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USAID/Jamaica

Strategy Plan

FY 1997-2001

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April 1996

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## **LIST OF ACRONYMS**

<b>BOJ</b>	-	<b>Bank of Jamaica</b>
<b>CARICOM</b>	-	<b>Caribbean Community</b>
<b>CBO</b>	-	<b>Community-Based Organization</b>
<b>CDMP</b>	-	<b>Caribbean Disaster Mitigation Project</b>
<b>CDSS</b>	-	<b>Country Development Strategy Statement</b>
<b>CDERA</b>	-	<b>Caribbean Disaster Emergency Response Agency</b>
<b>CEL</b>	-	<b>Country Experimental Laboratory</b>
<b>CEN</b>	-	<b>Caribbean Environmental Network</b>
<b>CET</b>	-	<b>Common External Tariff</b>
<b>CGCED</b>	-	<b>Consultative Group on Caribbean Economic Development</b>
<b>CIDA</b>	-	<b>Canadian International Development Agency</b>
<b>COA</b>	-	<b>College of Agriculture</b>
<b>COK</b>	-	<b>City of Kingston Credit Union</b>
<b>CSP</b>	-	<b>Customer Service Plan</b>
<b>CVSS</b>	-	<b>Council of Voluntary Social Services</b>
<b>DEMO</b>	-	<b>Development of Environmental Management Organizations</b>
<b>ESOP</b>	-	<b>Employee Share Ownership Plan</b>
<b>EFJ</b>	-	<b>Environmental Foundation of Jamaica</b>
<b>EU</b>	-	<b>European Union</b>
<b>FTAA</b>	-	<b>Free Trade Area of the Americas</b>
<b>FPMU</b>	-	<b>Fiscal Policy Management Unit</b>
<b>FTC</b>	-	<b>Fair Trading Commission</b>
<b>GATT</b>	-	<b>General Agreement of Tariffs and Trade</b>
<b>GCT</b>	-	<b>General Consumption Tax</b>
<b>GDP</b>	-	<b>Gross Domestic Product</b>
<b>GNP</b>	-	<b>Gross National Product</b>
<b>GOJ</b>	-	<b>Government of Jamaica</b>
<b>GON</b>	-	<b>Government of the Netherlands</b>
<b>GTZ</b>	-	<b>German Development Agency</b>
<b>HAP</b>	-	<b>Hillside Agricultural Project</b>
<b>HEART</b>	-	<b>Human Employment and Resource Training</b>
<b>HDI</b>	-	<b>Human Development Index</b>
<b>IDB</b>	-	<b>Inter-American Development Bank</b>
<b>IESC</b>	-	<b>International Executive Services Corps</b>
<b>IMF</b>	-	<b>International Monetary Fund</b>
<b>IMEGO</b>	-	<b>Improved Markets, Economic Growth and Opportunities</b>
<b>JADF</b>	-	<b>Jamaica Agricultural Development Foundation</b>
<b>JAMPRO</b>	-	<b>Jamaica Promotions Corporation</b>
<b>JCDT</b>	-	<b>Jamaica Conservation Development Trust</b>
<b>JCTC</b>	-	<b>Jamaica Commodity Trading Corporation</b>
<b>JEA</b>	-	<b>Jamaica Exporters' Association</b>
<b>JHTA</b>	-	<b>Jamaica Hotels and Tourists Association</b>
<b>JLP</b>	-	<b>Jamaica Labor Party</b>
<b>JIM</b>	-	<b>Jamaican Institute of Management</b>

<b>JMA</b>	-	<b><i>Jamaica Manufacturers' Association</i></b>
<b>LDC</b>	-	<b><i>Lesser Developed Country</i></b>
<b>MOA</b>	-	<b><i>Ministry of Agriculture</i></b>
<b>MOEYC</b>	-	<b><i>Ministry of Education, Youth and Culture</i></b>
<b>MOF</b>	-	<b><i>Ministry of Finance</i></b>
<b>MOH</b>	-	<b><i>Ministry of Health</i></b>
<b>NAFTA</b>	-	<b><i>North American Free Trade Agreement</i></b>
<b>NCDSP</b>	-	<b><i>North Coast Development Support Project</i></b>
<b>NDFJ</b>	-	<b><i>National Development Foundation of Jamaica</i></b>
<b>NDM</b>	-	<b><i>New Democratic Movement</i></b>
<b>NEPT</b>	-	<b><i>Negril Environmental Protection Trust</i></b>
<b>NFPB</b>	-	<b><i>National Family Planning Board</i></b>
<b>NGO</b>	-	<b><i>Non-Governmental Organization</i></b>
<b>NIBJ</b>	-	<b><i>National Investment Bank of Jamaica</i></b>
<b>NIP</b>	-	<b><i>National Industrial Policy</i></b>
<b>NRCA</b>	-	<b><i>Natural Resources Conservation Authority</i></b>
<b>NWC</b>	-	<b><i>National Water Commission</i></b>
<b>OECE</b>	-	<b><i>Overseas Economic Cooperation Fund</i></b>
<b>PARC</b>	-	<b><i>Protected Area Resources Conservation</i></b>
<b>PEAP</b>	-	<b><i>Primary Education Assistance Project</i></b>
<b>PNP</b>	-	<b><i>People's National Party</i></b>
<b>PPA</b>	-	<b><i>Parks and Protected Areas</i></b>
<b>ROSE</b>	-	<b><i>Reform of Secondary Education</i></b>
<b>SBED</b>	-	<b><i>Small Business Export Development</i></b>
<b>SCOPE</b>	-	<b><i>School Community Outreach Program for Education</i></b>
<b>SIF</b>	-	<b><i>Social Investment Fund</i></b>
<b>STATIN</b>	-	<b><i>Statistical Institute of Jamaica</i></b>
<b>TDB</b>	-	<b><i>Trafalgar Development Bank</i></b>
<b>TOJ</b>	-	<b><i>Telecommunications of Jamaica</i></b>
<b>UAP</b>	-	<b><i>Uplifting Adolescents Project</i></b>
<b>UNDP</b>	-	<b><i>United Nations Development Program</i></b>
<b>UNESCO</b>	-	<b><i>United Nations Education, Social and Cultural Organization</i></b>
<b>UNFPA</b>	-	<b><i>United Nations Family Planning Agency</i></b>
<b>UNWFP</b>	-	<b><i>United Nations World Food Program</i></b>
<b>USAID</b>	-	<b><i>United States Agency for International Development</i></b>
<b>USG</b>	-	<b><i>United States Government</i></b>
<b>USTR</b>	-	<b><i>United States Trade Representative</i></b>
<b>UTECH</b>	-	<b><i>University of Technology</i></b>
<b>UWI</b>	-	<b><i>University of the West Indies</i></b>
<b>UWJ</b>	-	<b><i>United Way of Jamaica</i></b>
<b>WB</b>	-	<b><i>World Bank</i></b>
<b>WHO/PAHO</b>	-	<b><i>World Health Organization/Pan American Health Organization</i></b>
<b>WRI</b>	-	<b><i>World Resources Institute</i></b>
<b>WTO</b>	-	<b><i>World Trade Organization</i></b>

