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UNCLASSIFIED

AGENCY FOR
INTERNATIONAL
DEVELOPMENT

ANNUAL BUDGET SUBMISSION

FY 1977

JAMAICA

DEPARTMENT
OF
STATE

JULY 1975

BEST AVAILABLE

UNCLASSIFIED

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Submitted with FY 1977 ABS:

PID for Day Care Center Development Project.

PID for Housing Investment Guaranty.

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INFORMATION MEMORANDUM

I. MISSION CERTIFICATION OF THE CONTINUED VALIDITY OF THE DAP

The development overview and recommended assistance strategy contained in the DAP for Jamaica continues to be valid. While a series of significant events have occurred since the DAP was approved and have had an impact on the Mission's program, they did not materially alter the Mission's program strategy. However, we believe it would be useful to include a discussion on them with this submission.

Two major events took place within a few months after the DAP was approved. The first was the impact on the Jamaican economy of the three-fold increase in the price of oil which created balance of payments difficulties for most LDC's and at the same time substantially increased the cost of development. The second event was the Jamaican government's legislation establishing a bauxite levy, which was an effort to compensate for the increased cost of oil imports.*

The bauxite levy created considerable consternation at the headquarters of the Aluminum companies in the U.S. and in Jamaica and emerged as a major policy issue for the United States Government. As a consequence, the Mission's program in the Education sector has been considerably delayed. Although a loan of 9.1 million for Rural Education was authorized in FY 1974, it has not been implemented pending the resolution of the bauxite controversy. It has also caused the deferral of the proposed $8.0 million Agricultural Sector loan for FY 1976. It is at present carried as a shelf-loan for FY 1976.

The oil price increase continues to have a significantly adverse effect on the Jamaican economy in both the public and private sector and was a major contributing factor in the budgetary and balance of payment difficulties experienced in 1974.

Jamaica has had negative trade balances since 1948 and the deficits are increasing in severity. In more recent years, the trade deficit in 1972 amounted to $121.0 million and increased to J$161.2 million by the end of December 1973. The 1973 deficit still did not reflect the

*In all probability the bauxite levy would have been introduced even without the oil price increase.

full impact of the worldwide increase in oil prices as these came into effect during the fourth quarter. The negative trade balance was a major factor in the current account balance of payment deficit of J$225 million for CY 1973. Foreign exchange reserves fell from J$102.4 in 1972 to J$76 million in 1973, equivalent to two months of imports.

Balance of payments figures for CY 1974 show a trade deficit of J$186.4 million and a current account negative balance of J$130.8 million. However substantial external private and public sector borrowing of J$186.8 million enabled the GOJ to finance the deficit and register an overall surplus of J$56.0 million. The current account deficit financed by net capital inflows flags the structural weakness of the Jamaican economy and its dependence on capital inflows to finance imports.

Major increases in the cost of fuel and food were primarily responsible for the trade and current account deficits. Total imports (CIF) for 1974 were J$850.0 million* as compared to 1973 imports of 604.1 million. Exports (FOB) rose from J$354.7 million in 1973 to J$664.4 million in 1974. The increase in exports was largely due to increases in price of sugar, alumina and bauxite rather than an increase in volume. The GOJ will continue to experience balance of payments difficulties in 1975 due to falling prices of its main exports and growing competition among the LDCs for scarce financial resources, particularly at concessionary terms. In addition 1975 imports, based on first quarter statistics, are expected to exceed 1.0 billion causing an even wider trade deficit than in 1974.

The public sector continues to play an increasingly significant role in the nation's economy and development. The approved consolidated budget for 1974/75 amounted to J$596.2 million, J$419.8 million for recurrent and J$176.3 million for capital accounts. However, supplementary budgetary allocations during the year, largely due to expansion of the public sector, price increases of imports and higher local costs--particularly wages--forced the consolidated budget up to a record J$728.0 (recurrent J$509.3 and capital J$206.7) million, an increase of over 55 percent. Recurrent revenues for 1974/75 amounted to only J$421.6 million, resulting in the first recurrent budget deficit since independence. The deficit on the recurrent budget was J$87.9 million. Traditionally the GOJ used yearly surpluses of the recurrent budget to

*preliminary

finance a portion of the annual capital program.

The capital budget increased from J$176.3 million to J$218.5 million, thus adding an additional J$42.2 million to the recurrent budget deficit for a total deficit of J$130.1 million. In order to finance this substantial deficit, J$85.0 was drawn from the Capital Development Fund (CDF), loans were obtained from external and domestic sources and an advance was received from the Central Bank. The government decision to use CDF funds to finance the deficit, particularly the recurrent deficit, went counter to the decision to deposit revenue from the bauxite levy into the CDF to finance revenue producing capital projects. It is generally conceded, because of the precedent established, that a large percentage of future CDF funds from the bauxite levy will now be divered to finance the recurrent budget in subsequent years and be unavailable to finance new capital investments. It seems clear also that most of the remaining CDF funds accumulated in 1974 were committed for other purposes than capital projects.

Despite the government's difficulty in finding the additional financial resources required to meet 1974/75 budgetary expenditures, the proposed 1975/76 consolidated budget is even higher, J$911.0 million, J$582.1 million recurrent and J$328.9 million capital. This is a 65 percent increase over the record 1974/75 budget.

Since the government is reaching its taxable capacity, the GOJ will have to resort to additional domestic and external borrowing to finance the new budget. However, it is estimated that by March 31, 1975, the end of the current budget year, total government debt will have reached J$827 million, nearly three times the 1972 level because of new borrowing. Under the circumstances it will be necessary to set aside 20 percent of the 1975/76 recurrent budget, J$105 million to service this debt. A further constraint on new borrowing is the fact that two-thirds of the government debt falls due within the next ten years and one-third in five years.

Jamaica's high inflation rate has also forced the government to borrow more because of rising costs of development programs. Government also has increasingly resorted to medium and short term borrowing at high interest rates which adds to the debt servicing burden.

Government will therefore attempt to hold down further borrowing to the extent that other sources are inadequate to finance the budgetary deficit. To this end Government has earmarked J$125.0 million of new CDF funds for budget support or over 70 percent of anticipated 1975/76 bauxite levy revenues. In addition, the government must repay the J$25.0 million Bank of Jamaica emergency advance obtained late in the 1974/75 budget year. It is clear that government has gotten off to a very shaky start as the 1975/76 financial year begins and the GOJ could find itself in difficult straits should there be any shortfalls in anticipated revenue or new loan financing.

The government made a major effort to reduce unemployment launching a crash work program (special employment program) in the second half of 1974. However, the unemployment rate remained high, with more than 20 percent of the 820,000 work force unemployed. This percentage would have been considerably higher had the government not extended the school leaving age from 15 to 17 by adding an additional two grades to the secondary system. In addition there are approximately 22,000 workers currently employed under the special employment program which represents more a transfer of income than an increase in domestic product.

