilities and training under the Caribbean Justice Improvement Project.
(February, 1991)
- Convene seminar of government, private sector and academic participants to assess constraints to improvements in the justice system, and recommend approaches for resolving constraints.
(March, 1991)
- Agreement between AID and GOJ on program for sustainable justice reform supported by AID.
(October, 1991)

Strategic Objective 9:

Strengthen citizen participation in the resolution of local problems

- Convene seminar of government and private sector representatives on the role and capability of local government in Jamaica to help determine approaches for strengthening local government.
(March, 1991)
- Complete assessment of local needs and local organizations capabilities to determine the best approach for increasing local citizen participation.
(June, 1991)

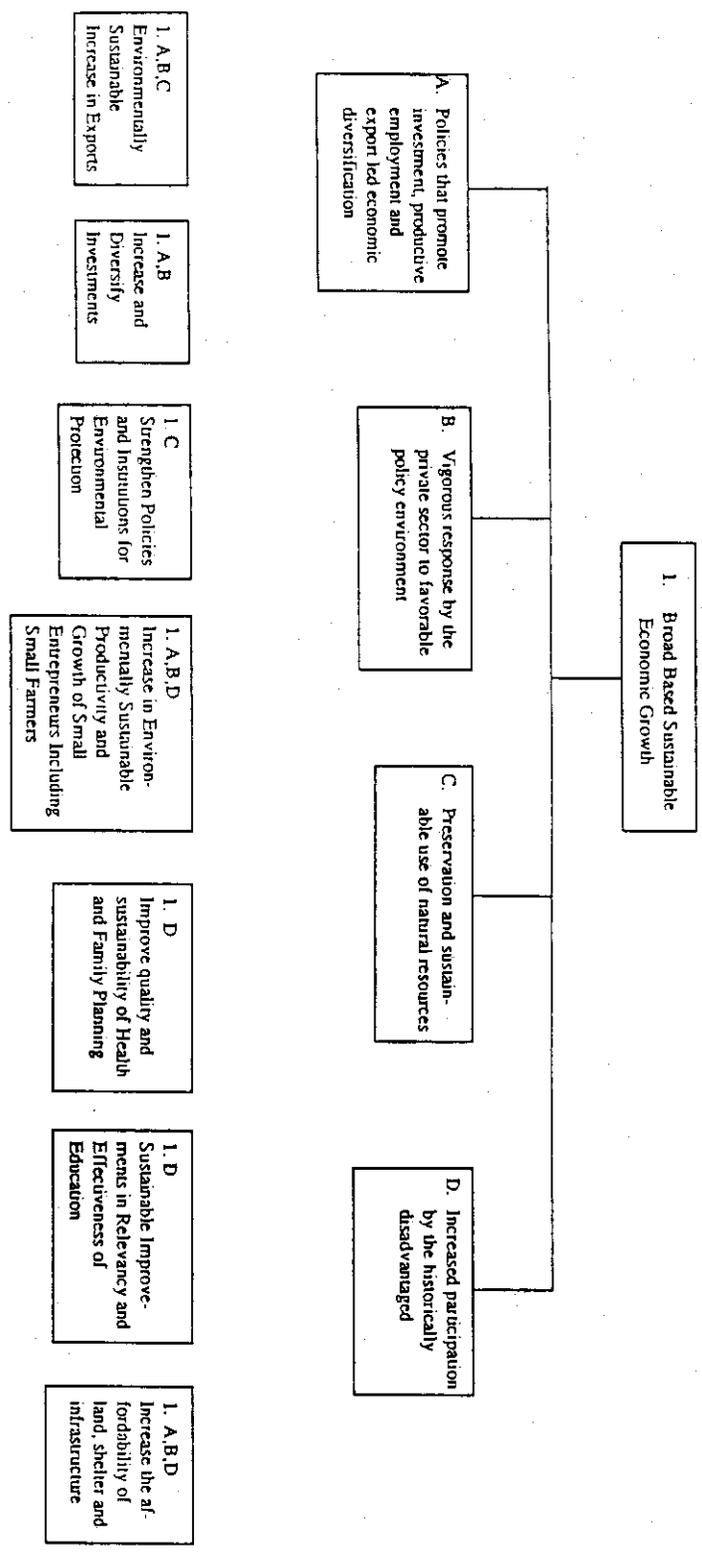
- Establish program for returned participants from leadership training in the U.S. to continue to upgrade and apply their skills to address problems in Jamaica.
August, 1991)
- Develop concept paper for possible AID program to strengthen local participation in development through assistance to local organizations.
(August, 1991)

