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Country Development Strategy Statement

FY 1985

JORDAN



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USAID/JORDAN

FY 1985

COUNTRY DEVELOPMENT STRATEGY

STATEMENT

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* This section is classified and, as such, appears as a separate document.

I. INTRODUCTION

This FY 1985 CDSS submission updates the approved FY 1984 CDSS for Jordan. The Administrator's Goals as defined in State 321444, and AID's Policy Papers and sector strategies were carefully reviewed so that their contents would be fully reflected in the FY 1985 submission. The update of the macro-economic analysis appearing in Section II describes some important changes in the Jordanian economy which have taken place during the past year. However, the economic assistance rationale and strategy as presented in the FY 1984 CDSS continues to be relevant and valid. Accordingly the U.S. goals and AID objectives as described in the FY 1984 CDSS remain unchanged and continue to be pursued. The FY 1983-84 program presented on page 28 is based on the AAPL levels provided in State 323716. We hope to maintain a substantial grant component through FY 1985 in order to pursue AID's priority initiatives.

The A.I.D. Program strategy for FY 1983-1988 also remains basically as presented in the FY 1984 CDSS. The program goal of placing less emphasis on capital infrastructure type projects and more emphasis on technology transfer, institution building, development of the private sector and policy reform has been completed. All projects in the design stage have one or more of these four priority areas as a key component(s). The major part of this CDSS update provides information regarding USAID efforts to incorporate the Administrator's priority areas in support of program and project goals for FY 1983 and beyond. The information responds to the question raised in State 305746 and State 323716.

III. AID PRIORITY AREAS

A. Policy Dialogue

1. What is the need and potential for policy change in Jordan ?

USAID and members of the donor community in Amman believe Jordan has established a good set of macro-economic policies, generally appropriate for its status as a middle income country with very limited natural resources. The Government has designated the private sector as a key player in economic development and has succeeded in maintaining a high level of investor confidence notwithstanding considerable political and economic instability in the region. Neither the World Bank nor the IMF have identified any macro-economic policy issue which they believe critically constrains development progress. USAID, however, continues to be concerned about the medium-term impact of Jordan's high population growth.

2. What is USAID/Jordan doing to increase the use of policy dialogue as a mode of AID operation ?

Since Jordan is judged to have a good set of macro-economic policies, the Mission will continue to use the project/sector framework as its approach to policy dialogue. The following are some examples of the increased use of the policy dialogue as a mode of mission operation. (Additional examples are contained in Amman 8618).

- a. A major policy objective of our involvement in the water sector is improved coordination between the numerous GOJ agencies involved in the water sector through the establishment of a central organization whose responsibilities would include, but not be limited to, the development, allocation and conservation, and re-use of water resources and the establishment of equitable rates, fees, and taxes sufficient to recover the costs of investment, operation, and maintenance. Although USAID hopes for early attainment of this policy objective, there are some in the GOJ who are apparently opposed to the creation of a central water organization, believing that forming a new organization would represent too great a concentration of economic and political power. However, both the World Bank and USAID, along with the President of Jordan's National Planning Council, are convinced that a national water authority is a critical necessity

for Jordan to plan and manage successfully its scarce water resources.

- b. More effective utilization of scarce water resources for delivery and use to meet domestic, industrial, and agricultural purposes as well as quality of water standards for these various purposes are objectives we are pursuing via a continuing dialogue with the GOJ.
- c. A dialogue is being pursued re policy changes and realignment of responsibilities for conducting research and extension activities in the Jordan Valley, particularly improved coordination between various organizations involved in extension and research including the agricultural faculty of the University of Jordan.
- d. Studies financed by USAID and carried out by U.S. consulting firms have underscored the importance of the private sector in the marketing of Jordan Valley fruits and vegetables. USAID has initiated discussions with the Government concerning the reduction of the public sector's role in the marketing of Valley produce and the desirability of eliminating consumer price controls for agricultural products.
- e. A dialogue is continuing regarding the allocation of resources within the health sector with USAID seeking greater emphasis on basic health care services as the most cost effective use of scarce resources. In this connection, USAID has financed a study entitled, "Alternative Strategies for a National Health Insurance Plan for Jordan." Recommendations from this study are currently under consideration by the GOJ. A key element of the study is the recommendation for the continuation of a major role for the private sector in providing health care services in Jordan.
- f. USAID is engaged in dialogue at several levels of Jordanian society concerning the role of family planning in Jordanian development. One level of the dialogue is being carried out through the preparation of research papers and seminars such