Unemployment will continue to be a serious development obstacle for Jamaica throughout this decade. It is estimated that in 1976 alone there will be 24,000 new entrants in the labor force. Possibly because of the jobs created under the Special Employment Program, new employment in 1974 appears to have kept pace with new entrants to the labor force. New employment however, includes 13,411 Jamaicans who went overseas for seasonal contract work last year. Thus it is clear that without the Special Employment Program and the overseas contract work schemes involving more than 35,000 workers, Jamaica would have had a serious shortfall in the number of new employment opportunities needed to accommodate new entrants into the labor force last year. In addition the down-turn in the U. S. economy is expected to have a similar effect on Jamaica posing greater difficulties for Government and the private sector in creating the badly needed new employment opportunities for 1975/76.

Recent IBRD estimates show that Jamaica's per capita income is relatively high at $850, but this income is

severely skewed in its distribution. The total Jamaican labor force, as noted earlier, is estimated at 820,000 in 1974, with the employed labor force approximately 640,000 leaving 180,000 unemployed. The unemployed and remainder of the population-children, pregnant/nursing mothers, the aged, paupers and the indigent virtually have no income at all. In addition, one-third of the 640,000 employed labor force are rural agricultural workers with most incomes below J$500. Therefore there is the paradox of a comparatively high income per capita from the standpoint of the total Jamaican population weighed against a situation where 75 to 80 percent of the population earns far less than the $850 per capita or has no income at all. This is a classic example of mal-distribution of income and points up the fallacy on relying too heavily on per capita income as a bench mark of economic growth. This is particularly significant as attempts are made to compare LDC national averages for per capita income where inflation, 30 percent for Jamaica, and artifical exchange rates could invalidate inter-country comparability.

Perhaps the most worrisome aspect of this mal-distribution of income is that the unemployed are generally the young people of the country. By 1980, the labor force is expected to increase by an additional 175,000 persons and 126,000 of this number will be under 25 years of age. Further, Jamaica's population by 1980 will be about 2.3 million and 1.5 million of this total will also be under 25 years. The GOJ faces a formidable task of providing employment for this youthful and possibly volatile constituency. Unless the government's efforts at employment generation are reasonably successful, they could have a potentially dis-stabilizing environment on their hands by the end of this decade or before.

It seems clear that Jamaica's financial difficulties came about from a variety of factors including a three-fold oil price rise, the worldwide increase in the price of food/manufactured goods and lagging productivity of the agriculture sector. These factors helped cause the nearly 50% increase in the value of 1974 imports over 1973. In addition, price inflation in Jamaica was estimated to be as high as 30% for 1974 and wage increases for the year rose 50 to 60%. Uncertainties in the private sector, caused by rapidly escallating prices and wages, retarded investment for plant expansion and plans for increased production. Government fiscal policies did little to relieve these uncertainties. Thus, the increase in

bauxite alumina earnings were largely negated by the oil price rise, increased cost of imports and widening budgetary deficits.

It is increasingly evident that the GOJ long-term solution to its financial difficulties lies in energizing the agriculture sector to increase exports and to become as self-sufficient in its basic food requirements as possible. As noted earlier, the lagging performance of the agriculture sector has been a major factor in the steady deterioration of Jamaica's trade balance for goods and services and its balance of payments deficits. Instead of being an important earner of foreign exchange, the sector not only has failed to meet domestic consumption requirements but has also contributed to the increasing food import bill. Currently, food imports constitute more than 35% of consumption requirements.

Jamaica's gross domestic product is approximately J$1.9 billion and agriculture's contribution to GOJ, less than J$158 million, is the smallest of all the main sectors of the economy. Yet more than half of the Jamaican population is dependent on agriculture for its livelihood and the sector abosrbs one third of the total labor force.

The GOJ estimates that there are sufficient idle lands to meet resettlement requirements and increased production objectives, provided the necessary supporting services are made available. The GOJ will need to improve services in research, extension, credit, marketing and to redistribute unclutivated lands. Depending on the degree of success the GOJ is able to achieve, Jamaica has prospects for self-sufficiency in food production, reduced imports, increased foreign exchange earnings from agricultural exports, expanded employment opportunities and improved living standards for the rural poor.

In addition,Jamaica will need at the same time to give greater emphasis in channeling additional capital flows to the manufacturing sector. There may be advantages also for the GOJ to consider a staged devaluation in small increments in relation to U. S. and European currencies to help expand exports and to retard increases in imports.

U.S. aid to Jamaica can have only a limited effect, in the short run on the GOJ resource gap estimated at between J$37.6 and J$65.1 million.[1] Our assistance on the other hand, directed at human resources development can have a significant impact on increasing Jamaican productivity.

[1] For 1975/76.

AID funds invested in the education and agriculture sectors, in a mix that is weighted in favor of technical assistance, could help expand agriculture production, thereby reducing food imports, increasing exports, and creating additional employment opportunities as a result of new skills acquired through an improved educational system -- more than 50 percent of Jamaica's unemployed are unskilled and thus have only marginal ability to contribute significantly toward raising the national product.

Although Jamaica will continue to have to rely on external capital flows for some time, future economic viability over the long term will depend on much improved trade position and on the expansion of domestic resources to finance development. A 1973 IBRD-sponsored study concluded that the Jamaican growth rate should be between 6-7 percent annually if unemployment is to be reduced to around 10 percent. It is generally accepted that Jamaica had a near zero growth rate in 1974.

It could be argued also that US assistance to Jamaica is in keeping with AID policy to complement and support US private investment as an instrument for economic development. US investments in Jamaica are estimated to be over $1.0 billion. In addition, the US is Jamaica's main trading partner with exports of more than US $400 million annually.

While the Jamaican economy is not yet on the verge of collapse, recurrent budgetary and balance of payments deficits, low productivity and work stoppages, high unemployment and severe inflation, plus crime and political unrest could place the GOJ in a much more critical situation in the near term. This situation could well jeopardize our considerable financial and trade interests in Jamaica. Under the circumstances, we could well be faced with the decision as to whether we would consider supporting a major financial rescue operation at a cost far in excess of a modest U. S. bilateral assistance program.

Aside from the important U.S. investments and trade stake in Jamaica and our desire to see the island become a viable and self-sustaining economic entity, it should be in the U. S. interest that Jamaica continue as an example of political democracy in the Caribbean and Latin

America. Jamaica's proximity to the U.S. also reinforces the importance of having a politically stable and tranquil close neighbor. Furthermore, Jamaica's close ethnic and cultural ties with U.S. citizens of Jamaican origin argue for continued U.S. concern for the development aspirations of the Jamaican people which can be demonstrated by modest amounts of assistance.

We conclude, therefore, that the U.S. has a major interest in the orderly economic and social development of Jamaica. While U.S. assistance can only have a limited impact on Jamaica's potential resource gap, it could be channeled to emphasize increasing productivity and serve as a catalyst for much larger external resource flows from foreign governments, international lending institutions and the private sector.

II. CENTRALLY FUNDED RESEARCH

A. Research on the Lethal Yellowing Disease of Coconuts

1. The Problem

The Jamaican coconut industry is based on the Jamaican Tall variety which has proven to be highly susceptible to the Lethal Yellow Disease. Of the 6.5 million coconuts which existed on the island in 1961, about half had been killed by early 1975, and the present mortality approximates 300,000 palms per year. This has reduced copra and coconut oil production by more than 50%.