Strategic Objective 10:

Support USG efforts to reduce production and export of drugs, the incidence of AIDs and other epidemics, and the effects of disaster

- Implement AIDS/STD prevention and education communication campaign
(March, 1991)
- Implement three community drug prevention activities targetted at youth
(June, 1991)
- Develop a disaster mitigation strategy for shelter and infrastructure
(July, 1991)
- Agreement with GOJ to amend AIDs/STD program to accommodate expanded Center for Disease Control technical assistance role.
(December, 1991)

Table III Relation of Bureau Objectives to USAID/Jamaica's Strategic Objectives



LAC
Bureau
Objectives
and Sub-
Objectives

USAID/
Jamaica's
Strategic
Objectives

Table III Relation of Bureau Objectives to USAID/Jamaica's Strategic Objectives

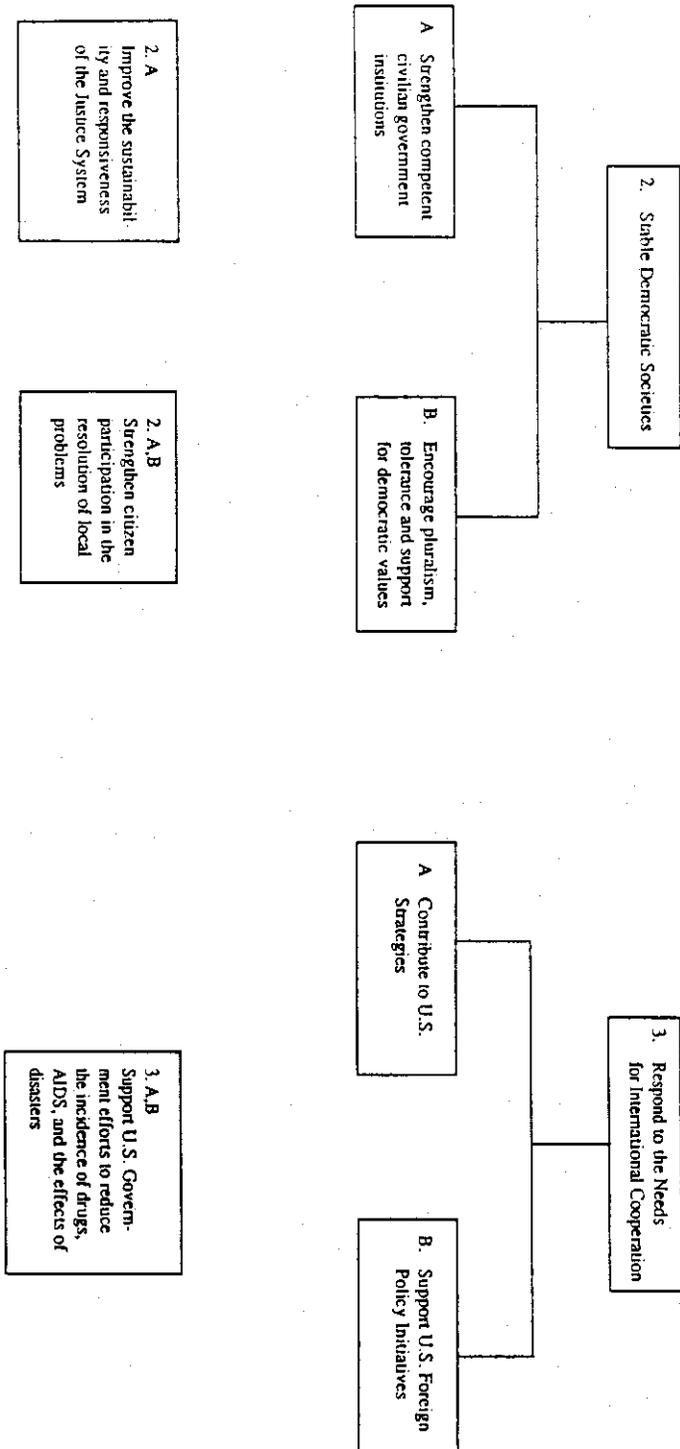


TABLE IV
FY 91
LOCAL CURRENCY UTILIZATION
(\$000)

A. USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC 416	OTHER	TOTAL
HG BUDGET GEN							
HG BUDGET SECTOR	5,000						27,500
HG CONTRIBUTION TO AID PROJECT	1,900						1,900
HG CONTRIBUTION TO OTHER DONOR PROJECT. (JAPANESE CO-FINANCING)							
HG MANAGED L/C PROJ GOVT. OR PRIVATE					1,700		1,700
AID PROGRAM TRUST FUND							
AID OE TRUST FUND	3,100						3,100
SECTION 108 OTHER(MONETIZED PL480 TITLE II		7,500					7,500
			3,600				3,600
TOTAL CHANNEL FOR ASSISTANCE	10,000	30,000	3,600		1,700		45,300
PUBLIC SECTOR	10,000	22,500			1,700		
PRIVATE SECTOR		7,500	3,600				
TOTAL	10,000	30,000	3,600		1,700		45,300

TABLE IV
 FY 92
 LOCAL CURRENCY UTILIZATION
 (\$000)

A. USES	ESF	PL 480 1	PL 480 11	PL 480 111	SEC 416	OTHER	TOTAL
HG BUDGET GEN							
HE BUDGET SECTOR	7,112						7,112
HG BUDGET SECTOR							
HG CONTRIBUTION TO AID PROJECT							
HG CONTRIBUTION TO OTHER DONOR PROJECT.							
(JAPANESE CO-FINANCING)	5,000						5,000
HG MANAGED L/C PROJ GOVT. OR PRIVATE AID PROGRAM TRUST FUND							
AID OE TRUST FUND SECTION 108	2,888						2,888
OTHER(MONETIZED TITLE 11)			1,800				1,800
TOTAL CHANNEL FOR ASSISTANCE PUBLIC SECTOR	15,000		1,800				16,800
PRIVATE SECTOR			1,800				1,800
TOTAL	15,000		1,800				16,800

TABLE IV
FY 93
LOCAL CURRENCY UTILIZATION
(\$000)

A. USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC 416	OTHER	TOTAL
HG BUDGET GEN							
HG BUDGET SECTOR	5,167						5,167
HG CONTRIBUTION TO AID PROJECT							
HG CONTRIBUTION TO OTHER DONOR PROJECT.							
(JAPANESE CO-FINANCING)							
HG MANAGED I/C PROJ GOVT. OR PRIVATE							
AID PROGRAM TRUST FUND							
AID OE TRUST FUND	3,333						3,333
SECTION 108							
OTHER(MONETIZED PL480 TITLE 11							
<hr/>							
B TOTAL CHANNEL FOR ASSISTANCE	15,000						15,000
<hr/>							
PUBLIC SECTOR	15,000						
<hr/>							
PRIVATE SECTOR							
TOTAL	15,000						15,000

TABLE V
 FY 199/93 ACTION PLAN
 SUMMARY PROGRAM FUNDING TABLE
 Dollar Program by Functional Account

<u>Project Title and No.</u>	FY 91	FY 92	FY 93
<u>Development Assistant</u>			
<u>ARDN</u>			
Subtotal			
(Loan)			
(Grant)	5,442	5,602	5,602
<u>POPULATION</u>			
(Loan)			
(Grant)	1,365	1,300	1,300
<u>HEALTH</u>			
(Loan)			
(Grant)	782	1,082	1,082
<u>CHILD SURVIVAL</u>			
Subtotal			
(Loan)			
(Grant)			
<u>AIDS</u>			
Subtotal			
(Loan)			
(Grant)	745	965	965
<u>EDUCATION</u>			
Subtotal			
(Loan)			
(Grant)	2,214	2,571	2,571
<u>ENVIRONMENT & ENERGY</u>			
Subtotal			
(Loan)			
(Grant)	3,173	4,980	4,980
Subtotal DA	_____	_____	_____
Loan	_____	_____	_____
Grant	<u>13,721</u>	<u>16,500</u>	<u>16,500</u>
<u>ECONOMIC SUPPORT FUND</u>			
Subtotal ESF	_____	_____	_____
Loan	_____	_____	_____
Grant	<u>10,000</u>	<u>15,000</u>	<u>15,000</u>
<u>PL 480 SEC 416</u>			
Loan	_____	_____	_____
Grant	<u>ESTIMATED</u> <u>31,700</u>	_____	_____
<u>PROGRAM TOTAL</u>			
Loan	_____	_____	_____
Grant	<u>55,421</u>	<u>31,500</u>	<u>31,500</u>