as those conducted under the Battelle research project on population issues which culminated in an August 1982 conference, held in Amman under the patronage of a member of the Royal Family. While Jordan has yet to adopt a national family planning policy, there are indications that the Government is becoming increasingly concerned about the impact of population growth on development. USAID is attempting to convince the Government that a program of "child spacing" would be an effective means of reducing population growth within the parameters of current societal values.

- g. The USAID Technical Services and Feasibility Studies (TSFS) projects will be skewed more over 1983 and 1984 in support of our policy dialogue with the GOJ. TSFS IV, currently in the design stage, will be a tool, like its predecessor projects, that is readily available to provide high quality analyses by US consultants in critical policy areas.

3. What goals can be set in the area of policy reform over the CDSS five year period ?

USAID will continue to pursue the type of policy issues identified above. Two especially important policy goals are:

- a. Establishment of a National Water Authority which would be responsible for the identification, allocation, protection/conservation and overall management of water resources.
- b. A clearly defined and publically supported population policy aimed at reducing Jordan's high population growth rate.

4. What levels and composition of personnel are needed to pursue policy dialogue ?

The current staffing configuration of the USAID mission is sufficient to meet the requirements of conducting our policy dialogue within the sector/project framework. The arrival of a USAID regional economist in the summer of 1983 will expand USAID's capacity for macro-economic analysis. USAID's principal staffing problem relates to the inordinate length of time involved in filling new positions and the often long gaps between the

departure of an incumbent and the arrival of a replacement. More efficient management of AID's personnel system would improve USAID's capacity to deal effectively on policy dialogue issues as well as other important aspects of the USAID operation in Jordan.

B. Private Sector Development

1. What is USAID/Jordan doing to increase the use of the U.S. and indigenous private sectors as development tools, and how does that differ from what you have done in the past ?

In March 1982 a private sector team, financed by USAID, visited Jordan to assess the climate for private sector development with particular emphasis on identifying opportunities for AID assistance to foster private sector growth. The team's assessment and recommendations were presented in a report to USAID and the GOJ. The salient findings in the report were:

- 1) The consensus among Jordanian businessmen is that Jordan's private sector is performing remarkably well and should be left to its own devices with minimal government interference.
- 2) The private sector in Jordan is both healthy and thriving and the government has been supportive of private sector development with Jordan's economy based on a free-enterprise system.
- 3) In its Five Year Plans, the government has been most supportive to the private sector with basic infrastructure investments.
- 4) The private sector is expected to contribute at least forty percent of investment in the current Five Year Plan.
- 5) Jordan's financial position is sound and its debt service low; its economy is well managed. The government has clearly delineated between areas for private and public investment.
- 6) Rapid development in the Jordan Valley over the past few years was primarily due to cooperation between the government and the private sector.

The GOJ established a set of committees to review the report's recommendations with the purpose of identifying opportunities for possible USAID activities in support of the private sector. The result of the committees' work was a series of decisions by the GOJ to implement all of the report's principal recommendations. Some examples of the team's recommendations and action taken or planned include:

1) Expand Mid-level and Advanced Management Training:

The GOJ and USAID are currently designing a project for FY 84 aimed at the formation of an Executive Management Institute to provide this training.

2) Improve Jordanian Capital and Financial Markets:

The GOJ has requested consulting services to assist in the institutional development of the Amman Financial Market. USAID is providing this assistance.

3) Rationalize and Improve Agricultural Marketing Policy:

USAID is currently conducting a dialogue with the GOJ on the marketing of fruits and vegetables. One of the proposed projects for FY 1985, Agricultural Marketing Research and Intelligence, will deal directly with this problem.

4) Exchange Technical Information Between US and Jordanian Professional Societies:

At USAID's instigation, the US Society of Engineers is in contact with the Jordanian Engineering Society. A visitor exchange between US and Jordanian Contractors Association has already taken place with the recent visit to Jordan by the President of the Associated General Contractors of America.