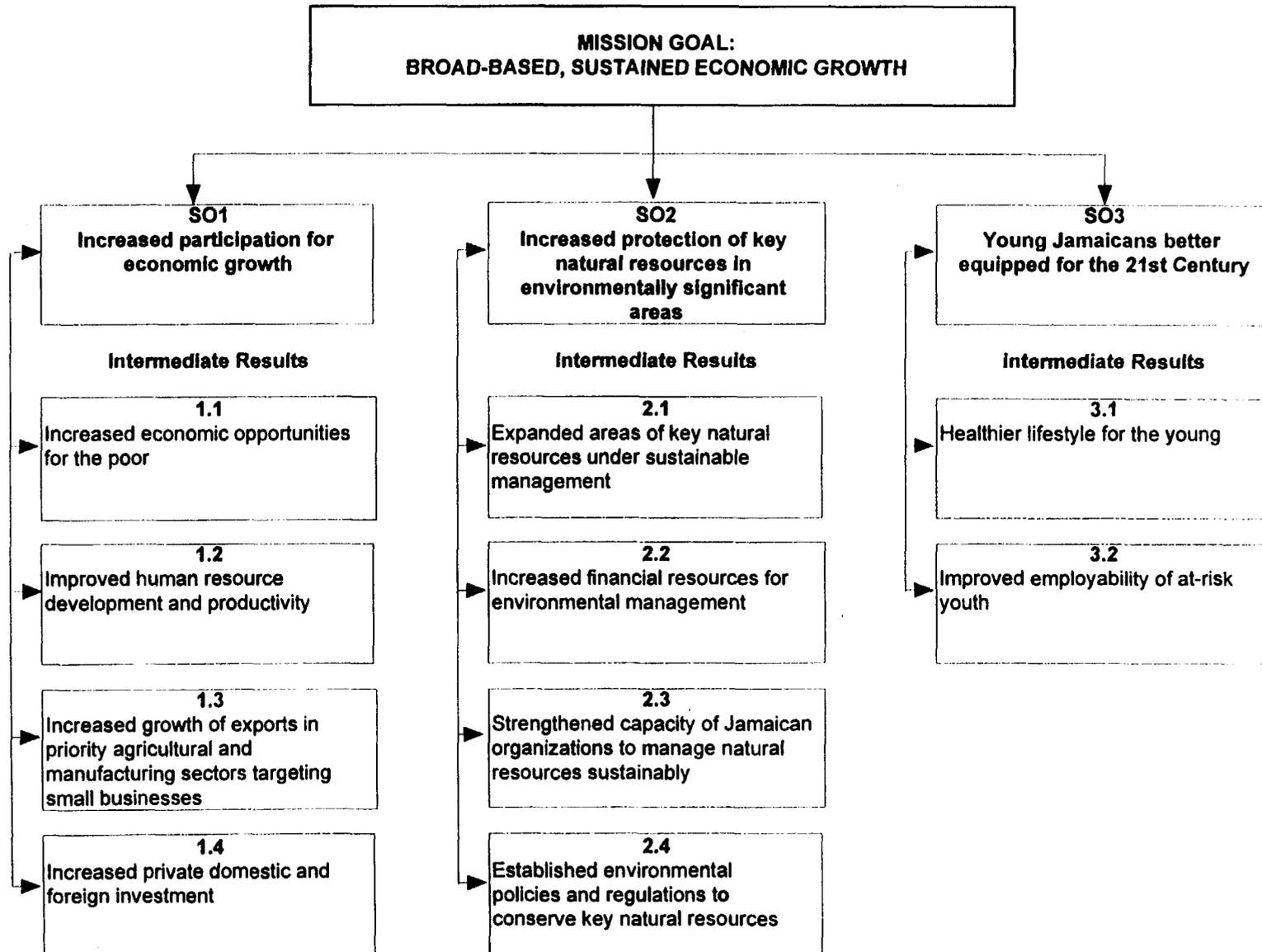
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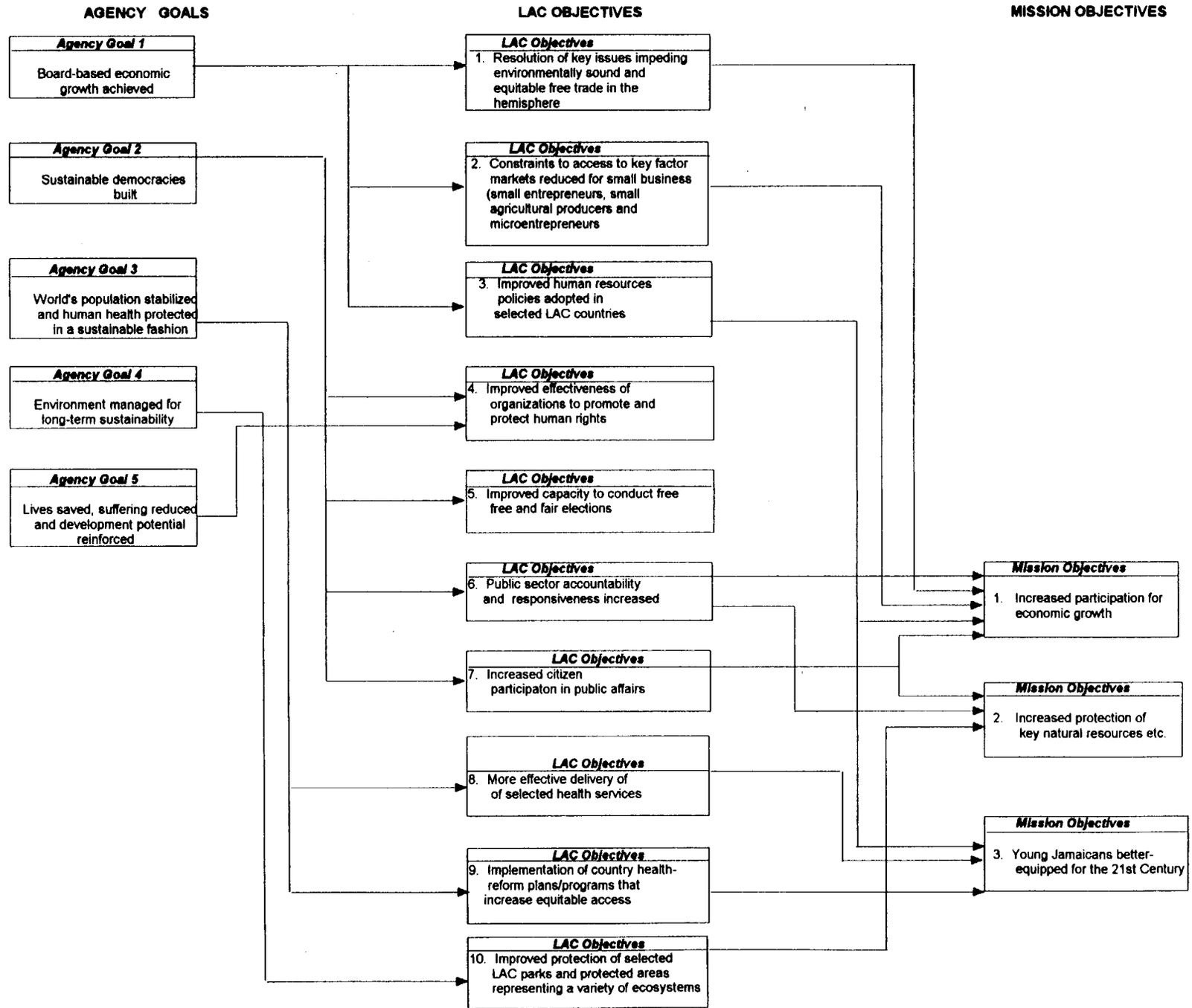
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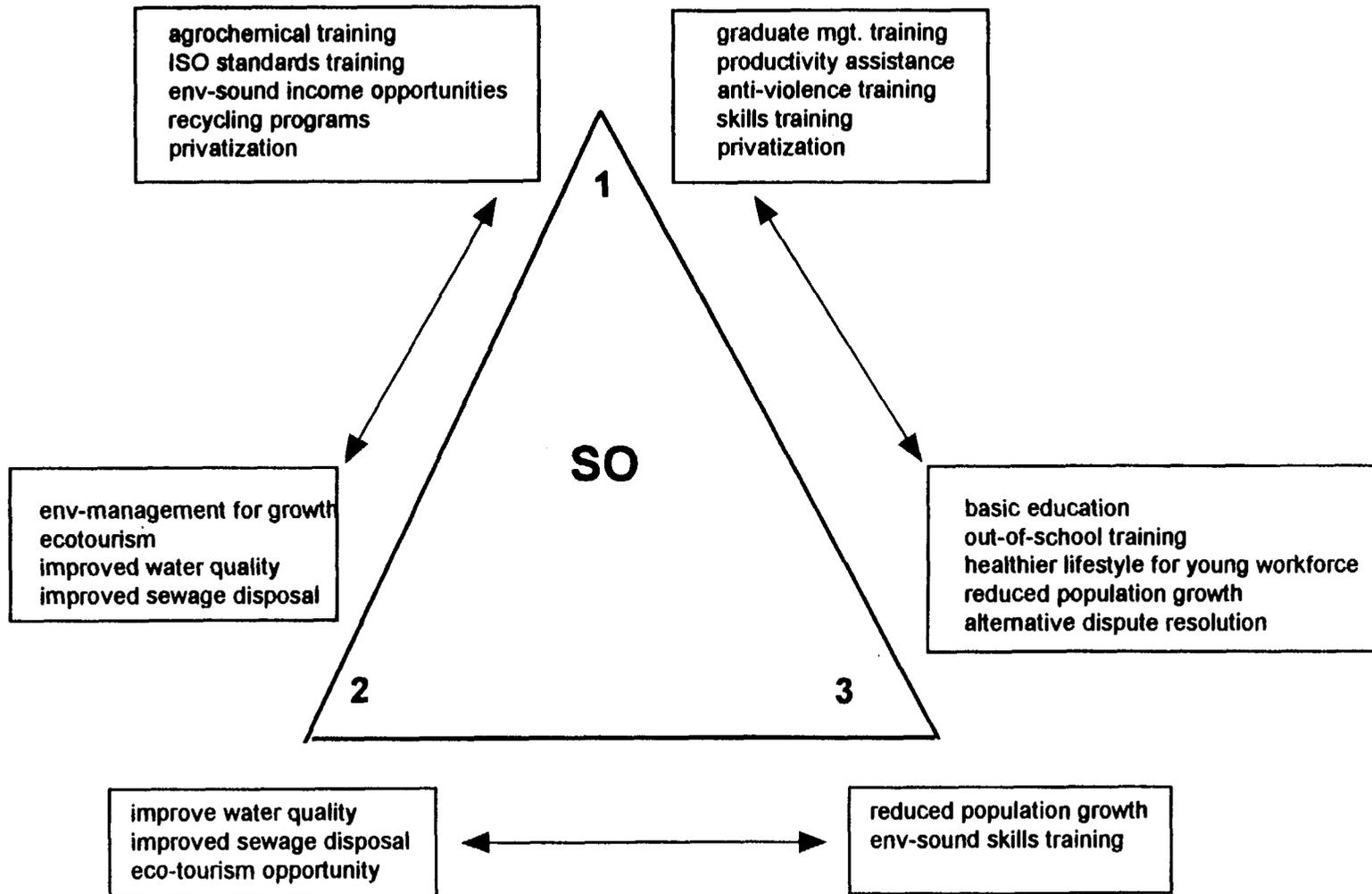
MISSION RESULTS FRAMEWORK: FY 1997-2001



P PROGRAM LINK WITH AGENCY GOALS AND OBJECTIVES



## Reinforcing activities between Strategic Objectives



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## LIST OF ACRONYMS

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MOF	-	Ministry of Finance
MOFT	-	Ministry of Foreign Trade
MOH	-	Ministry of Health
MOW	-	Ministry of Works
NAFTA	-	North America Free Trade Area

NCDS	-	North Coast Development Project
NDF	-	National Development Foundation
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UNESCO	-	United Nations Education, Social and Cultural Organization
UNFPA	-	United Nations Family Planning Agency
UNWFP	-	United Nations World Food Program
UAP	-	Uplifting Adolescents Project
UP	-	Universal Protocols
USG	-	United States Government
USTR	-	United States Trade Representative
UTECH	-	University of Technology
UWI	-	University of the West Indies
WB	-	Workers Bank
WB	-	World Bank
WH	-	Watering Hole
WHO/PAHO	-	World Health Organization/Pan American Health Organization
WRI	-	World Resources Institute

## EXECUTIVE SUMMARY

Jamaica is at a critical juncture in its development. Although its reform program has created a more open economy, years of stagnant growth and reduce social expenditures have led to increase poverty and income inequality. This has created a fragile and potentially destabilizing situation, both political and economically. USAID/Jamaica strongly believes that continued U.S. foreign assistance at current budget levels is critical to ensure broad-based sustained economic growth.

**Program to Date:** USAID has provided \$1.5 billion in support of development programs in Jamaica since Jamaica's independence in 1962. These strategic interventions were made during periods of critical political and economic transitions, and the sheer monetary volume of development assistance, economic support funds, food aid and housing guarantee loans has played an important role in promoting Jamaica's socioeconomic progress. Accomplishments include the reduction in total fertility rates from 7.4 live births per woman in the 1960s to 2.9 today; the improvement of many health measures to developed nation standards; the creation and sustainability of a number of critical public and private institutions; a sweeping, successful macroeconomic policy reform program; a diversification of the export base; the training of 3,000 Jamaicans in critical development areas; and the establishment of essential environmental management organizations and a national parks system. USAID's program resources are declining at a critical period of transition between a long period of successful structural adjustment and expected accelerated economic growth.