The Research Department of the Jamaican Coconut Industry Board began investigations into the disease in 1962 assisted by the FAO. Subsequently, in 1972 the U.K. Ministry of Overseas Development provided a team which was supplemented by a FAO field entomologist. At about the same time, research on the disease began at the University of Florida. In addition to Jamaica, the disease affects Florida, Haiti, the Dominican Republic, the Bahamas and Cuba.

Research in Jamaica thus far has revealed that lethal yellowing is caused by a mycoplasma-like organism, presumably transmitted by an insect vector from diseased to healthy palms. Although many species of palm are susceptible, sources of resistance occur among varieties of coconut, which at present are being actively exploited in Jamaica and Florida. However, to date all researchers have failed to find the vector insect or to confirm the pathogenicity of mycoplasmas. A field entomologist supplied by FAO for the past five years, was withdrawn in June 1975 and can not be replaced by that organization due to overall cuts of the FAO program in Jamaica.

The research team is equipped with an electron microscope and all ancillary equipment supplied by the U.K. as well as laboratory equipment contributed by the FAO. Laboratory and field facilities are supplied by the Government, the Coconut Industry Board and the University of the West Indies.

2. Assistance Request

The Coconut Industry Board has approached USAID/ Jamaica with a request to provide a field entomologist urgently needed for the research team. The period of service would be initially for one year with a probability of extension for a second year.

The field entomologist would be required to study the leaf-hopper fauna of coconuts with a view to defining the species feeding on coocnut. More specifically, the entomologist will be required (a) to study variations of the leaf-hopper fauna with time and between different areas especially between those where lethal yellowing is rampant, quiescent or non-existent; (b) to examine whether differences exist between the Jamaican coconut fauna and that already studied in Florida; and (c) to suggest from these studies possible vector species, and to test their ability to transmit.

USAID/Jamaica strongly supports this request since it addresses a serious problem confronting Jamaica's high priority agricultural sector. The University of Florida has the necessary expertise to meet this assistance request and already benefits from a 211(d) grant which could readily be expanded to encompass research on the lethal yellow disease.

B. Research on the Utilization of By-Products and Wastes from Agriculture and Agro-Industry

1. The Problem

Investigations have shown that Jamaica has never adequately considered the utilization of waste products (offal) from agriculture and agro-industry. At present virtually all waste products are discarded or at least not used to their full potential. Knowledge is needed about the possible uses for residue from meat, fruit, grain and vegetable processing plants for potential use as fertilizer and feed for livestock, hogs, chicken and fish. Currently losses from the non-utilization of waste

products are causing a foreign exchange drain as well as losses in local finance, agro-industrial production and even potential employment.

2. Assistance Request

The Mission recommends that the use of 211(d) grant funds be considered to obtain the services of a specialist to research the following issues:

(a) Nature, quantity and location of waste products;

(b) Determination of commercially useable products which could be developed from the wastes, their need as well as quantities required in Jamaica.

(c) Costs and feasibility of commercial production of the by-products in Jamaica.

C. Research on Energy Substitution

1. The Problem

Jamaica, like most LDCs is entirely dependent on imported fuel as its main source of energy. The value of fuel imports rose from J$65.4 million in 1973 to J$177.4 million in 1974. This increase was caused primarily by a three-fold increase in the price of oil. Jamaica's dependence on oil and the anticipated further increase in the price have caused the Government to seek investigations into alternative sources of energy.

2. Assistance Request

The GOJ has requested AID assistance for a research program to assess the viability of harnessing other natural elements for energy generation in Jamaica. The research would be directed at investigating the energy potential in solar, wind and water power. In addition since Jamaica is reported to have some geothermal possibilities, research is recommended to determine this resource as a possible source of energy.

The research program should lead to recommendations as to various energy substitute options in order of their feasibility.

The Mission recommends that AID/W give consideration to assist in research outlined above under the 211(d) grant program.

III. SUMMARY TABLES

FY 1976, INTERIM QUARTER, FY 1977

Jamaica
Country

SUMMARY TABLE
FISCAL YEAR 1976
($000)

Activity Title/Number	F & N	PP & H	E & HR	SDP	SCO	Dev. Assistance Total
ONGOING GRANTS						
1. Family Planning 532-11-580-030		528				528
2. Special Dev. Activities 532-11-998-029				50		50
3. Technical Support 532-11-999-000	25		40	50		115
Sub-Total	25	528	40	100		693
NEW GRANTS						
1. Projects Division - Natl. Planning Agency 532-11-755-039			100			100
2. Health Improvement for Young Children 532-11-531-040		200				200
3. Inland Fisheries 532-11-180-038	75					75
Sub-Total	75	200	100			375
LOANS						
Agricultural Sector*	(8,000)					(8,000)
TOTAL	100	728	140	100		1,068
HIGs (non-add)	-	-	-	-		-
PL 480						
Title I (non-add)	1,500	-	-	-	-	1,500
Title II (non-add)	-	-	-	-	-	-

*This loan is a shelf project for FY1976; it is included in FY77 budget.

Jamaica
Country

SUMMARY TABLE
INTERIM QUARTER
($000)

Activity Title/Number	F & N	PP & H	E & HR	SDP	SCO	Dev. Assistance Total
ONGOING GRANTS						
1. Family Planning 532-11-580-030		133				133
2. Projects Division -Natl. Planning Agency 532-11-755-039			25			25
3. Health Improvement for Young Children 532-11-531-040		50				50
4. Inland Fisheries Dev. 532-11-180-038	19					19
5. Special Dev. Activities 532-11-998-029				13		13
6. Technical Support 532-11-999-000	6		10			16
Sub-Total	25	183	35	13		256
NEW GRANTS	-	-	-	-	-	-
LOANS	-	-	-	-	-	-
TOTAL	25	183	35	13	-	256
HIGs (non-add)	-	-	-	-	-	-
PL 480						
Title I (non-add)	-	-	-	-	-	-
Title II (non-add)	-	-	-	-	-	-

Jamaica
(Country)

SUMMARY TABLE

FISCAL YEAR 1977
($000)

Activity Title/Number	F & N	PP & H	E & HR	SDP	SCO	Dev. Assistance Total
ONGOING GRANTS						
1. Family Planning 532-11-580-030		630				630
2. Projects Division - National Planning Agency 532-11-755-039			100			100
3. Health Improvement for Young Children 532-11-531-040		125				125
4. Inland Fisheries Devlp. 532-11-180-038	126					126
5. Special Development Activities 532-11-998-029				50		50
6. Technical Support 532-11-999-000	15		40	25		80
Sub-Total	141	755	140	75		1,111
NEW GRANTS						
Community Day Care Center Development, 532-11-820-041			225			225
Sub-Total			225			225
LOANS						
Agricultural Sector	8,000					8,000
TOTAL	8,141	755	365	75	-	9,336
HIGs (non-add)				10,000		10,000
PL 480: Title I (non-add)	2,000					2,000
Title II (non-add)	-	-	-	-	-	-

IV. NEW PROJECTS

A. GRANT PROJECTS TO BE INITIATED IN FY 1976

All grant projects to be initiated in FY 1976 have been included in the FY 1976 Congressional Presentation and earlier in the FY 1976 Field Budget Submission as follows:

1. Inland Fisheries Development 532-11-180-038

A PROP for this project was submitted to AID/W in February 1975. The Mission assumes that the PROP fulfills the requirements of the Project Paper.