5) Expand the Activities of the International Executive Service Corps (IESC) in Jordan.

An initial visit to Jordan by the Manager of International Relations for IESC identified 10 companies interested in IESC assistance. Follow-on arrangements are underway. USAID anticipates a substantial volume of IESC consultants for FY 83 and 84.

AID's Policy Paper, PRIVATE ENTERPRISE DEVELOPMENT, lists the following four criteria for private enterprise to flourish:

- a. A policy environment that is encouraging rather than inhibiting;
- b. Institutions and skills that strengthen the working of markets;
- c. A flow of capital resources for new investments; and
- d. A constant stream of new technologies that leads to both increased productivity and increased employment.

Annex V to USAID's FY 1984 CDSS describes the important role the private sector plays in Jordan's economic development. To a large extent, the success of Jordan's private sector is a function of having met the four criteria mentioned above.

2. What goals can realistically be set in this area ?

In light of the role Jordan's private sector is already playing in Jordan's development, it would be impractical for AID to establish major goals for increased participation of the private sector in the country's development. AID's goals for Jordan's private sector development remain basically as stated in Annex V to the FY 1984 CDSS and will be augmented by recommendations made in the "Private Sector Report." All new AID Projects, of course, will be examined for opportunities to utilize private enterprise modalities. For example, the proposed Water Systems and Services Management project will provide for the transfer of technology from the U.S. private sector to the Jordanian private sector with the purpose of enhancing the capabilities of selected Jordanian firms involved in the design, supervision, and construction of water and wastewater systems. Selected U.S. firms will work hand-in-hand with the Jordanian firms to ensure that, upon the departure of the U.S. personnel, the Jordanian companies will have the capacity and improved capability to design and fully construct water and wastewater systems. Heretofore, AID project emphasis was primarily on the construction of these systems and the delivery of services. The new priority emphasis will be on: institution building/technology transfer to increase the capabilities of the Jordanian private sector firms to work in the water sector.

C. Technology Transfer

1. What is USAID/Jordan doing to increase technology transfer and research as a development tool ?

Jordan currently faces a constrained financial situation as described in Section II, and it still must seek capital for the financing of priority development activities. Limited AID resources will be utilized to emphasize technology transfer and institution building in those areas where our economic assistance can make a strategic contribution to Jordan's development. USAID's current and proposed program will be primarily concerned with technology transfer, institution building and training. This differs greatly from prior years when support for financing capital projects was emphasized. Although technology transfer was built into most projects in the past, it will be a major part of all new projects. Examples of the increased emphasis on technology transfer in USAID's program include:

- a. The Rainfed Agricultural Development project proposed for 1985 may be implemented via the Title XII mode with a US university providing the technical assistance. The underlying rationale of this project will be the transfer of technology for improved methods of farming in Jordan's important rainfed areas. If the Title XII mode is not used, TA from another institution such as USDA would be considered.
- b. The proposed Agricultural Marketing Research and Intelligence project will have an important technology transfer dimension through the provision of consultants from the US private sector, public sector (USDA) or from a university(ies) or a combination of two or more of these entities. As indicated in III B, this initiative is a direct result of a recommendation in the USAID-funded "Private Sector Report."
- c. The major components envisaged for the proposed FY 1985 Energy Planning and Development project will combine a strong technology transfer component with institution building and perhaps some limited training.
- d. Our TSFS III & IV projects will carry into FY 1985, and, like

their predecessor projects, serve as an immediate source of funding for technology transfer through the provision of U.S. consultants in areas where the U.S. is recognized as having a technological comparative advantage. Being able to respond with immediate technical assistance when requested to do so is an important and vital part of technology transfer. In many cases a timely response is as important as the assistance itself.

2. What are USAID/Jordan's Goals in Technology Transfer ?

USAID's major goal is to ensure that all projects highlight and emphasize technology transfer. In short, technology transfer will serve as a cornerstone of the USAID program and fully complement our other development concerns in the areas of private sector development, institution building and to a lesser extent, policy dialogue.