**U.S. Interests in Jamaica:** Jamaica continues to be important to the achievement of our national goals. Two-thirds of Jamaica's export and tourism earnings are from the U.S., and U.S. businesses have at least \$1 billion in investment in Jamaica. Considering Jamaica's population of 2.5 million, the fact that another 1.5 million people of Jamaican heritage live in the U.S., including 250,000 who have taken up U.S. resident status in the past six years alone, the U.S.-Jamaican relationship is becoming increasingly complex and interwoven. This close relationship has been strained, however, by Jamaica's role in drug production and transshipment, and by convicted deportees from the U.S. who exacerbate Jamaica's already serious crime problem.

The U.S. has also relied increasingly on Jamaica's Caribbean regional leadership, both in matters related to Cuba and Haiti. To build a Caribbean capacity to deal with regional problems, USAID/Jamaica is proposing a new strategic support objective.

**Macroeconomic, Social and Political Trends:** Over the last 16 years, and with USAID and other donor assistance, Jamaica has taken enormous policy and regulatory strides to create an open and competitive economy and in diversifying its export base. These achievements place Jamaica in good stead for parity with NAFTA and position it for accession to the Free Trade Area of the Americas by 2005. Despite this progress, its economy has failed to grow appreciably. Jamaica's relative place on UNDP's Human Development Index has slipped from 19th place among 79 industrialized and developing countries in 1970, to 36th place in 1992.

The erosion in living conditions, to where over one-third of Jamaicans live below the poverty line, is a result of two decades of stagnant growth and declining social expenditures. Over 50% of the GOJ's budget is dedicated to debt servicing. Although women as a group have done relatively well in Jamaica, their unemployment rate remains more than twice as high as men's. Prime Minister P. J. Patterson stated in May 1995 that Jamaica's period of structural adjustment had come to a close, and in late 1995, Jamaica ended its formal arrangement with the International Monetary Fund. Despite this, most observers believe that substantial work remains in the areas of policy and regulatory reform, and in strengthening public and private institutions. In general, Jamaica has strong democratic institutions, and USAID will end its support for justice reform in 1996.

#### **Government of Jamaica Priorities:**

The GOJ's current plans are embodied in the National Industrial Policy, which is a 15 year economic, social and environmental road map to achieving \$4,000 per capita income through 6% annual GDP growth. The GOJ has proposed a Social Partnership between itself, the private sector, employees/unions and NGO's to control inflation through rational management of prices and wages in accordance with changes in production efficiency. The GOJ has also embarked on an ambitious Poverty Eradication Program, which involves the participation of GOJ, donor, NGO and private sector programs.

**Overarching Special Themes Over the Strategy Period:** USAID/Jamaica has identified three overarching themes throughout its three strategic objectives for FY 1997-2001 program. First, the Mission will promote information technology

applications to facilitate Jamaica's integration into the global society. Second, the mission will use community-based development as an integral approach in all its strategic objectives, and to ensure the appropriateness of its interventions. Third, and as part of reengineering, partner collaboration will be enhanced, and USAID will pursue new and dynamic models for coordinating its activities with other donor and private development efforts.

**USAID's Proposed Program and Rationale:** In support of Agency and Bureau objectives, the Mission will support three strategic objectives focused on discrete, mutually-reinforcing and attainable results for the FY 1997-2001 period:

*SO1: Increased participation for economic growth:* Jamaica's failure to grow is related to its inability to integrate most of its citizens into productive, foreign exchange-earning activity. USAID will concentrate its efforts on four complementary intermediate results: 1.1: increased opportunities for the poor, 1.2: improved human resource development and productivity, 1.3: increased growth of exports in priority agricultural and manufacturing sectors by targeting small businesses, and 1.4: increased private domestic and foreign investment.

*SO2: Increased protection of key natural resources in environmentally and economically significant areas:* Jamaica's economic activity is highly dependant on natural resources. Accelerating economic growth places at risk areas of rich biodiversity as well as critical freshwater and coastal resources. USAID will focus its efforts to protect vital resources in areas of economic and environmental significance, through four intermediate results: 2.1: expanded areas of key natural resources

under sustainable management expansion of protected areas, 2.2: increased financial resources for environmental management, 2.3 strengthened capacity of Jamaican organizations to manage natural resources sustainably, 2.4: established environmental policies and regulations to conserve key natural resources.

*SO3: Young Jamaicans better-equipped for the 21st Century:* Jamaica has made great strides in USAID-supported efforts in health, family planning and AIDS/STD prevention. However, there are significant remaining challenges in these areas, particularly those that relate to problematic attitudes, behavior, knowledge and skills among young Jamaicans. Declining education standards is a major problem that threatens Jamaica's chances for sustainable development. USAID will focus its efforts on two intermediate results: 3.1: healthier lifestyle for young Jamaicans, and 3.2: improved employability of young Jamaicans.

**Caribbean Regional Program:** USAID/Jamaica has responsibility for Caribbean regional activities in support of the environment and disaster mitigation/response. USAID support serves to strengthen regional institutional approaches to dealing with Caribbean-wide problems, and to improve policy formulation addressing issues of regional impact. The Mission has proposed that these activities, plus support for free trade, be managed under a special strategic objective aimed at "*increasing the capacity of the Caribbean region to implement regional solutions and strategies.*" The objective would be achieved through two intermediate results: strengthened technical capacity to implement regional solutions, and effective policies and regulations to enable regional solutions.

**Management Plan:** As a reengineering Country Experimental Lab (CEL), USAID/Jamaica has given priority to creating a conducive atmosphere for change, and for empowering the full range of its team members. The Mission has reorganized in teams that support its strategic objectives, including through the participation of extended and virtual team members in various public and private implementing roles. The Mission's new USG-owned office building will save the Agency \$600,000 annually, a critical factor considering Trust Funds will be depleted over the next three years. USAID expects to fully achieve its proposed results over the strategy period at base program budget and OE levels. At reduced resource levels, SO1's results will be decreased in terms of opportunities for the poor, productivity enhancement, export development, and investment promotion. Under SO3, also, reduced budget levels would detract from expected gains in literacy and numeracy for young boys and girls.

**Methodology:** This strategy plan was prepared after extensive client survey and analysis. USAID commissioned several sectoral studies, and depended as well on a number of evaluations and other reports carried out independently during the past year. As part of its customer focus, USAID also carried out separate strategy consultative sessions with representatives of non-governmental organizations the private sector, government/statutory organizations and other donors. USAID also commissioned an extensive survey of 500 beneficiaries and partners to determine needs, expectations and feedback about USAID program performance. This strategy has been formulated based on this broad information base to achieve maximum sustained results.

**Annexes:** There are also four annexes to the strategy:

**Annex 1:** Economic growth -- constraints and opportunities; excerpts from a study by Financial Markets, Incorporated.

**Annex 2:** Jamaica's environmental challenges; excerpts from a study by the World Resources Institute.

**Annex 3:** Basic education; excerpts from a study by Trevor Hamilton and Associates.

**Annex 4:** Tele-Jamaica 2015; a futurist timeline adapted from a study by Jerome Glenn.

**Annex 5:** Program Performance Indicators .

## I. PROGRAM TO DATE

U.S. foreign assistance has played an important role in Jamaica's post-independence development in two important ways. First, USAID provided \$1.5 billion in development assistance, economic support funds and food aid in support of critical development achievements since FY 1962, and the broad impacts on the Jamaican people. The sheer monetary volume of this assistance have been impressive and measureable. Second, the fact that this assistance was directed strategically in periods of vulnerable economic and political transitions allowed the U.S. to play a pivotal and formative role in shaping Jamaica's democratic institutions and free-market path, in controlling population growth, and in enabling social progress.

Trends in USAID flows have corresponded closely with economic and political events in Jamaica (see Figure 1). These include independence from British colonial rule in 1962; the period prior to and following the election of Michael Manley, an avowed socialist, in 1972; the most active period of macroeconomic stabilization and structural adjustment between 1980-1993; and following Hurricane Gilbert in 1988. The last phase has seen declining resources as AID shifted the geographic focus of its increasingly limited resources to Eastern Europe, the former Soviet Union, and other emerging democracies.

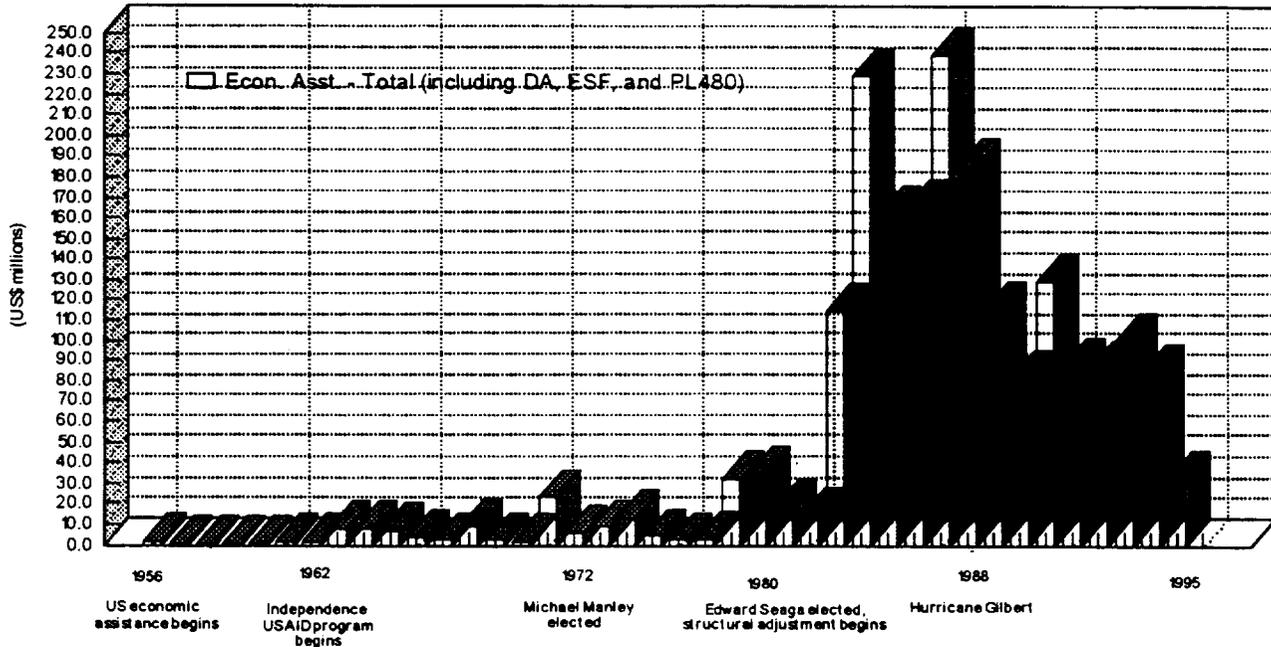
The USAID-GOJ partnership has been productive, and there have been numerous development achievements that have strengthened the society and economy of our close neighbours accomplishments for which we can be proud:

**population control:** Jamaica's total fertility rate in the 1960s, when USAID began its family planning program, was 7.4 live births per woman. That staggering rate has declined steadily, to 5.6 in 1970, and to 3.0 today, with contraceptive prevalence at 62%. USAID has been the lead donor in this sector since 1966, and the importance of these contributions to a small economy with high population density, limited agricultural land, and strained natural resources cannot be overestimated.