It is the purpose of this project to create within the Ministry of Agriculture's Fisheries Division the institutional capability and technical expertise to design and implement an inland fisheries program involving research, experimentation, fish farm development, storage, marketing and distribution. In the longer run, the project is expected to contribute to increasing the nutritious content of indigenous foods. This is to be accomplished through assistance in (a) establishing a competent inland fisheries section within the Fisheries Division; (b) upgrading an existing fisheries experiment station; (c) designing and constructing a fish farm; (d) developing a research capability within the Fisheries Division covering experimentation with new fresh water fish varieties, feeds and fertilizer; (e) achieving an increase in the 100 - 200 lbs of fresh water fish per acre realized at present to at least 500 - 600 lbs per acre; (f) establishing of adequate and accurate records and statistics within the Fisheries Division pertaining to inland fish production; (g) training of selected personnel for responsible positions in inland fisheries development; and (h) providing of some commodities such as laboratory equipment and research aids.

It is hoped that the project can be initiated in September 1975 through the assignment of an aquaculture specialist to Jamaica.

2. Projects Division - National Planning Agency
532-11-755-039

A PPP for this project was submitted to AID/W in February 1974. It is expected that the Project Paper can be completed early in FY 1976 with the assistance of a qualified TDY specialist.

The project is directed at a need felt not only by USAID but by virtually all other donors active in Jamaica, i.e. expertise in realistic project preparation. Assistance is proposed to the Projects Division of the National Planning Agency* as well as to the planning units of individual ministries responsible for development programs to (a) ensure that the Government's development program is expeditiously transformed and amplified into realistic project proposals which can attract financing from international and national lending agencies; and (b) ensure that projects being implemented by the Government are in keeping with design objectives addressing the priorities established in the planning and development process.

The Projects Division of the National Planning Agency is sorely understaffed. The project would provide assistance in staffing the Division and simultaneously develop counterpart personnel.

3. Health Improvement for Young Children
532-11-531-040

The initial description of the project is contained in the FY 1976 Congressional Presentation and in the FY 1976 Field Budget Submission. The Project Paper for this project will be prepared for submission in the first quarter of FY 76 drawing upon the experience gained from an extremely successful pilot project in Western Parish of Hanover which was able to reduce malnutrition by 70% in one year.** We expect to complete the initial draft of the PP in early June with assistance of the pilot project director before requesting TDY assistance from LA/DR to put the PP in final form.

The purpose of the project is to use the techniques and approaches developed in the pilot project as a model

*The Projects Division of the GOJ has recently been transferred to the Ministry of Finance.
**Infant mortality declined by 50% over two-year period.

for the delivery of a range of health services to reduce malnutrition, and mortality among young children, 1-5 years old, and to extend the program initially to adjoining parishes. It is anticipated that the GOJ will have the personnel and expertise to extend the program island wide upon the completion of the AID supported project.

It is envisaged that the project will provide a health delivery system involving the training of public health nurse supervisors and some 2,000 Community Health Workers (CHW). These Ministry of Health personnel will provide services to improve young-child nutrition, reduce fertility, and control hypertension. These are the main health issues that significantly affect the three-quarters of the Jamaican population living in rural communities. Implementation of the program will rely heavily on the involvement of women in terms of trained public health personnel teaching adequate nutrition and health practices to the female members of communities.

B. LOAN PROJECT TO BE INITIATED IN FY 1977

Agriculture Sector Loan
532-L-010

This loan in the amount of $8 million was initially included in the FY 1975 Congressional Presentation and is a Shelf Loan for FY 1976. The Mission in cooperation with AID/W has completed a comprehensive assessment of Jamaica's agricultural sector which is submitted as an attachment to the FY 1977 ABS. Depending on the speed of acceptance of the assessment and the preparation of the Project Paper, this loan could be authorized in FY 1976.

The principal objectives of this loan are to assist in the expansion of agricultural production, increase the income of rural workers, and to provide additional employment opportunities. The Sector Assessment identifies a series of obstacles to viable agricultural development in Jamaica. The proposed $8.0 million loan could be expected to address only a few of them. The most serious obstacles are an inadequate agricultural planning program and an uncoordinated support system. Subject to a final revision of the attached assessment, the precise nature of AID assistance will be formulated in

conjunction with the preparation of the Project Paper. The AID loan could in fact finance a discreet element of a much larger IBRD/FAO project which is now in the drafting stage.

C. GRANT PROJECT TO BE INITIATED IN FY 1977

Community Day Care Center Development
532-11-820-041

A PID for this project, proposed for implementation in FY 1077 is submitted as an attachment to the FY 1977 ABS.

It is the purpose of this project to collaborate with the Ministry of Youth and Community Development and several Private Voluntary Agencies in the establishment, staffing and equipping a series of Day Care Centers for pre-school children from low-income families.

Nearly 60% of the unemployed labor force are women and more than 30% are unskilled. It is estimated that 80% of the children in Jamaica are without acknowledged fathers and depend entirely on the mother for parental and financial support. In order to be employed or receive training necessary for employment the mother must have some one care for her children. It is only through the assistance of institutions such as the day care center are women able to seek employment and to better their own situation and the lives of their offsprings. To cope with this problem and to provide a larger role for women in the economic development of Jamaica, the GOJ is planning to establish a National Day Care Center program.

V. ONGOING GRANTS

Family Planning Project, 532-11-580-030

The Family Planning Project assists the Government of Jamaica in its ultimate goal of zero population growth before the year 2000 with an interim goal of 25 births per 1,000 population by 1978. The outputs planned for FY 1976 and FY 1977 are: (1) training indigenous personnel for key Maternal Family Planning posts. Training being carried out through an AID contract in organization development and management capabilities for an effective institution capable of administering and implementing the family planning program; (2) 1,500 Government medical and paramedical personnel qualified in FP techniques and counselling. Training being carried out in three of the 14 parishes; (3) integrated FP/health delivery services expanded through health centers and MCH centers and hospitals to increase continuing active acceptors to 70,000 by 1978; (4) 1,000 UWI medical, nursing, social worker and education students, and government workers trained to implement FP activities; (5) 500 primary and secondary teachers trained in in-service programs to teach family life/sex education and 1,500 students in teacher training colleges annually prepared to teach FP/sex education.

All activities are essentially on schedule.

Jamaica's birth rate remained about 34 per 1,000 since 1970 and dropped to 30.6 in 1974. The annual numbers of FP acceptors have increased through education, counselling and expansion of FP services.