D. Institutional Development

1. What is USAID/Jordan doing to help indigenous institutions in critical development sectors ?

The USAID's approved FY 84 CDSS Sector analyses identify the key public and private sector development-related institutions in sectors of AID priority concentration. These institutions have been assessed in terms of their weaknesses to accomplish institutional goals. Identified institutional shortcomings are addressed through a mix of technical assistance and training, emphasizing technology transfer. Upgrading the management capability of the Water Supply Corporation (WSC) is an example of USAID's efforts along these lines. Through the Water Systems and Services Management project, with its emphasis on training and technology transfer, the WSC, over time, should be able to carry out more competently its substantial responsibilities for the planning and management of water projects in Jordan.

2. Current Efforts in Institutional Development

The Institutional Development Policy paper recognizes that the establishment of viable institutions capable of providing significant contributions to economic development is a long-term undertaking. Institution building has been and continues to be a major

aspect of our assistance program as is exemplified by the following:

a. Water Sector

A major element of our strategy in the high priority water sector has been to strengthen the institutions which are directly involved in planning and managing Jordan's scarce water resources. This is being accomplished through the provision of both long and short term consultants as well as the provision of training courses, both technical and managerial.

b. Health Sector

USAID is currently supporting a project to assist in establishing a planning/management unit in the Ministry of Health in order to provide the Ministry with an improved capacity to redirect resources for primary health care services for the people of Jordan. Complementing this effort is a Health Education project aimed at establishing within the Ministry of Health an improved capability to inform people of ways to improve their health status. All projects are designed to enhance the institutional capabilities of the Ministry of Health.

c. Education Sector

1) As stated in the AID draft policy paper on institutional development, "capital costs for institutional development may be supported by AID where the host country policy framework is judged adequate or where the government has demonstrated a commitment to undertaking required economic and institutional policy reforms." Per para II A above the GOJ has established sound policies in its development effort, including education policies. Because of these established policies, USAID assisted in supporting the Ministry of Education in recent years by financing the capital costs for the construction of schools under the two school construction projects as well as the Village Development I, II and III projects. The GOJ staffed and equipped the schools. USAID's contribution contributed substantially to the high percentage (83%) of school age children actually attending school.

- 2) The training components of all AID projects and the training of personnel under the Development Administration Training Projects assist both directly and indirectly in the improvement of numerous GOJ organizations and institutions. The third Development Administration Training project will include a larger component of participants from the private sector.

d. Agriculture Sector

- 1) Through the Title XII mode, with its substantial opportunity for technology transfer, USAID is assisting the Ministry of Agriculture in institutionalizing a program of applied agricultural research and extension in the Jordan Valley. This effort commenced in FY 1981 and because of its strong institutional development component, is expected to run through FY 86, and perhaps longer. An increased capacity of the Ministry of Agriculture to provide Valley farmers with improved technology and services should pay handsome dividends in terms of increased agricultural production.
- 2) USAID has, and continues to support, the establishment of the Jordan Valley Farmers Association as an institution that provides both agriculture inputs and services to Valley farmers.

The examples presented above are only a small selection of projects concerned with institutional development. Virtually all USAID/Jordan projects directly affect the growth/effectiveness of key institutions in priority development sectors.

3. What are USAID/Jordan's Goals in Institution Building ?

- a. USAID's strategy in the priority area of institution building focuses on improving the capabilities of senior and mid level managerial and technical personnel working in both public and private sector. Examples of how we will attempt to reach this goal include:

- 1) Executive Management Institute

The Executive Management Institute will provide training for mid and senior level executive managers primarily

from both the public and private sectors. AID technical assistance and training will help establish this institution and also contribute to a broader goal of strengthening overall managerial performance. Once the institute is operational, it is anticipated the institute will play a major role in providing training for private sector participants from other countries in the region.

2) National Water Authority

The establishment of a National Water Authority will strengthen the existing institutional base Jordan has developed for its water sector. This national-level water authority will assure the effective coordination of the various existing entities (WSC, AWSA, JVA, NRA) in the water sector. Drawing on assistance available under the Water Systems and Services Management project, we expect the GOJ to establish such an institution.