**health care:** USAID's programs have supported child health, rural nutrition, health sector management and reform, and AIDS/STD prevention. While there are remaining challenges, many of Jamaica's health indicators (infant/child mortality, life expectancy, awareness of HIV/AIDS) are positive by first world standards.

**institutional development:** USAID has been instrumental in supporting the development of key government and private institutions. Today these agencies are self-sustaining, and are the main providers of degree education and non-formal training (College of Agriculture [COA], Jamaica Institute of Management [JIM], UWI Institute of Business, Human Employment and Resource Training [HEART]), agricultural credit (Jamaica Agricultural Development Foundation [JADF]), development financing (Trafalgar Development Bank [TDB]), small business credit and services (National Development Foundation of Jamaica [NDFJ]), consumer protection (Fair Trading Commission [FTC]), community development support (Council

Figure 1 - U.S. Economic Assistance

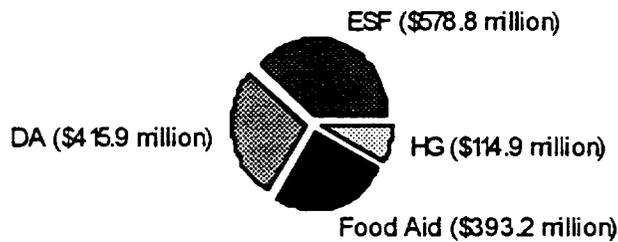


of Voluntary Social Services [CVSS], and United Way of Jamaica [UWJ] ).

**policy reform:** Jamaica's socialist flirtation in the 1970s, and nationalist, introspective economic policies derailed the economic and social gains of the 1960s. The International Monetary Fund's (IMF) reform program, initiated in 1977, was supported largely by two donors, the World Bank (WB) and the U.S. Over the FY 1981-1993 period, USAID provided \$509 million in economic support funds to liberalize the foreign exchange regime, introduce a flat income tax and value-added tax, deregulate commodity trade, reduce subsidies and import restrictions, improve fiscal policy management, privatize parastatals worth \$450 million, and enable other reforms. As a result of these reforms Jamaica is generally recognized as having created an open environment for private sector growth, investment and free trade.

**exports and foreign exchange earnings:** USAID technical assistance assisted the growth of the apparel industry from \$15.8 million in earnings in 1983 to \$520 million today -- Jamaica's third largest export earner employing over 40,000, most of whom are women. USAID technical assistance and training has also supported expansion of tourism, furniture manufacturing, informatics and other diversified industries. USAID's early interventions in support of inland fisheries helped establish an important tilapia filet export industry, while a rapidly expanding agricultural pre-clearance program reduces the risk that shipments of produce will be rejected for phytosanitary reasons. Coffee, cocoa and non-traditional crop exports have grown, much of this as a direct result of USAID assistance.

Figure 2 - U.S. Foreign Assistance to Jamaica (1956-1995)



**poverty alleviation/reduction:** the Title I food aid program was the source of a J\$50 million endowment for the Jamaican food stamp program, helping especially children and lactating women, while the Housing Guarantee program has enabled the construction or upgrading of over 33,000 low-income family homes. USAID assistance to the NDFJ was channeled to 18,000 small and microenterprises in the last 14 years, and has also helped strengthen vendor associations and lending agencies. USAID has played a key role in achieving acceptance of real interest rates for microenterprise loans. In the 1990s, USAID-assisted NGOs have provided over 2,400 loans (54% women-owned firms) and training to 5,600 microenterprises (52% owned by women), creating in turn 4,700 new jobs. With USAID assistance, the public health system has been able to maintain an acceptable level of care for disadvantaged Jamaicans during a period of shrinking GOJ resources and rapid reform.

**human resources development:** over 3,000 Jamaicans -- 60% of them women -- have benefitted from USAID short- and long-term training. For those trained in the U.S., over 98% have returned to Jamaica, and almost all have found immediate employment in areas relevant to their area of study. USAID-assisted agencies have also provided degree and less formal training in a broad range of subjects to

thousands of other Jamaicans. USAID assistance has provided invaluable support to primary schools during an extended stringent budgetary period.

**environmental protection:** USAID has provided leadership on natural resource conservation, biodiversity and pollution abatement programs. Although these efforts are still in an infant stage, the level of the U.S. commitment, including a \$22 million endowment to an environmental foundation, has played a central role in establishing a national enforcement agency, fostering 45 new environmental NGOs, and in creating an environmental awareness among a cross-section of Jamaican men and women. Two important national parks have been created, and thousands of farmers have planted millions of trees to protect watershed areas.

## II. U.S. FOREIGN POLICY INTERESTS

As a New World possession of Great Britain, Jamaica was important as a source of sugar, rum, cotton and coffee. To advance its commercial viability, the colonial administration in Jamaica built the first railway outside England. Its estate "great houses," many of which are standing today, more resembled Tudor mansions than farmhouses. It was clear that Britain viewed Jamaica as a special colony. The relationship prospered, even after independence, until Michael Manley's socialist policies forced a mass exodus of the former colonial overseers as well as much of the local middle class in the 1970s.

Today, the United States has eclipsed England's importance to Jamaica. Lying just 500 miles south of Miami, over one-half of Jamaica's merchandise imports are from the U.S., a proportion that grows steadily. The U.S. is also Jamaica's major commodities market, representing about 35% of its merchandise exports, as well as the source of the majority of its 1.6 million tourists.

U.S. business has significant investment in Jamaica. About 50% of the \$1 billion of American investment is in alumina/bauxite operations, while the balance is predominately in tourism and light manufacturing. New investment in private power-generation from U.S. firms is also on line. By assisting Jamaica in its development and maintenance of a strong, stable Jamaican economy, the U.S. Government protects existing U.S. investments and markets in Jamaica and fosters opportunities for expanding the already strong Jamaican market

for U.S. goods and services. Although overall growth in investment has been slow, there is every sign that the ties between our countries will only increase.

Jamaica and U.S. interests in a successful development program merge when considering our complex and highly interwoven ties, not only through trade, tourism and investment, but more acutely and directly through immigration. As many people of Jamaican descent (2.5 million) live in other countries as live in Jamaica, with most residing in the U.S. Over the 1990-1995 period, 250,000 Jamaicans took up U.S. permanent resident status -- a number equal to 10% of Jamaica's domestic population. Contrary to the 1970s "brain drain" experience, only 4% of these new U.S. residents have tertiary degrees, 40% were unemployed, and 72% had not finished secondary school. Because women head many households, when they migrate their children are often left to fend for themselves. Added to the number of legal migrants is a large, but undetermined number of Jamaicans residing illegally in the U.S. Jamaica has the highest emigration rate of any country, and has the highest per capita rate of migrants to the U.S.

Given these ties, the benefits of USAID support in such areas as economic growth, family planning, training and education accrue to the U.S. as well as Jamaica. Since the 1960s, USAID/Jamaica's program maintained a strong rural component, partially to stem rapid urbanization. Today, USAID's programs create opportunities in Jamaica as an alternative to migration. When asked, many migrants admit a preference for staying in

Jamaica. But with more than one-third of Jamaica's population of 2.5 million living in poverty, and far too few opportunities for advancement, there are too few reasons to stay.

U.S. interest in Jamaica is also based on shared regional concerns, including security. Jamaica's support for the U.S. initiatives on Haiti include the leadership role that it played in rallying other Caribbean nation support for Bertrand Aristide's return, and the deployment of peacekeeping troops and police to Haiti. Looking ahead, Jamaica could play a critical role in the future development of a democratic free-market Cuba. Jamaica's historically close ties with Cuba may put its leaders in the position of facilitating a peaceful transition to democracy.

During a visit with Central American leaders in February 1996, Secretary of State Warren Christopher announced that President Clinton will include in his FY 1997 budget request a key proposal to strengthen U.S.-Caribbean basin economic relations. Coming on the heels of Cuba shooting down two unarmed civilian planes, the announcement underscores the compelling U.S. national and security interest in maintaining strong economic links with the Caribbean region.

It is in the U.S. interest to see Jamaica and its Caribbean neighbors cooperate in seeking efficient and appropriate solutions to shared regional problems. Such cooperation favorably shifts economies of scale and reduces dependence on external donor assistance, particularly when collaboration addresses truly regional problems, such as the environment and natural disasters. The U.S. program in Jamaica can contribute to this process of identifying approaches to such regional problems (see Caribbean Regional Program).

Jamaica's proximity to U.S. shores and close ties through migration mean that poverty, political instability, and environmental degradation threaten U. S. well-being more than when they occur in more remote parts of the world. Jamaica is also an ideal drug transshipment site for cocaine and other drugs from Colombia, and for many years has been a principal supplier of marijuana for the U.S. market. The cooperation of Jamaica, and other Caribbean states, in drug interdiction efforts is a major U.S. foreign policy objective. That cooperation is affected not just by the perception of the U.S. as a helpful friend and neighbor, but also by the ability of the governments to sustain effective efforts in the face of economic hardships, loss of traditional sources of income, and lack of more acceptable alternatives.

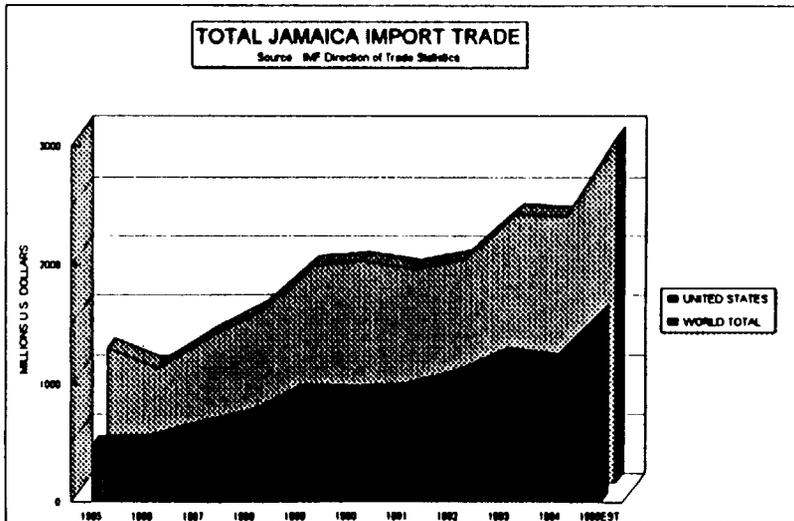
JAMAICA  
 Source: IMF, Direction of Trade, Edition: February 1996  
 Prepared by the Economic & Social Data Service, PPC/CNE/DI  
 Operated by DevTech Systems, Inc.