The increase planned for FY 1977 of $140,000 beyond the amount set forth in the PROP dated April 11, 1975 is due to: (a) consultant services to be provided to the Ministry of Health and Environmental Control's newly established Planning and Evaluation Unit in support of a second loan by the World Bank (IBRD) for expansion of MCH/FP/Nutrition program by upgrading or

constructing physical plants; (b) manpower requirements for these facilities include an additional 1,000 community health aides to be trained to carry out the expanded health care programs at the grass roots level.

FOR FISCAL DATA FOR
ONGOING GRANT PROJECTS FOR THE ANNUAL BUDGET SUBMISSION

PROJECT TITLE: FAMILY PLANNING
PROJECT NUMBER: 532-11-580-030
APPROPRIATION: PP & H

INITIAL OBLIGATION: 1966
FINAL OBLIGATION: 1978
TOTAL COST: 5,735

DATE PROP/REVISION: 4/11/75
DATE LAST PAR: Nov. 1974
DATE NEXT PAR: 11/75

U.S. DOLLAR COST (IN THOUSANDS)

	FY Obligations	FY Expenditures	Unliquidated as of: 6/30/75
Actual FY 1975	438	2,362	896
Estimated FY 1976	528	360	786 6/30/76
Estimated Interim Qtr.	133	132	739 9/30/76
Proposed FY 1977	630	525	844 9/30/77

FY 1976 & Interim Quarter Obligations by Cost Component/MOI

Cost Component	Direct Aid 76	Direct Aid IQ	Contract 76	Contract IQ	PASA 76	PASA IQ	Total 76	Total IQ
U.S. Tech.	-	-	40	-	-	-	40	-
Local & Tcn.	-	-	-	-	-	-	-	-
Participants	20	2	-	-	-	-	20	2
Commodities	393	80	-	-	-		393	80
Other Costs	50	26	25	25	-	-	75	51
Total	463	108	65	25	-	-	528	133

Contract/PASA Funding Periods

Name of Contractor	FY 1975 Obligations	FY 1976 Obligations	Interim Qtr. Obligations	FY 1977 Obligations
	mo/yr-mo/yr	mo/yr-mo/yr	mo/yr-mo/yr	mo/yr-mo/yr
Family Counselling Centre	7/75-6/76 20	7/76-6/77 25	7/77-6/78 25	-
National Trng. Lab.	4/75-3/76 20	4/76-3/77 20	-	-
Western Michigan University	-	9/75-12/75 20	-	10/76-9/77 45
Consultant Contract (To be determined)				10/76-6/77 100

On Board Personnel

	6/30 1975	6/30 1976	9/30 1976	9/30 1977
Direct Hire	No.2	No2	No.2	No2
PASA	-	-	-	-
Contract	10	13	7	6
Participants	-	-	-	-
ST	3	3	-	4
LT	-	-	-	-

VI. PL 480 TITLE I

The PL 480, Title I Agricultural Sales Program continues to be important to Jamaica in view of the serious economic problems facing the country, the high incidence of malnutrition among children and the determination of the government to establish, encourage and support programs to alleviate these conditions. In 1974, the trade deficit was over US $200 million in spite of restrictions on capital outflow and with import controls. This deficit can only be corrected by greater production. In this context the GOJ is concerning itself with major industrial activities in cooperation with other nations, including the United States, and in strong measures to increase local agricultural production, particularly of foods for local consumption.

Improved nutrition and health is a major aim of governmental domestic policy. The Title I program, currently providing daily school lunches for over 100,000 children and starting to support a maternal and child health program for another 100,000 babies to four years, was initiated with the arrival of the first shipment of blended foods early in 1974. Replacement of the Title II donation program was thus begun with 1,800 metric tons of blended foods purchased by the GOJ under the first such P.L. 480, Title I Agricultural Sales Agreement. The second Title I Agreement was signed on April 16, 1975 for 5,200 metric tons of soy-fortified and blended foods. This will permit expansion of the school lunch and maternal and child health programs and complete the transition from Title II donations to Title I sales.

Through various self-help measures, some recited in the P.L. 480, Title I Agreement and others undertaken to achieve nutrition and health goals, the GOJ continues to demonstrate its sincerity of purpose. The measures set forth in the Title I Agreement, which were also part of the national plan, call for improved family planning, increased food production through Operation G.R.O.W., increased facilities in forestry management, acreage and employment, extended school lunch programs through the Nutrition Products Center facilities and improved storage, handling and distribution of food commodities. These measures are being successfully implemented and continue to be part of the

government's national planning. Soon to be accomplished is an expansion of the Nutrition Products Center,(NPC) wholly financed by the GOJ, from its current production of 50,000 lunches a day to 90,000 a day and later to 140,000. Still in the planning stage is a second NPC in the northwest to serve the urban area of Montego Bay and adjacent rural areas. Now being completed is a government owned food warehouse which will more than double the NPC capacity and provide space for commodities for other government sponsored programs.

The GOJ is intent in its effort to provide adequate diets for its children and to achieve adequate local production of food for Jamaican consumption. These goals are necessary if the people and the economy are to thrive. The concessional sale of food commodities, which extends payment over a long period, permits financing of the immediate needs to meet and solve the nutrition, health and economic problems and allows time for development programs to mature.

JAMAICA
(Country or Subregion)

PL 480 Title I Agreements and Shipments - Attachment A

($ 000)

Commodity	FY 1975 Estimate Agreements (MT)	FY 1975 Estimate Shipments (MT)	FY 1975 Estimate Carry-over to FY '76	FY 1976 Request Agreements ($)	FY 1976 Request Agreements (MT)	FY 1976 Request Shipments ($)	FY 1976 Request Shipments (MT)	Carryover to Interim Quarter ($)	Carryover to Interim Quarter (MT)
TOTAL	5,200	[1](5,200)	[1](5,200)	(1,499)	(6,170)	(1,499)	(6,170)	(995)	(4,100)
CSB		1,700	1,700	463	1,900	463	1,900	309	1,270
WSB		420	420	145	600	145	600	97	400
6% FWh.Flr		1,970	1,970	484	2,100	484	2,100	323	1,400
SF Bulgur		710	710	153	830	153	830	101	550
SF Cornmeal		400	400	67	400	67	400	44	260
SoySalOil				187	340	187	340	121	220

[1] Because of late signing of Agreement, all shipments will be made during first six months of FY 1976.