E. Other Priority Areas

1. Participant Training: What plans does USAID/Jordan have for participant training ?

Since 1952 USAID has provided training for over 2500 Jordanians in academic and technical fields. Currently we are in the process of designing the third in a series of development training projects. USAID training activities have made a major contribution to the successful development of Jordan's private and public sector institutions. Of the eighteen current highest ranking civilian officials in the Jordanian Government ten are former AID participants. During the course of implementing the third development training project, USAID plans to transfer most of the management and administration of training programs to the GOJ. This appears to be not only feasible but practical and desirable. USAID also expects that the GOJ will assume more of the financial burden associated with the training programs. While details have yet to be worked out, both USAID and the GOJ are interested in establishing a Binational Foundation (BF) to finance and administer training programs for Jordanians in the

U.S. One of the initial purposes of the proposed BF will be the provision of scholarship assistance to Jordanians who want further training, both academic and non-academic, but lack sufficient private resources to pay all of the costs. There are many Jordanians who have sufficient financial resources to contribute significantly to the cost of training and the purpose of the BF would be to assist those who have some but not all of the financial means needed. The BF would be established on a solid financial basis so that it would be able to function following the successful completion of the U.S. bilateral aid program.

2. Food Aid: What is USAID/Jordan doing to increase the use of Food Aid as a development tool ?

At the present time, USAID is in the process of phasing out a small PL 480 Title II program. The program, implemented by CARE in association with the Ministry of Social Development, had met its objectives and was no longer contributing to improving the nutritional well-being of the recipients. However, small pockets of malnutrition continue to exist in Jordan, especially in the South, and people in those areas could benefit from a well-structured Title II program. USAID would give serious consideration to endorsing a development oriented Title II proposal aimed at improving the nutrition of targeted beneficiaries.

Jordan has not been involved in a PL 480 Title I program since 1979, and at the present time there are no plans to return to this form of assistance. However, should U.S. economic assistance to Jordan be increased substantially in association with its involvement in President Reagan's September 1, 1982 Middle East Peace Initiative, PL 480 Title I/III could be an appropriate form of assistance and a very useful development-tool, especially in light of Jordan's large food grain imports.

3. Other Donors: How does the AID program in Jordan relate to the activities of other donors and how can other donor programs be coordinated in a way that will support AID objectives ?

At present, there is no formal consultative group or donor club

mechanism for Jordan. Heads of donor agencies meet informally in Amman on a monthly basis to discuss issues of common interest and, at least twice a year, this meeting is attended by the President of the National Planning Council for a review of Jordanian development policies, problems and prospects. In terms of policy objectives, our discussions with Government officials are carried out solely in the bilateral mode, although in areas where other donors are involved, such as the World Bank in the water sector, USAID joins forces in support of mutually desired policy and project objectives. Since Jordan's economic welfare and political stability have been and will remain dependent upon high levels of external economic assistance and because this aid can help to serve U.S. bilateral and regional policy goals aimed at the establishment of a lasting Arab-Israeli peace, consideration may be given at an appropriate time to the creation of a more formal donor mechanism, if required, to encourage continued and coordinated help to Jordan.

USAID has been particularly successful during recent years in using resources under the TSFS projects to finance the feasibility and design work of major infrastructure projects for the Government of Jordan. The National Planning Council has, in turn, been able to attract other investors, especially the Arab development funds to make major financial contributions to support these AID-designed projects. The Zarqa-Ruseifa Water and Sewerage project is a fine example of this modality. The project was designed with AID financing. Construction costs will be covered by contributions from the World Bank, the West German Development Fund (KFW), the Islamic Development Bank, and USAID. The GOJ also is making a substantial contribution to the capital costs of the project. USAID/Jordan believes that an extremely effective way to involve other donors in support of AID objectives is to provide generous amounts of funding to finance the cost of feasibility and design work. Well-designed projects rarely go unfinanced.

4. Role of PVOs : What is USAID/Jordan doing to expand the role of PVOs ?

USAID has supported the activities of PVOs primarily in the areas

of women in development, family planning, nutrition, and community development. However, in light of the increased program emphasis on utilizing technical assistance to attain institutional development objectives, USAID anticipates making greater use of both indigenous and foreign PVOs. While sustaining our ongoing PVO relationships, USAID expects to take greater advantage of PVO skills for feasibility studies, evaluations, and implementing sub-activities under the proposed Rural Community Development project. WID funding is being sought for Catholic Relief Services to carry out a study and implement a project that would create income producing opportunities for women in rural Jordan.