TRADE PART/CODE	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995EST
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JAMAICA  
 Source: IMF, Direction of Trade, Edition: February 1996  
 Prepared by the Economic & Social Data Service, PPC/CNE/DI  
 Operated by DevTech Systems, Inc.

TRADE PART/CODE	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995EST
WORLD TOTAL IMPORTS, C	1,143.00	898.10	1,234.30	1,448.40	1,828.70	1,868.50	1,797.00	1,878.70	2,272.30	2,248.50	2,918.00
UNITED STATES IMPORTS, C	483.70	480.00	609.00	708.00	820.50	805.70	824.30	1,032.10	1,224.10	1,173.00	1,584.20

\* 1995 estimate based on data for the first nine months of 1995.



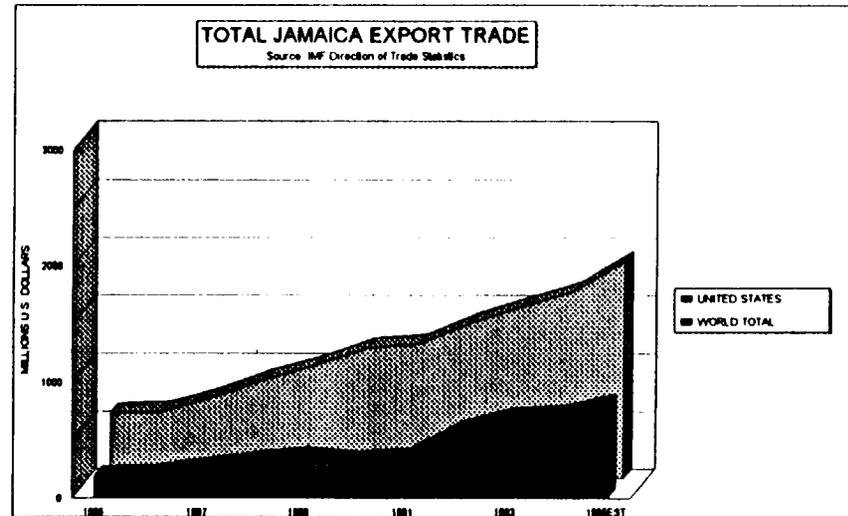
JAMAICA  
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TRADE PA CODE	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995EST
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JAMAICA  
 Source: IMF, Direction of Trade, Edition: February 1996  
 Prepared by the Economic & Social Data Service, PPC/CNE/DI  
 Operated by DevTech Systems, Inc.

TRADE PA CODE	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995EST
WORLD TOTAL EXPORTS	668.00	683.00	708.40	861.20	861.00	1,133.10	1,166.20	1,348.20	1,483.40	1,618.00	1,842.40
UNITED STATES EXPORTS	191.00	202.40	263.70	311.10	306.00	321.50	347.00	665.00	666.70	716.00	822.10

\* 1995 estimate based on data for the first nine months of 1995.



### III. MACROECONOMIC, POLITICAL AND SOCIAL TRENDS

The interplay of economic, political and social developments in Jamaica has shaped the current challenges and opportunities that the Mission's 1997-2001 strategy addresses. This economic, political and social background is provided as a context for the proposed strategy. The Mission refers to many of the important macroeconomic indicators such as growth and trade flows, not simply as ends in and of themselves. They represent the means through which poor people and others in Jamaica achieve prosperity and human development. The Mission also cites in this section other human development trends. The cycle continues with the developed social capital and participating communities contributing to enlightened growth and sustainable development.

#### Development History: 1962-1996

Jamaica's independence from Britain on August 6, 1962 brought with it the set of economic, political and social institutions that ushered the country into the "era of development." Jamaica is now some 34 years into the process. By the end of the 1960s, Jamaica had seen two decades of strong economic growth fuelled by foreign investment in bauxite mining, alumina production, tourism and a manufacturing sector supported by fiscal concessions and protection. However, an increase in income disparity accompanied the strong growth.

In spite of the income disparities, in 1970, the United Nations Development Program (UNDP) ranked Jamaica first among all developing countries, and 19th, just behind Spain, in a list of 79 industrial and developing

countries for which the UNDP calculated the Human Development Index (HDI). The HDI combined per capita income, life expectancy and educational attainment into one index. For that period, Barbados ranked 20 and Trinidad and Tobago 22. All three of these Caribbean countries ranked above Chile at 24, Costa Rica at 25, and Singapore at 26, countries now regularly cited as leading examples of successful development.

By 1992 and measured by the same system, Jamaica and Guyana had experienced the greatest slippage in HDI ranking of all countries in this list of 79 industrialized and developing countries assessed in 1970. Jamaica fell 17 rankings to 36th place and Guyana fell 20 rankings to 50th place. At the same time, Barbados moved up to 11th place, the highest scoring country in the developing world, above New Zealand which ranked 12th and above nine European countries, including the United Kingdom which ranked as 13th. Trinidad and Tobago maintained its relative position at 24.

As a parallel exercise in 1992, the UNDP extended the index to measure 174 developed and developing countries and to incorporate advances in gender equality and income distribution. This revised framework places Jamaica in 88th place, with the Dominican Republic, Guyana and Haiti being the only Caribbean countries with lower rankings. Jamaica's ranking would have been lower at 102 had its ranking not been increased by its relative achievements in gender equality. Barbados presents the highest performance among developing countries, ranking 25 among the entire set of 174 countries.

## THE END OF STRUCTURAL ADJUSTMENT?

In May 1995, Prime Minister P. J. Patterson announced that Jamaica's period of structural adjustment had come to a close. Consistent with this view, the GOJ ended its formal arrangement with the IMF in late 1995. Was economic restructuring at an end, and, if so, was it a success?

At the time of the first IMF agreement in 1977, Jamaica was in a desperate situation resulting from economic mismanagement including policies of "democratic socialism." Under the program, IMF and the World Bank worked hand-in-hand, with IMF providing the macroeconomic framework and the Bank providing technical program resources and loans to sustain government during a long period of fragility.

The early agreements were not successful. This is viewed as a result of a combination of factors, including the IMF and Bank programs' failure to address problems comprehensively, inadequate performance measures and conditionality, a mixed record of government compliance, and a lack of political will to reform. Despite initial shortcomings, program accomplishments through 1985 included removal of import licensing, unification of dual exchange rates and resultant growth in tourism and exports, tax simplification, and improved government management. However, overall economic performance and living conditions declined. Following a high-level review by IMF, the Bank and USAID, and a hiatus in Bank lending, a new IMF agreement was reached in 1987, leading to new Bank sectoral structural adjustment loans.

In the 1990s, the government has accelerated reforms, and as a result, the economy has become more open and buoyant. Past high fiscal deficits are now surpluses, monetary policy is more consistent and more coordinated with fiscal policy, trade and foreign exchange regimes have been liberalized, new reforms in tax policy and administration are in place, subsidies have been cut sharply, privatization has been stepped up, and attempts are being made to diversify exports. The government has reaffirmed its goal of sustaining and accelerating the reforms with the objective of achieving 6% annual growth and improving equity and social conditions.

The IMF ended its formal arrangement with Jamaica in late 1995. Although the stabilization and adjustment program is now viewed as successful, the economy has failed to grow significantly, and over one-third of all Jamaicans live below the poverty line. Also, monetary and fiscal management are problematic, including a lack of central bank independence, government borrowing from the Bank of Jamaica, a sharp growth in money supply, and depreciation of the exchange rate.

At a USAID-sponsored gathering of private sector leaders in March 1996, several noted that the policy and regulatory framework, although improved, remained an obstacle. One noted that as a "19th Century bureaucracy, the GOJ could not expect to lead the country into the 21st Century," and overall, many agreed that government agencies are unclear about their mandates. While the PM has declared structural adjustment at an end, free market reform as a process must surely continue.

A principal reason for Jamaica's relative regression was that the average annual growth of per capita income from 1965 to 1980 was negative at -0.1% and was very weak from 1980 to 1992 at 0.2%. During that first period of 1965-1980, very few countries failed to experience growth. Most of the exceptions were countries in Africa. The whole of the developing world grew at an average of 4.6 percent per year. In the second period of 1980-1992, sometimes referred to as the 'lost decade' of the international debt crisis, most Latin American and almost all African countries had negative average annual growth. Average annual income growth for the whole developing world was 4.6% due largely to high and sustained per capita growth in Asia.

Another reason for Jamaica's relative decline in the HDI concerns the level of proportionate and total investment in human and social capital during the more than 20-year time frame covered by the UNDP measurement of human development. After the People's National Party (PNP) was elected in Jamaica in 1972, social expenditures increased from 21% in 1971 to 27% of government expenditure in 1976. The trend later reversed with social expenditures declining to 21% of government expenditures in 1981 and then lower to 17% in 1990. The empirical record from 30 years of development case studies in the world, suggests that the return on sound educational investments might have been higher than any other sectoral investment during the 1970-1992 period of UNDP monitoring for HDI and GNP per capita.

In 1977, Jamaica began its formal relationship with the International Monetary Fund acquiring assistance to deal with a severe balance of payments problem. This borrowing relationship was precipitated by a shock of oil

price increases and the global economic recession that met the Jamaican economy when it had run out of foreign reserves. The shortfall resulted from Jamaica having increased domestic expenditures with the objective of redressing the country's severe mal-distribution of income and slippage in quality of life at the lower end of the income spectrum. Political pressure and social unrest contributed to this policy thrust. However, there was no corresponding increase in production and productivity. The situation was made worse by capital flight. Also, the level of domestic savings was far too low. The Government of Jamaica turned to borrowing the savings of others through the IMF.

Constrained investment in social capital was taking place in an environment of low and sometimes shrinking GNP per capita growth. Also, the structural adjustment program required, among other things, that Jamaica at minimum balance its fiscal accounts. This required both increasing revenues and reducing expenditures. While US\$2 billion of borrowed funds were injected in the economy in the early 1980s, the servicing of the debt has accounted for large portions of annual fiscal expenditures, expected to be 52% in GOJ FY 1996/97, crowding out needed social and infrastructure investments.