TABLE VI: USAID JAMAICA'S PORTFOLIO IN RELATION TO BUREAU'S OBJECTIVES

Project Number & Title	PACD	Economic Policies	Priv. Sector Response	Opportunities for Disadvantaged	Natural Resources	Institutional Strengthening	Pluralism	INTERNATIONAL COOPERATION	
								Formulate/Implement Strategies	Support USC Frqa. Policy Initiatives
ARBN									
532-0082 Agric Education	8/31/94	X	X	-	-				
532-0101 Hillside Agric.	2/28/94								
532-0123 Crop Diversification/Irrigation	9/30/93		X	-	-				
532-0128 Agric. Research	7/29/93	X	-		-				
532-0148 PARC	8/31/92			X	X				
532-0148 PARC II	/96				X				
532-0157 Food Aid Monitoring	8/31/94	X	X						
532-0157 Agr. Export Sves	9/30/96	X	X		-				
532-0173 Jamaica Environment Support Fund	/96	X			X				
PL 480 Title I									
PL 480 Title II - JADF		X	X						
PL 480 Title II - MOR		X		X					
MOR Suppl. Feeding									
OHNP									
532-0069 Pop. & Fam. Plng	3/31/91		X	X					
532-0152 Hlth. Sector Init.	7/15/96		X	X					
532-0153 AIDS/STD	8/31/94		X	X					
532-0161 Drug Abuse Prev.	9/30/94		X	X					
532-0163 Family Plng Init.	/98		X	X					
OEZE									
532-0168 Tourism Infrastructure Project Support	/96		X		-				
OPBR									
532-0029 SDAF			X	X					
532-0083 Basic Skills	12/31/90			X					
532-0126 Primary Ed. I	6/30/90			X					
532-0129 UNI Mgt. Educ.	9/30/94		X			X			
532-0155 Primary Ed. II	9/31/95			X					
532-0169 CLASP II	9/30/98			X					X

TABLE VI: USAID JAMAICA 'S PORTFOLIO IN RELATION TO BUREAU' S OBJECTIVES

Project Number & Title	PACD	Economic Policies	Priv Sector Response	Opportunities for Disadvantaged	Preserve Natural Resources	Institutional Strengthening	Pluralism	Formulate/Implement	Support USC Prgn Policy Strategies	BROADBASED SUSTAINABLE ECONOMIC GROWTH		STABLE DEMOCRATIC SOCIETIES		INTERNATIONAL COOPERATION	
ZPE															
532-0079 TC & TG	12/31/9	X	X	-	-	-	-	-	-						
532-0091 Priv. Dev Bank	8/31/90	X	X	-	-	-	-	-	-						
532-0135 EPIP	4/15/94	X	X	-	-	-	-	-	-						
532-0156 Microenterprlse Development	9/15/94		X	X											
RHUDO															
532-0067 Low Cost Shelter	9/30/91		X	X											
532-0017 Urb Sec TA(TPD)	8/31/91		X	X											
532-0120 Inner Kgn. Dev	9/30/91		X	X											
532-0149 Tech.Support for Shelter and Urban Services	9/30/93			X											
KG-012B Private Sector			X	X											
KG-012C Basic Shelter			-	X											
KG-013 Policy Program		X		X											
OPPD															
Economic Supp. Funds		X													
532-1070 Local Particlpation in Development	/96		X												
598-0162 Car.Justice Improvement	8/31/90			-	-										
532-0174 Sustainable Justice Reform	/96			-	-										

X Very close (primary) fit of project to LAC BUREAU Objective.
 - Secondary fit of project to LAC BUREAU Objective.