5. Priority Areas, the CDSS Strategy and AAPLS: What implications do the four priority areas have for the validity of your CDSS Strategy and AAPLS ?

The transition from more traditional capital projects toward an institutional development and private sector emphasis, as originally presented in the FY 1984 CDSS, is all but complete. There are no planned obligations for projects which emphasize infrastructure development per se. All projects currently in the design phase, emphasize AID's four new priority areas. Thus, AID's four priority areas are in total harmony with the approved CDSS strategy and the FY 85 AAPL. An important aspect of the restructuring of the USAID program in favor of the four priority areas affects the loan/grant split within the projected AAPL. With the overwhelming emphasis on institution building, training, policy objectives and technology transfer, a large portion of the AAPL will need to be in grant funds. Therefore, the FY 84 grant/loan split of \$13 million and \$7 million respectively, as discussed in State 347493 from A/AID to Ambassador Viets, must be sustained for FY 85 so that our development goals can be achieved.

IV. STRATEGIC PLANNING

This section of the FY 1985 CDSS update comments on the Near East Bureau Preliminary Strategy, 1983-85, which was forwarded to the Administrator under cover of Mrs. Ford's memorandum of December 21, 1982.

Jordan stands as the archetypical example of a Middle East country struggling with the priority development problems identified in the Bureau's strategic planning document: excessive population growth; water scarcity; declining agricultural production per capita; and rapid urbanization. Moreover, Jordan's pivotal role in President Reagan's September 1 Middle East Peace initiative along with its moderating influence in a highly unstable region makes it a country of special political and strategic interest to the U.S. Thus, it is not unreasonable to expect that our economic assistance relationship with Jordan will continue through the 1980s. Of special note with regard to the possible provision of higher levels of ESF for Jordan linked to Jordanian participation in the next round of peace negotiations with Israel is the harmony of views between the National Planning Council and USAID regarding the importance of maximizing the developmental impact of all U.S. economic assistance for Jordan; thus Jordan sees the DA/ESF distinction as largely irrelevant in terms of choice of projects for AID funding.

While USAID/Jordan's program planning for FY 1984 and FY 1985 was well down the road by the time the Bureau's preliminary strategy was received in Amman, there is a remarkable resemblance between the project activities proposed for the FY 1985 CDSS planning period and the development problems identified as highest priority for the region in the 1980s. Although not specifically listed, USAID believes that energy should be accorded a high-development priority for the region, not only for countries such as Jordan which import all of their energy at border prices but for other countries with some hydrocarbon resources as well, since it is highly likely that the current oil surplus will turn into a deficit by the end of the decade. In the case of Jordan, the National Planning Council has asked USAID to take a more active role in the energy sector, primarily in recognition of the U.S. comparative advantage in new energy sector technologies.

USAID/Jordan endorses the Bureau Strategy Paper's analytical technique of identifying three levels for pursuing the Agency's goal of fostering economic growth with equity in Middle East countries. Moreover, we would like to applaud the recognition in the Strategy Statement that, in pursuing this goal, the starting point should be recognition that U.S. resources operate at the margin and that typically in several countries AID is not a major developmental player.

Three-tiered AID Strategy

1. **Country Economic Environment:** The importance of the macroeconomic policy setting and the validity of the "policy dialogue" approach is well illustrated in Jordan. A highly disciplined approach to monetary and fiscal stability in combination with a "hands off" attitude for the private sector created the environment of investor confidence which fostered much of Jordan's economic growth and development progress over the past decade. The rapid growth of the Jordanian economy in recent years also has been supported by a high level of public sector investment in economic infrastructure and by direct government equity participation in several major production projects.
2. **Direct Investments in Wealth-creating Activities:** USAID believes that AID's involvement in mobilizing investment resources should be targeted toward activities in key priority sectors where a coincidence of development needs overlap with a U.S. comparative advantage. In this regard, the identification of development problems on a regional basis should be of considerable value in planning both development assistance programs and agency personnel requirements for the 1980s. With the exception of those few large country programs where AID is involved in a wide variety of development activities, we believe AID should limit its involvement to the most critical three or perhaps four development sectors.
3. **Social Equity:** In countries which pursue a market economy development philosophy, such as Jordan, special attention needs to be given to equity issues. Indeed, there is growing concern among Jordan's development planners that the fruits of Jordan's economic growth are being enjoyed by too few of its people with growing segments of

the population being left out entirely from Jordan's development process. Thus, while private sector objectives need to be pursued with vigor, the delivery of public services along with the creation of an environment in which the private sector can take a greater participation in the delivery of social services is extremely important.