### **Economic Constraints**

Over recent years, recessionary conditions have continued. While very high interest rates have been put in place to help reduce inflation, this approach has been unsuccessful. After three years, inflation rates are still relatively high (30.1% in 1993,

## NAFTA PARITY AND THE FTAA

Jamaica's economic reform achievements will no doubt benefit its current efforts towards NAFTA parity in the short-term and its full participation in the FTAA by the year 2005. The following are major policy reforms Jamaica has undertaken towards strengthening a free and competitive market economy:

- Liberalized its foreign exchange markets in September 1991; restrictions on the movement of capital removed.
- Reduced its Common External Tariff (CET) of CARICOM from the 0% - 70% range three years ago to 0% - 30% currently, as part of a process to lower the whole tariff structure to the 5 - 20% range by 1997.
- Eliminated all duties on imported raw materials for production, initiated a comprehensive customs reform program to improve efficiency and integrity of customs operations, and is a signatory of GATT (USAID).
- Signed with the U.S. in 1994 both Bilateral Investment and Intellectual Property Rights (IPR) treaties; passed a modernized copyright protection law (USTR).
- Required greater transparency in Bank of Jamaica (BOJ) monetary and international reserve policies and implemented a three-year plan to eliminate BOJ losses.
- Enacted a Securities Act and amended other legislation to reform financial markets and modernize the Stock Exchange, and established the Securities Commission as an oversight agency (USAID).
- Enacted a Fair Competition Act, Employee Share Ownership Plan (ESOP), and created a Fair Trading Commission (FTC) to stimulate competition and take corrective action against unfair trade practices (USAID).
- Privatized 77 government assets and entities worth almost US\$450 million, and recently completed major divestments of the debt-ridden Air Jamaica and four (4) government-owned sugar estates (USAID).
- Established a broad-gauged environmental protection agency for establishing action priorities, setting standards for environmental impact assessments, and initiating a regulatory process for pollution control and waste management (USAID).
- Pursuant to environment framework agreements with the USG, established the Jamaican Environmental Foundation (JEF) which has an excellent early track record in financing environmental management projects by non-government agencies (USAID).

26.9% in 1994 and 25.0% in 1995), GDP growth rates have been low (1.4% in 1993, 0.8% in 1994 and 0.2% in 1995), and the exchange rate, though remaining stable in recent quarters, has fallen (22:1 in 1993, 32:1 in 1994 and 40:1 in 1995 -- as a reference point, it was 5.50:1 in 1989). The trade deficit is widening with imports increasing in 1995, 27.4% since 1994 and exports increasing by only 17.3%. High interest rates of 43% ensure that people will pursue risk-free paper investments rather than large-scale productive ventures.

The real value of the amount of goods and services produced in the economy this year is actually less than six years ago. At the same time, Jamaicans consume almost three times as much as they invest.

The level of gross investment in Jamaica's economy, the critical determinant for economic growth, has not increased in U.S. dollars during the past six years. Specifically, in fiscal year 1990/91, total investment in the economy was recorded at US\$1,208 million. In fiscal year 1994/95 the level was exactly the same at US\$1,208. In 1995/96 the figure increased marginally by US\$95 million to US\$1,304.35.

Jamaicans consumed more than 79% of their incomes on the average, according to PIOJ figures. From a GDP of US\$4.26 billion in fiscal year 1995/96, US\$3.374 billion went to consumption, both public and private. At the same time, just about US\$1.304 billion or 30% of GDP is invested.

Net national savings have increased rapidly over the past decade, moving from 3.8% of GDP in 1985 to 19% in 1994. Gross investment has moved from 24.9% to 27.3% over the same period. Gross investment is still below a

desirable level that will sustain strong economic growth. Some Jamaican analysts have suggested that strong economic growth will require investment of more than 30% of GDP.

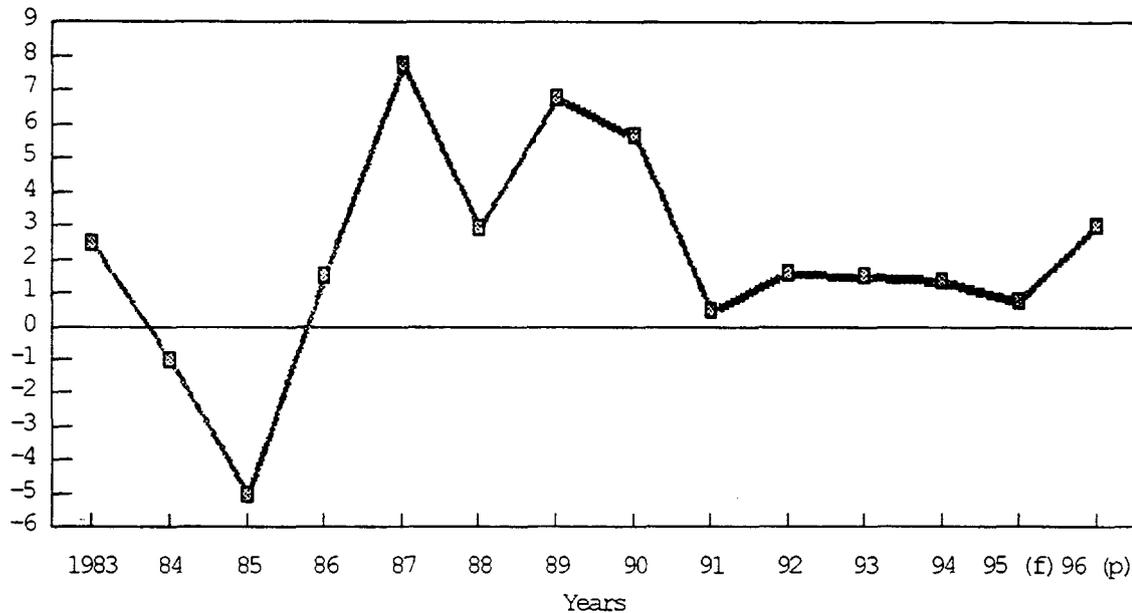
Very importantly, the quality of investment needs to improve. Currently, more than 55% of investment is in construction and land development, 25% in transport equipment, and the remaining 20% in automobiles and agriculture. It is suggested that the 80% figure for construction, land development and transport be reversed to represent investment in agriculture, and industrial equipment, or in other words, in productivity. For the industrial policy to succeed, this investment pattern and the higher investment rates will be necessary.

At present the stock market is in the doldrums. Some of the most profitable companies are listed on the exchange. But the fact that investors are not induced to purchase even at discounted prices suggests that people are exercising very little faith in the future prospects of the country. The capital market is under-developed and inadequately functioning.

### Contemporary Conditions and Trends

Jamaica has made clear progress in implementing structural reforms that restore conditions for growth within the context of the current global economy. Jamaica has liberalized the trade regime, privatized select entities, deregulated aspects of the domestic economy, considerably reduced its external debt burden through timely servicing and the negotiation of debt forgiveness arrangements,

Figure 3 - Jamaica : Growth in Real GDP (Percent Change 1983 - 1996 Project)



and adopted measures to ease the burden of adjustment on the poor. Over recent months, significant growth has been recorded in the tourism sector and as well as in the apparel industry and other areas of non-traditional exports such as fresh produce, processed food and new services such as the cultural products. The net international reserves have risen substantially and the currency has remained stable over the last three quarters. These achievements and others culminated in the end in late 1995 of the 19-year old borrowing relationship with the International Monetary Fund.

Despite these achievements, issues of poverty and equity still remain as major problems and also as constraints to growth. Poverty affects over one-third of the population. An approximately equal share of men and women fall below the poverty line, 60% of poor people live in rural areas and 61% of the poor are below

the age of 25. The young age structure of the poor creates a built-in potential crisis for the medium and long term. Unemployment is still high, affecting approximately 16% of the population. The percentage rate for female unemployment at 21% is more than twice as high as male unemployment at 9.6%. The unemployment rate among the poor is 20%, only slightly higher than for the general population, suggesting that poverty is associated largely with underemployment and low wages, productivity and educational achievement levels. For example, the official minimum wage in Jamaica is lower than the cost of the minimum food basket used to draw the poverty line. Additionally, in spite of the achievements of the last 18 years, the growth rate is still far below what is required to sustainably resolve these problems. Specifically, the Jamaican economy is expected to show very marginal growth if any in 1995, but the Planning

Institute of Jamaica (PIOJ) optimistically projects a 3% growth rate in 1996.

Further, remaining instability in the macroeconomic environment, problems in the financial system, the trade balance and the cycle of devaluations, inflation and inflationary expectations, constitute remaining obstacles to further progress. While the GOJ has tightened fiscal and credit policies with some success, there is concern that the external current account deficit may not improve as rapidly as needed given past trends regarding wages and inflationary expectations. In response to this and the recognition that Jamaica is at an economic, political and social turning point, the Government of Jamaica has developed the "National Industrial Policy (NIP), A Strategic Plan for Growth and Development" in collaboration with the private sector, labor, and non-governmental organizations. Together, these entities make up the Social Partnership intended for implementing the NIP.

The Mission agrees that Jamaica is at a critical turning point with the structural adjustment program having ended and the country having successfully passed all IMF tests. The ground has been laid for Jamaica to support a positive growth process having created an increasingly enabling environment during the period. Jamaica will be making macroeconomic and other decisions independently, that before have been guided significantly by the IMF. The national elections are scheduled for next year in 1997 and the degree of transparency, fairness and non-violence will ultimately have a long term impact on growth and economic and social stability.

The opportunities through North American Free Trade Agreement (NAFTA), World Trade

Organization (WTO) and Hemispheric Free Trade are available for significant returns if appropriately engaged. Diverse elements of civil society are increasingly publicizing information and opinions about diverse policy options and their implications for various social groups. They are creating and strengthening institutions focusing on equity, poverty reduction, justice and the environment. Keeping pace with information and information technology, is in turn, shaping Jamaica into an information-based economy. This trend is reflected in the fast-increasing use of such items as telephones, computers and the Internet throughout the country.