TABLE VII

**ACTION PLAN
BUSINESS REGULATORY ENVIRONMENT QUESTIONNAIRE**

- A. Are private ventures permitted to compete on a fully equal footing with state owned enterprises or privileged groups? if not what anti-competition mechanisms are in place?**

Government does not generally restrict private investment in any sector, except those associated with national security. Domestic investors are permitted in almost all activities, with the notable exceptions in water and utilities, free zones, some transportation services, and distributive trades restricted for the Jamaican Commodity and Trading Corporation (JCTC). The government, in order to increase competition is in the process of developing laws pertaining to competition, restrictive business practices, mergers, monopolies and other unequal relationships.

- B. Does the country adhere to international standards for the protection of intellectual property rights (eg. patents, copyrights, customs and judicial process and trade secrets)?**

Jamaica is a member of the World Intellectual Property Organization (WIPO) and has a policy of respecting intellectual property rights. Jamaica plans to join the Berne Convention on copyright protection in 1991. Jamaica's patent law provides for patents in all fields of technology and trademarks are registerable.

- C. Are foreign investors subject to any different treatment with respect to laws on ownership, employment, taxation, customs and judicial process than local business?**

Foreign investors are welcome in all sectors of the economy although such investment must be registered with the Bank of Jamaica. However, although the system is under review, the current administration of work permits, and tax-based and other incentive programs discourages foreign investors where sufficient Jamaican capacity exists. This currently includes; distributive trades, restaurants, internal transport, legal, auditing and accounting services, architecture, structural mechanics, electrical and civil engineering and contracting, advertising and public relations, and personal services, entertainment, automobile and other repair services. Foreign participation in the insurance industry is limited at a firm level to 49% ownership. Foreign majority participation in other financial institutions such as banks is permitted, however the establishment of new commercial banks is currently discouraged.

- D. How much time/effort/money does it take for new corporations to be formed and licenced?

Mission 1989 study showed it took 3 to 4 weeks to license and form a corporation. Small business registration however takes longer. Conditions such as restricted access to foreign exchange may also serve as significant constraints to actual start-up operations.

- E. How much time/money/effort is involved in clearing customs for imports and exports (both inside and outside FTZS?)

Embassy reports that Jamaican customs administration is not burdensome to U.S. exporters or for inputs required by U.S. investors. The Mission has received mixed reports, some attributing substantial delays and increased costs due to arbitrary duty assessments on capital equipment. Smaller businesses experience greater delays in general.

- F. Is the country a signatory to a trade and investment framework agreement, bilateral investment treaty and/or OPIC agreement with the United States.

The Bilateral Framework Trade Agreement and Investment Treaty are currently being negotiated.

- G. Does the country have laws and/or policies which inhibit the free flow of capital internationally, including restrictions on capital and profit repatriation?

The Jamaican government inhibits the free flow of capital internationally by placing restrictions on foreign exchange flows and problems accessing foreign exchange have been one major disincentive to investments in Jamaica, especially for foreign investors. Bauxite, alumina, sugar, banana, coffee, cocoa and tourism foreign exchange receipts are reserved by the Bank of Jamaica to repay debt and essential imports, including fuel. BOJ also requires 50% of the remaining fx earnings to be surrendered to the Bank of Jamaica. All BOJ purchases are paid for at the interbank rate. Although there are no direct legal restrictions on the repatriation of profits and capital, they are inhibited by foreign exchange scarcity.

- H. Are labor unions significantly influenced/controlled/financed by political parties or other outside interests groups? Are there labor disputes?

The Jamaican constitution guarantees the right to form, join, and belong to trade unions, and collective bargaining is widely used as a means of settling disputes. About 25% of the work force is unionized. Labor unions are active and vocal in both political parties and play an important economic and political role in Jamaican affairs.

- I. Are property rights of both men and women clearly and fairly protected? Are legal disputes handled in a clear, predictable and transparent manner?