Commodity	Interim Quarter Agreements ($) (MT)	Interim Quarter Shipments ($)	Interim Quarter Carry-over to FY '77 ($)	Interim Quarter Carry-over to FY '77 (MT)	FY 1977 Request Agreements ($)	FY 1977 Request Agreements (MT)	FY 1977 Request Shipments ($)	FY 1977 Request Shipments (MT)	Carryover to FY '78 ($)	Carryover to FY '78 (MT)
TOTAL			(497)	(2,050)	(1,956)	(7,640)	(1,956)	(7,640)	(489)	(1,910)
CSB			155	635	585	2,400	585	2,400	146	600
WSB	From FY 1976		48	200	194	800	194	800	49	200
6% FWh.Flr.			161	700	553	2,400	553	2,400	138	600
SF Bulgur			51	275	184	1,000	184	1,000	46	250
SF Cornmeal			22	130	101	600	101	600	25	150
SoySalOil			60	110	339	440	339	440	85	110

JAMAICA

(Country or Subregion)

PL 480 Title I Agreements and Shipments - Attachment B

($ 000)

	FY 1975 Estimate			FY 1976 Request					
Commodity	Agreements	Shipments	Carryover to FY '76	Agreements		Shipments		Carryover to Interim Quarter	
	(MT)	(MT)		($)	(MT)	($)	(MT)	($)	(MT)
TOTAL	5,200	(5,200)	(5,200)	(1,355)	(6,988)	(1,355)	(6,988)	(899)	(4,647)
CSB		1,700	1,700	463	1,900	463	1,900	309	1,270
WSB		420	420	145	600	145	600	97	400
6% SF WhFlr.		1,970	1,970	385	2,793	385	2,793	256	1,860
SF Bulgur		710	710	132	955	132	955	88	637
SF Cornmeal		400	400	43	400	43	400	28	260
SoySalOil				187	340	187	340	121	220

[1] Because of late signing of Agreement, all shipments will be made during first six months of FY 1976.

	Interim Quarter					FY 1977 Request					
Commodity	Agreements		Shipments	Carryover to FY '77		Agreements		Shipments		Carryover to FY '78	
	($)	(MT)	($)	($)	(MT)	($)	(MT)	($)	(MT)	($)	(MT)
TOTAL				(450)	(2,324)	(1,768)	(8,582)	(1,768)	(8,582)	(442)	(2,145)
CSB From FY 1976				155	635	585	2,400	585	2,400	146	600
WSB				48	200	194	800	194	800	48	200
6% F WhFlr.				128	930	426	3,192	426	3,192	107	798
SF Bulgur				44	319	153	1,150	153	1,150	38	287
SF Cornmeal				14	130	71	600	71	600	18	150
SoySalOil				61	110	339	440	339	440	85	110

NOTE: There are two attachments, A and B, "P.L. 480, Title I Agreements and Shipments".

Attachment "A" reflects actual tons of processed commodities; CAB, WSB, 6% Soy-Fortified Wheat Flour, Soy-Fortified Bulgur, Soy Fortified Cornmeal and Soybean Salad Oil. None are shown in raw wheat or corn equivalents. We have no formula we consider adequate for derivation of equivalents of these blended and fortified commodities and no values (prices) to use which would reflect the added soya flour. All values reflected in Attachment A are from STATE 39119 dated February 21, 1975, except that for Soybean Salad Oil which is from AID CIRCULAR A-253 dated April 26, 1975.

Attachment "B" reflects "equivalents" in wheat for the 6% Soy Fortified Wheat Flour and Soy-Fortified Bulgur using the factors of 1.33 for the flour and 1.15 for the bulgur. The values for wheat (flour and bulgur), corn (cornmeal - no equivalent factor), and soybean salad oil are from AIDTO CIRCULAR A-253. The value of the added soya flour in the wheat flour and bulgur is not reflected. The values of the CAB and WSB are from STATE 39119 dated February 21, 1975.

VI. HOUSING INVESTMENT GUARANTEES

A PID for a $10 million Housing Investment Guaranty proposed for FY 1977 is submitted as an attachment to the FY 1977 Annual Budget Submission.

The proposed HIG is to be channelled through the primary mortgage mechanism of the Jamaica Mortgage Bank to finance mortgages for housing projects with emphasis on low-cost housing and projects in Jamaica's rural areas.

JAMAICA

A.I.D. Financial Support for Private Voluntary Organizations

($ 000)

NEW GRANTS:	1976 $	Int Qtr	1977 $
A. OPGs			
1. Sugar Workers Cooperative Council	50	-	46
2. Council of Voluntary Social Services	50	-	65
3. Catholic Relief Services/ Jamaica	90	-	75
4. Salvation Army/Jamaica		-	50
5. Catholic Relief Services/ Jamaica		-	50
TOTAL	190	-	296
of which cooperatives (non-add)	(50)	-	(96)

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT IDENTIFICATION DOCUMENT FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE ('X' APPROPRIATE BOX)
[X] ORIGINAL [ ] CHANGE
[ ] ADD [ ] DELETE

PID
DOCUMENT CODE 1

2. COUNTRY/REGIONAL ENTITY/GRANTEE
JAMAICA

3. DOCUMENT REVISION NUMBER

4. PROJECT NUMBER
532-0041

5. BUREAU
A. SYMBOL: LA
B. CODE: 3

6. PROPOSED NEXT DOCUMENT
A. [X] PRP [ ] PP B. DATE MO. 02 YR. 76

7A. PROJECT TITLE - SHORT (STAY WITHIN BRACKETS)
[-]

8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
A. INITIAL FY 77 B. FINAL FY 79

7B. PROJECT TITLE - LONG (STAY WITHIN BRACKETS)
[Community Day Care Center Development]

9. ESTIMATED COST (LIFE OF PROJECT)
($000 OR EQUIVALENT, $1 = 9075)

PROGRAM FINANCING	AMOUNT
A. AID APPROPRIATED	475
B. OTHER U.S.	
C. HOST GOVERNMENT	1,650
D. OTHER DONOR(S)	100
TOTAL	2,225

10. ESTIMATED COSTS/AID APPROPRIATED FUNDS ($000)

A. APPROPRIATION (ALPHA CODE)	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE	FIRST YEAR D. GRANT	FIRST YEAR E. LOAN	ALL YEARS F. GRANT	ALL YEARS G. LOAN
EH			225		475	
		TOTAL	225		475	

11. OTHER U.S. ($000)

A. PROGRAM TYPE	B. FIRST YEAR	C. ALL YEARS
TOTAL		

12. PROJECT GOAL (STAY WITHIN BRACKETS)

[Return of potentially employable women to the labor market.]

13. PROJECT PURPOSE(S) (STAY WITHIN BRACKETS)

[Assist the Government's program of upgrading and expanding existing Day Care Centers and establishing new Centers primarily through technical and commodity assistance.]

14. PLANNING RESOURCE REQUIREMENTS (STAFF/FUNDS)

Two man/months of TDY services preferably from the LA/DR Health/Nutrition/Population Coordination Division.

15. ORIGINATING OFFICE CLEARANCE

SIGNATURE: Charles P. Campbell
Charles P. Campbell

TITLE: AID Affairs Officer

DATE SIGNED: MO. 06 DAY 25 YR. 75

16. DATE RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MO. DAY YR.

AID 1330-2 (5-75)

I. Summary of the Problem to be Addressed and the Proposed Response

A. The Problem

The strategies set forth in the DAP pertaining to Education and Human Resources Development as well as Population and Health continue to retain their validity. The continuing P.L. 480 Title I program contributes to meeting nutritional requirements of particularly the school-age population. A new project proposed for implementation in FY 1976 - Health Improvement for Young Children - is expected to come to grips with serious malnutrition problems confronting the very young. The project will be primarily directed at better health practices.