## CHART 1

## Jamaica - Balance of Payments 1990-1995 (US\$Mn)

	1990	1991	1992	1993	1994	1995
<b>Merchandise</b>						
Exports (fob)	1157.5	1150.7	1053.6	1075.4	1223.9	1430.3
Imports (cif)	1679.9	1575.0	1529.1	2189.2	2171.4	2772.9
<b>Balance of Trade</b>	<b>-522.1</b>	<b>-424.3</b>	<b>-475.5</b>	<b>-1113.8</b>	<b>-947.5</b>	<b>-1342.6</b>
<b>Services (Net)</b>	<b>-77.3</b>	<b>-84.3</b>	<b>146.6</b>	<b>529.7</b>	<b>534.7</b>	<b>508.2</b>
Foreign Travel	686.3	710.4	794.2	886.9	874.0	851.9
Investment Income	-517.1	-478.9	-348.2	-240.2	-216.9	-306.6
Others	-246.5	-315.4	-299.4	-117.0	-122.4	-37.1
<b>Goods and Services (Net)</b>	<b>-599.4</b>	<b>-508.6</b>	<b>-328.9</b>	<b>-584.1</b>	<b>-412.8</b>	<b>-834.4</b>
<b>Transfers (Net)</b>	<b>271.4</b>	<b>252.8</b>	<b>339.8</b>	<b>371.9</b>	<b>571.7</b>	<b>579.3</b>
Private	155.4	153.3	248.2	306.4	534.3	521.8
Official	116.0	99.5	99.5	65.5	37.4	57.5
Current Account Balance	-328.0	-255.8	10.9	-212.2	158.9	-255.1
<b>Capital Movement (Net)</b>	<b>387.6</b>	<b>150.6</b>	<b>326.3</b>	<b>310.3</b>	<b>226.5</b>	<b>278.5</b>
Private	291.7	51.4	336.3	314.4	327.9	385.0
Official	95.9	99.2	-10.0	-10.6	-8.4	-106.5
Government Direct				-1.4	-127.4	
Government Guaranteed				2.3	17.1	
Divestment				5.6	17.3	
<b>Change in Reserves (minus = increase)</b>	<b>-59.6</b>	<b>105.2</b>	<b>-337.2</b>	<b>-98.1</b>	<b>-385.4</b>	<b>-23.4</b>
<i>Source: Bank of Jamaica</i>						

#### IV. GOVERNMENT OF JAMAICA PRIORITIES

##### Strategy, Policies and Programs

In March 1996, the Government of Jamaica tabled in Parliament the National Industrial Policy. It is in fact an over-arching development framework which presents GOJ policy thrusts on the full scope of economic, social and environmental concerns facing Jamaica. Its time horizon is 15 years. The NIP "is intended to provide the necessary basis for a clear, coherent, and consistent set of policies to guide the Jamaican economy on a path of renewed growth and development. It is to pave the way for Jamaica's entry into the 21st Century," as stated by the Prime Minister in the foreword of the published document.

With respect to remaining macroeconomic and financial instabilities, the NIP calls for a Social Partnership that is oriented towards a balanced adjustment of prices and incomes. For example, the government states that the country cannot afford wage increases which are not matched by commensurate improvements in productivity, and that corporate entities cannot expect to maintain profits simply by increasing prices without improving efficiency. A successful Social Partnership would seek an agreement on wages, prices and related measures among leaders of the private sector business firms and financial institutions, trade unions, public sector employees and non-governmental organizations that would break the cycle of inflationary expectations.

While the government recognizes that sound, consistent and prudent macro-economic policies are essential, they are not sufficient to

adequately reduce inflation. Similarly, any package of fiscal and monetary adjustments alone would not be able to deflate the economy, would be too costly and would impose severe unemployment, declines in output and social instability. The NIP proposes that the scope of the partnership for consensus and mutual agreement among the partners must go beyond wages and prices to incorporate negotiations on the broader economic objectives of industrial policy, labor issues, industrial relations, economic efficiency and productivity, price policy, lowering the cost of intermediation, tax reform, monetary discipline and fiscal targets.

The reduction of inflation is a central thrust of short-term economic policy, not only because of the severe economic and social costs it creates, but also because of the urgent need to accelerate the growth in production. When the NIP was tabled in Parliament in March 1996, the Prime Minister stated that the nation's development strategy is growth and diversification through building international competitiveness: "to double the present level of income by the year 2010 we would need to sustain growth at the rate of five per cent per annum. The goal is to achieve a per capita income of US\$4,000 by the year 2010 which requires an annual growth rate of six percent."

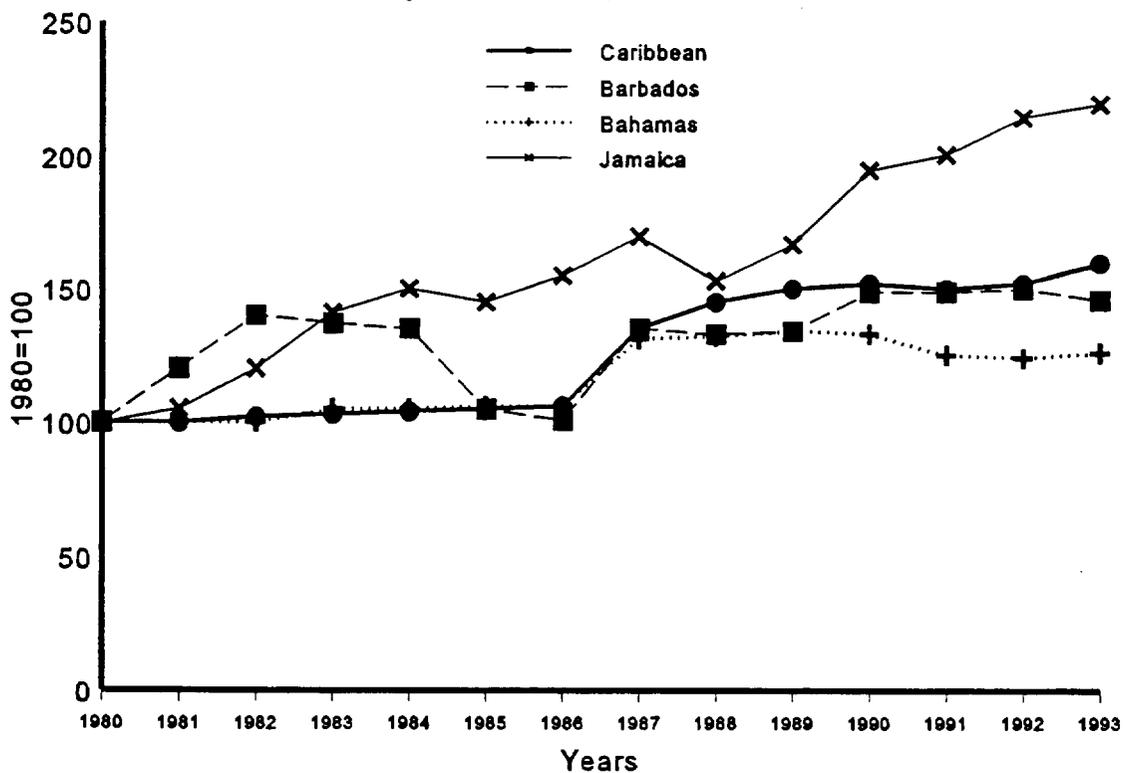
The Planning Institute of Jamaica (PIOJ) is projecting that the economy will "show very marginal, if any growth this financial year." Growth of 0.2% is forecasted and 3% in 1996 is projected. Only agriculture and tourism are showing positive signs of growth and manufacturing and bauxite mining are not performing well at present. The NIP states that an annual average growth rate of

6% will be achieved by the year 2000 and maintained through the year 2010.

The NIP is concerned with investment, productivity, diversification and growth in the sectors producing tradeable goods and services in the economy. The aim is to achieve a sustainable basis for reducing unemployment and poverty and increasing income for Jamaican people. The NIP defines growth in Jamaica as the export of goods and services,

therefore to create the appropriate conditions that are necessary to promote continued expansion of exports through growth of existing lines of tradeables and diversification into new lines. It also includes exploiting possibilities for efficient import substitution. The key concern is to build and sustain competitiveness in relation to the international market place. It emphasizes choosing the right competitive strategies that exploit the specific advantages that give Jamaica an edge in

**Figure 4 - Comparative Performance of Stayover Arrivals, 1980-1993**



given that the small size of the domestic market leaves no alternative avenue for substantive growth. The NIP's focus in this regard is

international markets, and on creating niches by a strategy of product differentiation. The industrial policy is based on the positive

commitment to a market-driven economy and the adoption of focused policy interventions in an active partnership between the state and private sector. It affirms that to successfully compete in the global environment, Jamaica needs to increasingly become a knowledge-based and information-based economy.

As for the social agenda, the NIP has developed the National Poverty Eradication Program (NPEP), which brings together some 60 programs costing US\$74 million, under an integrated process. The key elements are poverty-targeting, community-based participatory approach, partnership and phased implementation. The objective is to reduce the proportion of persons below the poverty line by 50% over the next five years in targeted communities, and to eradicate absolute poverty in the long term. Another key element of government's poverty eradication is a focus on the micro and small enterprise sector. Included in the government's social agenda for ensuring equity and participation by all in the fruits of growth and development, is to improve the delivery of basic social services, provide access to ownership and use of land, and establishment of the Social Investment Fund (SIF) to channel resources to social and economic infrastructure projects in selected communities. The NIP proposes to create a Commission on Gender and Social Equity, advocate gender balance in the diverse committees and policy arms involved in implementing the policy, and appoint gender analysts in key institutions such as PIOJ and Statistical Institute of Jamaica (STATIN)

As for the environmental thrust, the NIP recognizes the country's reliance on the natural resource base for productivity and life support. The national environmental policy is

based on the "polluter pays" and "user pays" principles. It encourages a participatory approach, including negotiations and dialogue with stakeholders and interest groups at the level of the community and individual firms. A system of incentives to encourage environmentally sound behavior on the part of firms, and a system of environmental standards, regulations and monitoring will be introduced. The government shall provide institutional strengthening to the Natural Resources Conservation Authority (NRCA).

### **The Way Forward**

Jamaica still faces stiff challenges as described above. Its national strategic plan is ambitious and yet sound in its diverse elements. If soundly implemented and complemented by continued support by its bilateral partners until such time that macroeconomic stability is on more solid footing, USAID/Jamaica is hopeful concerning Jamaica's prospects.

USAID/Jamaica's proposed program addresses the dual challenges of growth and poverty reduction, the need for improved environmental management and human resource development, and complements the National Industrial Policy as designed by Jamaica's social partners.