Jamaica has a sophisticated court system, but fair play is often inhibited due to antiquated laws. For example, there is no anti-trust law and the existing company law is not appropriate for a modern industrial society. Property titling and transfer procedures are extremely outdated and represent a constraint to business and personal investment. Jamaica is in the process of drafting new legislation to address some of these constraints.

- J. Are there other regulatory issues not covered above that are important to doing business within the country?

Recent assessments grouped major constraints to investment and export growth into four general categories. They are listed below:

1. Inefficient financial markets, including high interest rates, concentration of assets in the 2 largest commercial banks, lack of equity and term financing, and lack of small business credit
2. Low productivity due to business inefficiencies, lack of managers and skilled workers, lack of backward and forward linkages, and unreliable supplies of inputs
3. Poor transportation services, and
4. Inadequate infrastructure, particularly in the power, water and sewage sectors.

TABLE VIII

ENVIRONMENTAL QUESTIONNAIRE

A. Has the government established effective coastal zone management laws and programs that promote the sustainable development of this environmentally sensitive and economically important area? 1pt

- The Government of Jamaica has recently passed legislation for a Natural Resource Conservation Authority that will commence operation in the Spring of 1991. The NRCA will be empowered to mandate environmental impact assessments of all proposed development projects. The intention is to strengthen coastal zone management laws and enforcement under the NRCA auspices, but as of yet this has not occurred.

B. Are there forest management laws and programs that ensure sustainable use/production of forest resources and socio-economic benefits for local communities (e.g. extractive reserves?) 1pt

- Some laws, and a few programs are in place for forest management, although to date they have been weak, and not vigorously enforced.

C. Does the government address agrochemical use problems? Are pesticides subsidized? Is there a government or private quality assurance program in place to ensure that pesticide-residues limits are not exceeded on agricultural exports? 2pts

- The GOJ tries to address the use of agrochemicals through an interministerial committee, although not effectively. Pesticides are not subsidized. There is some capability to test residue levels, but this is not adequate for large commercial operations.

D. Does the government have incentives for sustainable agricultural practices? Is land use planning used as a tool to guide agricultural development? Are there appropriate incentives (e.g. property taxes, water user fees, etc.) to promote intensive, rather than extensive use of prime agricultural lands? 2pts

- There are some GOJ and USAID sponsored programs in sustainable agriculture. Land use planning is used, although it is not very effective. Given tight budgets, the GOJ has difficulty in offering incentives.

E. Are environmental health issues being addressed by policies and programs that control water and air pollution and that promote sanitation programs linked to health and hygiene and education? Is solid waste efficiently collected and disposed in approved landfills? 1pt

- There are some GOJ efforts to address water and air pollution, but they are underfunded and weak. Only one landfill is "approved" and most are unsupervised and uncontrolled. Landfills are a significant cause of air and water pollution.

F. Are there programs/policies for watershed management and are environmental assessments done to prevent watershed degradation? Are recommendations from such assessments effectively implemented? 2pts

- While there are some watershed protection programs, there is no effective islandwide program to prevent watershed degradation. Some recommendations are implemented if funds are available.

G. Are there environmental education programs and are they provided for all educational levels? 1pt

- There are some private environmental education programs, and small programs associated with the zoo or watershed projects, but it is not taught in the schools in any islandwide coordinated manner.

H. Has the government established areas for parks and for the conservation of the country's biological diversity? 2pts

- USAID is now funding the first two national parks in Jamaica, and activities that will lead to a sustainable national parks system. This is a new activity for Jamaica, and many natural habitats are being destroyed through deforestation, development activities, and pollution.

I. Is there a national environmental policy or conservation strategy? Does the public, including both men and women participate in environmental and natural resources management and planning activities? Are NGO's encouraged to be involved in environmental issues? 2pts.

- USAID helped the GOJ draft an environmental policy but the GOJ is seeking public comment before declaring the policy. A national conservation strategy was begun, but is currently bogged down in procedural details. The "public" is interested and does participate in some environmental activities, but this tends to be limited. The environmental NGO movement is young, and growing.

J. Are there policies and programs to encourage efficient energy use (e.g. energy prices are not subsidized, private production is encouraged) 1pt.

- There are some programs by the public utility company to encourage energy conservation, but efficient energy use is not taken as a national priority.