A natural progression is a project dealing with the overall care of the very young thus releasing their mothers who often possess marketable skills for the labor market.

It is estimated that there are approximately 300,000 children in Jamaica today in the 0 - 4 age group. Of these about 83,000 do not receive adequate care. In the Kingston area alone, 18,000 children fall within the latter category, with other critical areas being Spanish Town, Montego Bay and May Pen.

The Government is about to embark on a program involving assistance to a few operators of"Backyard Nurseries" and to Agency Directors of some Day Care Centers; upgrading and expanding existing Centers and providing additional Centers in the most industrialized and populated areas. This program is to be implemented under the coordinating responsibility of the Ministry of Youth and Community Development. Certain Private Voluntary Agencies, such as the Salvation Army, the Child Welfare Association and Service Clubs have expressed their willingness to contribute some equipment, toys, housing and limited financial assistance.

The Day Care Center Program is to be organized on a Satellite system composed of various types of

Centers, for planning purposes classified as A, B, C and D as follows:

1. Group A - Resource Centers

Group A Centers will serve a certain geographic area containing several B, C and D Centers and provide the following:

(a) Medical examinations and treatment of day-care children;

(b) consultation on nutrition;

(c) consultation on early childhood development with emphasis on developing programs in tune with the development of each child;

(d) training for staff of Type B, C and D Centers;

(e) consultation and advice on administrative and operational problems.

2. Group B Centers

These Centers will provide 10 hour day-care for children of working mothers, accommodating 30 - 40 children each, 3½ months to 3½ years old. In communities not benefitting from a basic school, the Centers will be called "Pre-School Centers' and will serve children up to six years of age. The Government will provide the basic building, estimated to cost J$9,000, with the community responsible for organizing a managing committee to run the school.

3. Group C Centers

Accommodating about 35 children each, these Centers will provide day-care with the hours and days of the week to be arranged by the supervisor and the mother. These Centers will frequently be located in private residences with the home owner providing the supervision.

This type of Center is likely to be located in middle and low-middle income neighborhoods.

4. Group D Centers

These Centers are likely to be located in low income areas and are presently known as "Backyard Nurseries", almost always located in private homes. Depending on available space, a maximum of 25 children should find accommodation at each Center. These Centers will be eligible for "improvement of facilities" grants of up to J$1,500 and commodity grants of J$800.

All Centers will be eligible for the services of the Resource Centers. The Government plans to initiate the program in early 1976 by locating Resource Centers in each of the island's five major parishes (Kingston, St. Andrew, St. Catherine, Clarendon and St. James).

B. The Response

The Government has budgetted J$1.5 million for the Day Care Center Program, the major portion of which is for improvement, expansion and construction of centers as well as staff costs.

USAID has been approached with a request for assistance in in-country training of personnel as well as equipment to adequately furnish the Centers. The Mission recommends that this request be met since the project meets an urgent need of particularly the urban poor and can improve their income by releasing women for the labor market.

The request could be met through a contract with a qualified organization such as the Day Care and Child Development Council.

II. Financial Requirements and Plans

1. The Mission proposes a three-year grant project totalling $475,000,with the FY 1977 obligation $225,000; FY 1978 $150,000; and FY 1979 $100,000. The funds would cover a modest contract with a qualified institution to provide training services and equipment including some vehicles.

2. The GOJ has programmed J$1.5 million for this project.

Contributions by other donors including Private Voluntary Agencies and UNICEF are estimated at $100,000 over a three year period.

III. Development of the Project

1. The National Planning Agency, in preparing the Government's Day Care Center Program, has gathered statistics on the number of pre-school children likely to benefit, the number and types of Day Care Centers now in operation, as well as projections for future needs. Information is available on proposed staffing as well as on details such as the dimensions and the cost of constructing centers.

2. Preliminary work for a PRP can be done by the Mission and TDY personnel from LA/DR's Health/Nutrition/ Population Division in conjunction with the PP to be prepared in September 1975 for the Health Improvement for Young Children Project. We estimate that the PRP can be prepared by early February 1976 in time for inclusion of the Project in the FY 1977 Congressional Presentation. The PP would then be prepared in the last quarter of FY 1976.

3. We estimate two man/months of direct-hire TDY services for the PRP and PP preparation in addition to Mission inputs.

IV. Issues of a Policy and Programmatic Nature

The Mission considers this proposed project particularly important since it will contribute to alleviating the island's traumatic unemployment problem (over 20 percent) by directly helping women from the low income strata of society to acquire vocational skills.

It is estimated that almost one-half of Jamaica's 180,000 unemployed are women. Jamaica's women have found no social obstacle in acquiring jobs and positions

for which they are qualified, since the island is essentially based on a matriarchal structure. Woman's role in agricultural pursuits and the public health field is already significant with qualified women holding increasingly important top positions in government and the private sector. The GOJ realizing that many of the presently unemployed are sorely lacking in vocational skills required for several major industrial projects, is planning a comprehensive vocational training program expected to be of benefit to at least 7,000 presently unemployed. Women are expected to be heavily involved in this program. It will be coordinated by the Ministry of Youth and Community Development and make use of existing vocational training facilities. AID will collaborate in the program by providing industrial training equipment from excess property resources.

The proposed Day Care Center project will thus enable many women who at present do not possess the required skills to participate in training programs by temporarily relieving them of their family responsibilities.

It will also make possible greater involvement of women in the total development and at the same time provide nutrition and health services for the underprivileged young.

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AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT IDENTIFICATION DOCUMENT FACESHEET

TO BE COMPLETED BY ORIGINATING OFFICE

1. TRANSACTION CODE ('X' APPROPRIATE BOX)
[X] ORIGINAL [ ] CHANGE [ ] ADD [ ] DELETE

PID DOCUMENT CODE 1

2. COUNTRY/REGIONAL ENTITY/GRANTEE: JAMAICA

3. DOCUMENT REVISION NUMBER: N.A.

4. PROJECT NUMBER: 532-0010

5. BUREAU: A. SYMBOL LA; B. CODE 3

6. PROPOSED NEXT DOCUMENT: A. [X] PRP [ ] PP B. DATE MO. 01 YR. 76

7A. PROJECT TITLE - SHORT (STAY WITHIN BRACKETS)
[HOUSING INVESTMENT GUARANTY]

8. ESTIMATED FY OF AUTHORIZATION/OBLIGATION
A. INITIAL FY 77 B. FINAL FY 77

7B. PROJECT TITLE - LONG (STAY WITHIN BRACKETS)

9. ESTIMATED COST (LIFE OF PROJECT)
($000 OR EQUIVALENT, $1 = 9075)
$10,000

PROGRAM FINANCING	AMOUNT
A. AID APPROPRIATED	
B. OTHER U.S.	$10,000
C. HOST GOVERNMENT	2,500
D. OTHER DONOR(S)	
TOTAL	$12,500

10. ESTIMATED COSTS/AID APPROPRIATED FUNDS ($000)

A. APPROPRIATION (ALPHA CODE)	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE	FIRST YEAR D. GRANT	FIRST YEAR E. LOAN	ALL YEARS F. GRANT	ALL YEARS G. LOAN
SD						
TOTAL						

11. OTHER U.S. ($000)

A. PROGRAM TYPE	B. FIRST YEAR	C. ALL YEARS
HIG	$10,000	$10,000
TOTAL	$10,000	$10,000

12. PROJECT GOAL (STAY WITHIN BRACKETS)

To provide housing, essential community services and job opportunities to Jamaica's lower income groups to the maximum extent possible.