Common Development Problems: In addressing the ordering of development problems common within the region, it would appear that the Bureau would be in an enhanced position to recognize the difference between individual countries if it restricted its role to the identification of the six or seven most important common problems. The prioritization of those problems would be developed on an individual country basis with sufficient flexibility permitted for individual country programs to concentrate on those sectors most suitable to AID resources and country needs. With regard to the specific development problems identified, we believe that "Productivity of Labor" should be dropped as an identified problem and subsumed as a cross-cutting concern of any AID project involving investment in wealth-creating endeavors. "Energy," given the long-term importance of both the discovery of renewable sources and conservation, should be elevated to among the highest priority region-wide concerns.

With regard to the challenge of building the Bureau's capacity in the urban sector, when it appears that the urbanization phenomenon will not be a high priority in other regions and for the Agency as a whole, one approach would be to concentrate on the rural areas, which is an Agency-wide concern, as the concomitant of an urban strategy. In other words, some urban problems can be dealt with by providing social services and job opportunities in the rural areas with the purpose of thwarting the rural-urban flow and perhaps enticing people in urban slums to return to a more wholesome and productive existence in the countryside. While eschewing a program of rustication, Jordan is actively stepping up its development activities in the rural areas with the hope that the flow to the cities will be reduced. The Jordan Valley integrated development program has demonstrated that people will return to rural areas if services and jobs are provided.

On the matter of parallel financing with Arab Donor Funds, USAID/Jordan's experience is relevant because we have three major infrastructure projects underway in which Arab donors have contributed substantial financing while AID has provided resources for technical assistance and training. AID was successful in creating opportunities for parallel financing because we provided grant funding to carry out the feasibility and design work. With a well put-together project in hand, the Government of Jordan was able to arrange successfully for the financial participation of the Arab donors as well as the World Bank and European contributors in what, for all intents and purposes, are AID designed projects. Thus, in addition to providing funding for technology transfer to ensure that Arab capital is productively employed, we believe that AID should provide substantial funding for feasibility and project design work to put together projects which the Arab Funds will find attractive.

V. AID PROGRAM - FY 1983 - FY 1988

A. Resource Allocation Narrative

The Table on page 28 provides a listing of projects planned for FY 1983-FY 1984 and an illustrative breakdown of the AAPLs between loan and grant for FY 1986-1988. All projects listed for FY 1983 and 1984 have completed PIDs and are in varying stages of PP development.

With reference to the proposed projects for FY 1985, the following comments are provided:

1. FY 1985 Project Listing - With the exception of the Water Systems and Services Management project, all projects shown for FY 1985 are still in the early stages of discussion with the GOJ and, as such, may be altered in size and scope during the PID preparation process.
2. Water Systems and Services Management (WSSM) - This project is scheduled to receive its last increment of funding in 1985 bringing AID's total contribution to \$21 million over a three year period. As stated in USAID's FY 1984 CDSS, the Water Sector is Jordan's

and USAID's highest priority. The WSSM project emphasizes technology transfer, institution building and training, while at the same time making greater use of the private sector in implementing the project.

3. Binational Foundation - The Foundation will be run by a high-level board consisting of members from both the public and private sectors. Initially, the Foundation will focus its work on selecting and arranging for the training of Jordanians at U.S. academic institutions at both the graduate and undergraduate levels. The Foundation will carry out all management and administrative responsibilities associated with the participant training programs under its sponsorship. USAID hopes that, over time, the Foundation will take on added functions such as the financing of experts in development fields to provide consulting services on development problems similar to the assistance provided under AID's technical assistance/consulting services projects. One of the purposes of the Foundation's work would be the fostering of linkages between U.S. Government agencies and private sector firms with the Government of Jordan and Jordan's private sector.

4. Rainfed Agricultural Development
Jordan relies heavily on food imports, especially cereals. Experts believe that production on Jordan's dryland farming area, which is approximately five times greater than that under irrigation, could be increased by fifty percent with improved methods of dryland farming. USAID assistance would consist primarily of technical assistance; the U.S. has some of the best dryland farming experience available. The National Planning Council has encouraged USAID to work with the Ministry of Agriculture in developing a dryland agricultural project.

5. Energy Planning and Development
A recent World Bank study addresses both renewable and conventional energy problems in Jordan and sets forth recommendations for the introduction of a variety of energy conservation measures. The National Planning Council has expressed a strong desire to have

USAID involved in the energy field. Using the World Bank report as a starting point, USAID will pursue discussions with the GOJ on its energy problems to determine how the U.S. can best be of assistance. At this early stage of conceptualization, the establishment of a unit within the NPC or other GOJ office to coordinate energy planning and later, management of energy resources, is under active consideration.

6. Agricultural Marketing Research and Market Intelligence

Over 95% of Jordan's exports of fruits and vegetables go to five countries - Syria, Saudi Arabia, Kuwait, Iraq and Lebanon (in that order). Some of these countries are expanding their own vegetable production and this could eventually cut into Jordanian exports. If Jordan is to expand its fruit and vegetable exports, it needs better market research to determine where it can sell its products most profitably. USAID/J proposes to provide assistance in establishing a market research unit that will help Jordan identify new export markets and expand its share of traditional export markets, especially for winter - produced vegetables. Moreover, the marketing of fresh agricultural produce for domestic markets is inefficient and, USAID suspects, works as a detriment toward increased production. A rationalization of government involvement in agricultural marketing and a larger role for the private sector are required.

7. Housing Investment Guarantees (HIG)

In September, 1982, representatives from AID's Housing Office visited Amman to gather information for a paper on Jordan's shelter sector and to look into opportunities for possible involvement in low-medium cost housing, particularly through the HIG mechanism. Contacts were made with both public and private sector officials concerned with housing and real estate. At the conclusion of the visit, the president of Jordan's National Planning Council expressed interest in exploring the possibility of a Housing Investment Guarantee for Jordan and invited the AID Housing Office to submit a proposal to the National Planning Council for consideration. The proposal is currently under preparation in AID's Regional Housing Office/ Tunis and will be forwarded to the NPC by USAID/Amman upon its

receipt here. In anticipation of a possible HIG, \$15 million for this purpose is shown on the FY 85 resource allocation table, In addition to the HIG, the NPC also expressed interest in obtaining the services of a U.S. consultant to assist in the establishment of a secondary mortgage market in Jordan. A consultant has been identified and arrangements are underway for him to visit Jordan in March or April, 1983.

RESOURCE ALLOCATION
(\$ 000)

P R O J E C T	1 9 8 3			1 9 8 4			1 9 8 5			1 9 8 6 - 1 9 8 8*		
	LOAN	GRANT	TOTAL	LOAN	GRANT	TOTAL	LOAN	GRANT	TOTAL	LOAN	GRANT	TOTAL
Carqa Ruseifa	5,000	-	5,000									
Development Administration Training III	-	3,000	3,000									
Health Planning & Services Development	-	1,000	1,000									
Water Systems and Services Management	10,000	1,000	11,000	2,000	3,000	5,000	5,000		5,000			
Technical Services and Feasibility Studies IV					5,000	5,000						
Executive Management Institute					3,000	3,000		2,000	2,000			
Rural Community Development				5,000	2,000	7,000						
Binational Development Foundation								4,000	4,000			
Agricultural Marketing Research and Intelligence								3,000	3,000			
Energy Planning and Development							1,000	2,000	3,000			
Rainfed Agricultural Development							1,000	2,000	3,000			
T O T A L E S F	15,000	5,000	20,000	7,000	13,000	20,000	7,000	13,000	20,000	7,000	13,000	20,000
Housing Investment Guarantee							15,000	-	15,000			
Grand Total							22,000	13,000	35,000	7,000	13,000	20,000

* Each FY, 86, 87, 88