13. PROJECT PURPOSE(S) (STAY WITHIN BRACKETS)

To provide additional capital to the Jamaica Mortgage Bank to continue its primary market operations. Emphasis will be placed on housing developments directly benefitting low income groups.

14. PLANNING RESOURCE REQUIREMENTS (STAFF/FUNDS)

Approximately two man/months of direct-hire TDY services from SER/H.

15. ORIGINATING OFFICE CLEARANCE

SIGNATURE: Charles Campbell

TITLE: AID Affairs Officer

DATE SIGNED: MO. 06 DAY 24 YR. 75

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

MO. DAY YR.

AID 1330-2 (5-75)

I. Summary of the Problem to be Addressed and the Proposed Response

A. The Problem

As set forth in the DAP (pp. 29 - 36), housing for low and lowest income groups continues to be of the highest priority for the Jamaican Government. Good progress is at present being achieved by the Ministry of Housing in alleviating the problem of housing for those lowest in income through a $22 million Sites and Services program. This program, supported by a $15 million World Bank loan provides for the construction of 6,000 units at six new sites. Three sites are under construction (two in Kingston; one in Spanish Town), with completion of the first site expected in September 1975. Prospective tenants must have incomes below J$1,200 per year.

Nevertheless, the above program is only one step toward the provision of sufficient low cost housing, with the Government still being the only entity struggling with this problem. Other existing programs based on heavily subsidized Government housing slum eradication, as well as fragmented, ineffective planning, and capital intensive investments in industry, have not dealt effectively with basic needs for shelter, community services and jobs. The housing stock for low-income families is in effect stagnant despite an annual population increase currently around 21,000 persons in the Kingston Metropolitan Area alone, half of which consists of migration from rural areas.

Reliable statistics on the amount of housing currently being financed in Jamaica are rare with realistic assessments of future housing needs for the island even rarer. In conjunction with its Sites and Services Loan the World Bank is planning a diagnostic study of the Ministry of Housing and the public housing sector in general. AID is providing technical assistance for an assessment of housing needs in the rural sector. Both of these studies are expected

to contribute to shedding some light on future requirements of Jamaica's housing sector which thus far never has been subjected to comprehensive analysis.

A report by the United Nations Department of Social and Economic Affairs has suggested that between 1% and 5% of the existing housing stock should be replaced each year, with 1% being considered a reasonable goal for Jamaica. Applied to Jamaica's total housing stock estimated to have consisted in 1970 of 134,000 dwellings, the U.N. report stipulated a replacement need for 4,300 units annually for the 1970 - 75 period. Combined with the assumed formation of 7,100 new households during this period, it is projected that Jamaica's total housing needs amounted to an average of 11,400 units for the 1970 - 75 period and will amount to 16,900 units in the 1985 - 90 period.

The total number of dwellings required by 1990 would be 725,500 or 293,500 more than those in existence in 1970. Of those totals for all of Jamaica it is further estimated that 183,000 units or 62% will have to be built during the 1970 - 1990 period in the greater Kingston Metropolitan Area.

Jamaica's performance, both in the public and private housing sectors, in meeting the needs outlined above has lagged far behind requirements. It is estimated that from 1964 - 1968, about 5,000 units were produced annually, of which only a sprinkling was aimed at those in greatest need - households with less than J$2,000 per year. Approximately 1,200 to 1,800 units per year for low income households are being constructed under the auspices of the Ministry of Housing, costing between US $4,400 and US $6,600 each - in addition to the 6,000 unit sites and services scheme.*

B. Proposed Response

Over the years, AID has provided considerable inputs to Jamaica's housing sector through capital and technical assistance as well as housing investment

*There were 1,656 units of all types completed in 1974 as compared to 2,843 units in 1973.

guarantees. In 1963 a $2.8 million loan provided for the construction of 605 low-cost houses at six sites in Kingston. In 1971, a $10 million loan for primary and secondary mortgages helped make the Jamaica Mortgage Bank (JMB) a viable institution, in the establishment of which AID technical specialists participated.

Three housing investment guarantees totalling $15.6 million have contributed to providing housing for lower income families:

(1) Independence City, $7.5 million, HIG signed in 1967 for the construction of 1,133 units at prices from $6,240 to $8,900;

(2) Ensom City, $5.1 million, HIG signed in 1968 for the construction of 611 units at prices from $6,700 to $9,000;

(3) Catherine Mount, $3 million, HIG signed in 1970 for about 300 units still under construction at prices from $14,300 to $17,700.

A fourth Housing Investment Guaranty was signed in 1974 for $10 million and is being channelled through the primary mortgage mechanism of JMB. The first project under this Guaranty was approved on June 18, 1975, and provides for the construction under the auspices of the Ministry of Housing of 298 units priced below $8,000 in what is one of Kingston's worst slum areas. It is expected that the JMB which has evolved as a responsible institution in Jamaica's housing field will use equally good judgement in future projects to be covered by this HIG. It is also hoped that Jamaica's private sector can be encouraged to channel increased resources to low cost housing, with the Building Societies Association of Jamaica already on record to address this hitherto neglected field.

The Mission proposes for FY 1977 a further $10 million Housing Investment Guarantee to be directed primarily at projects benefitting low income groups, i.e. households with an income below $2,500 per year. The continuing efforts of the Jamaican Government in this sector are recognized particularly through the initiation of the sites and services scheme. By channelling the Guarantee again through the JMB it is hoped to stimulate the private sector further to enter the low cost housing field. Consideration should be given to possible low-cost housing projects in rural areas.

II. Financial Requirements and Plans

1. The Housing Investment Guaranty should be in the amount of $10 million with the GOJ responsible for a contribution of at least 25 percent of this amount.

2. The disbursement period for the loan should not exceed three years.

III. Development of the Project

1. AID has gathered considerable expertise pertaining to Jamaica's housing sector through its past and present programs. An analysis containing recent statistics on Jamaica's requirements, particularly in the field of low and lowest cost housing was prepared by the IBRD in connection with its $15 million loan in support of the sites and services program. The IBRD's forthcoming diagnostic study of Jamaica's public housing sector and AID's study of the requirements of the rural housing sector should form additional bases on which the proposed housing investment guaranty program can be planned.

2. The Mission estimates that the PRP can be completed by January 1976, with the PP scheduled for completion during the last quarter of FY 1976.

3. The Mission estimates that the preparation of the PRP and the PP will require a maximum of two months TDY assistance from SER/H. Inputs by outside

consultants are not foreseen.

IV. Issues of a Policy or Programmatic Nature

None.