### **Democracy: Strengths and Challenges**

Jamaica has a strong democratic tradition, with two dominant political parties that have exchanged leadership several times since 1947. Party affiliation is so strong, however, that "garrison" politics has led to violence and unrest, particularly during election periods. In the 1980 election, it is

estimated that 500 people were killed in a months-long electoral campaign. Subsequent elections have been increasingly less violent, but instances of fraud and other irregularities still occur and are the source of constant debate. Both major parties support the concept of electronic registration and voting, and a recently formed National Democratic Movement is interested in more comprehensive and less costly electoral reforms.

USAID/Jamaica's recent interventions in the democracy/governance arena has been a highly successful program of judicial reform. However, given limited program resources, and the need to focus its efforts under three strategic objectives, the Mission will end its democracy support in August 1996 with the close of the Sustainable Justice Reform Project. The project has made substantial contributions to improved court administration through training of administrators, the construction of a new courthouse, support for alternative dispute resolution (ADR), electronic court reporting systems, and targeted training of judges and other legal professionals. USAID will consider possible continued support for ADR under SO1 or SO3, given that mediation skills reduce community violence, including when taught to boys and girls, and can also play a useful role in resolving trade disputes (one estimate places the annual cost of trade disputes and strikes at 3% of GDP, or roughly the contribution of the sugar industry to the national economy).

The U.S. Embassy/Kingston's Mission Program Plan for 1996-2000, Goal III, is "GOJ institutes reforms which eliminate electoral fraud, malfeasance and violence." Although the Embassy has advised the GOJ that financial resources for procurement of an electronic registration and voting system are

not available from the USG, progress in this area is an important objective. For this reason, USAID may request on limited but opportune occasions, selective technical assistance, similar to an International Foundation for Electoral Systems consultancy in December 1994, funded by the Global Bureau.

## V. PREPARING JAMAICA FOR THE 21ST CENTURY

### Mission Goal and Objectives

As a "small island economy," Jamaica's economic potential, like other Caribbean, Pacific and Indian Ocean states, was always in doubt. Vast distances from potential markets, dis-economies of scale, and a steady brain drain seemed to relegate Jamaica and other island nations as permanent dependencies of metropolitan powers. The largesse of the donor community, it was assumed, would always be there to enable the former colony to maintain its roads, build its schools, and feed its people.

However, that was the old paradigm, transformed in less than a decade by two megatrends: the rapid decline in international development assistance, and the dawning of the information age. The traditional, paternal role of the international donor community is drawing to a quick close as aid expenditures are reduced. It is not just the austerity of the G-7 that drives this global phenomena, for Jamaica itself has drawn a tight line against careless lending. Confident it can now chart its own path, Jamaica ended its 15-year formal arrangement with the IMF in late 1996.

The information age, including its attendant advances in communications and transportation, is altering geography. Three decades ago, Jamaica traded on the decks and holds of slow steamers, all arranged, when possible, by telex. Today, its commerce is highly interactive, with 20 daily international air flights to supplement containerized sea shipments, all arranged by phone, fax or

electronic mail, and expedited through computerized customs checks. Jamaica, lying 500 miles from Miami, enjoys a level of access to the U.S. east coast not much different than producers in Texas or California. Those same flights -- and a fleet of modern cruise liners -- also provide convenient access by over almost a million tourists to Jamaica's north coast, a destination promoted on television and a website on the Internet. Contributing to Jamaica's global integration is the fact that more people of Jamaican descent live in the U.S., Canada and the UK than reside in Jamaica itself.

In 1992, it would have been impossible to imagine the many uses of information technology in 1996. In 1996, we can only use our imagination about how information technology will impact the world by 2001 and beyond. However, it is clear that Jamaica must commit itself to the path of advanced technology, or it will continue to lag further and further behind first world economies.

On the dawning of the information age, Jamaica is suffering from age-less developmental problems. Jamaica's official economy has not grown significantly since the 1970s, and its social development has been penalized from years of failed mismanagement and prescriptive structural adjustment. Over one-third of all Jamaicans live below the poverty line, and distribution of income is a nagging problem. Without question, more Jamaicans need to participate more effectively in the economic growth process. USAID will seek to accomplish this through its *first strategic objective*, **increased participation for economic growth**.

Increasing the economic participation of a large proportion of the economy could have dire environmental consequences, given that tourism, mining and agriculture all strain important ecosystems. Even at the current low-level of economic activity, deforestation rates are extremely high and Jamaica's precious freshwater and coastal water resources are being compromised. There is a critical need for new and improved management systems for these irreplaceable resources. USAID's *second strategic objective* seeks to **increase protection of key natural resources in environmentally and economically significant areas.**

Jamaica's Generation X is a generation in need of help. Whole communities of disillusioned youth have left school illiterate or pregnant, at-risk to drugs, STDs and crime, and completely unprepared for what should be a promising new-world existence. Jamaica will not succeed unless its youth are economically and socially reconnected. Under its *third strategic objective*, **Jamaican youth better-equipped for the 21st Century**, USAID will provide opportunities and hope for thousands of at-risk boys and girls.

The USAID program has provided substantial levels of strategically-directed assistance to Jamaica over the past 40 years. However, with reduced funding levels, by addressing three strategic objectives, USAID will make a major contribution to Jamaica in ultimately realizing its *Mission goal* of **broad-based, sustained economic growth.**

## Special Program Themes

USAID/Jamaica has identified three cross-cutting themes that are critical to program success over the FY 1997-2001 strategy period:

**Information Technology:** to facilitate Jamaica's transition into the global economy;

**Community-based Development:** bottom-up, customer-driven approaches for sustained development; and

**Partner Collaboration:** creating dynamic public-private working groups to maximize resource investments.

### A. Information Technology

Like other population centers, the Jamaica of the early 21st Century can be fully integrated into the global society, where it will compete freely with city-state centers of trade and commerce, and where it will enjoy a relative comparative economic advantage because its people speak English, and because of its advantageous geographic location, its tourism appeal, and the invaluable support and investment from millions of people of Jamaican descent living in the U.S., Canada and the UK.

Regardless of how smoothly Jamaica transits into the information age, it is certain that the changes will be profound. Like other countries, Jamaica will have to integrate into the new world global society to survive. It will have to meet international environmental and quality standards to ensure it can market its exports and continue to attract tourists to its shores. When it

meets these tests, it will accede to NAFTA, the FTAA, "virtual" electronic trading nation agreements, or whatever other global alliances come along.

This new world will be based on information, and fueled by new technology. Is Jamaica prepared? What is USAID's role in nurturing this process, and is it fulfilling what should be a natural mandate for a development agency of the most technologically-advanced nation?

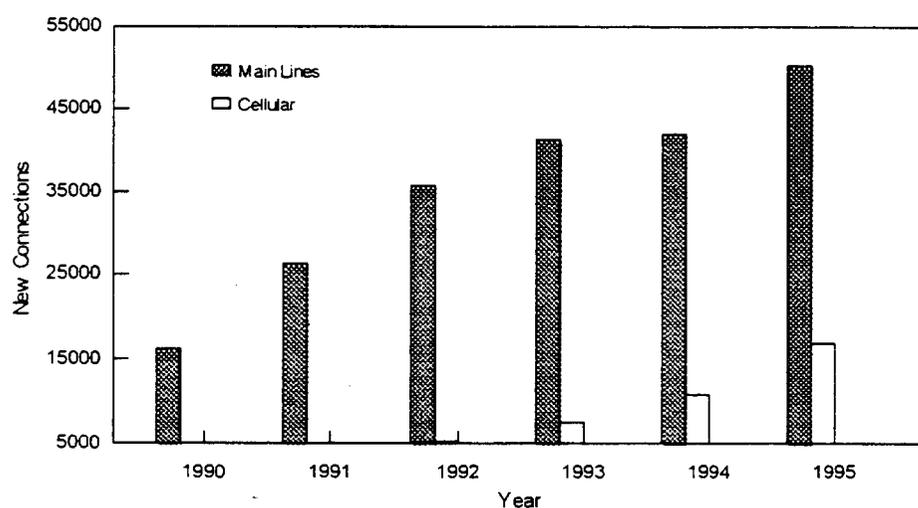
In USAID/Jamaica's last five-year strategy document, written in 1992, the word "computer" does not appear once, and there is a sole reference of a possible informatics activity. Four years later, the Mission spends more of its development assistance dollar on computer equipment than any other commodity -- even vehicles.

The demand for information technology is driving this phenomena. Everywhere in Jamaica, producers, exporters, environmental planners, schools, government offices, health centers, and factories are taking the first step towards automated information management. The Jamaica telephone company, perhaps unwittingly, has spurred information connectivity through recent efforts at improved customer service and largescale telephone installations. Although Jamaica has not taken the conscious decision, as has Singapore, another island country with 2.5 million people, to train and provide access for all its citizens to the global information network, the pieces are steadily and serendipitously falling into place.

The impacts are being felt everywhere, and often where one would least expect it. A case in point is one of Jamaica's poorest parishes, St. Elizabeth, a rural district where 60% of the population live below the poverty line. Primary and secondary schools dot the countryside, and not surprisingly, many show signs of decay and neglect from years of underfunding, parent-teacher apathy and student vandalism. But these schools are actually the site of a unique experiment in education, where a private foundation and InterAmerican Development Bank partnership has created a network of computer labs that has brought a fundamental change in community attitudes and student educational performance. In the 13 St. Elizabeth schools with modern computer labs, and using special software and an accompanying training program, attendance is up, literacy and numeracy levels are on the increase, and parents are enthusiastic participants in both fund-raising and self-development in after-hours. The foundation's goal is to expand the labs -- and Internet access -- from a current number of 105 to all 1,100 primary and secondary schools by the year 2000.

The Ministry of Education has just completed its own successful experiment in the electronic management of information. Under a USAID project, a Harvard team installed a computer center at ministry headquarters in order to manage new school data on enrollment, attendance, facilities, teacher training and other management information. For the first time, ministry officials have a dynamic and up-to-date statistical base on which to make decisions on

Figure 5 - New phone connections per year



allocation of its scarce resources. The data itself is revealing -- the state of the education system is worse in many ways than expected.

At the tertiary level, the University of the West Indies (UWI) recently upgraded Internet access for its faculty and staff, serviced by a million bit capacity fiber optic relay system funded by the World Bank. Along with its neighbor down the road, the University of Technology, UWI is exploring interactive distance learning to extend its services to the far corners of Jamaica and the Caribbean. UWI may enter into an agreement with the University of Florida to provide educational services as part of its distance learning program.

Information technology is advancing quickly in Jamaica, and on many fronts. UN University consultant Jerome Glenn visited Jamaica in August 1995 to prepare a futuristic study for USAID. In his debriefing, Mr. Glenn warned that with only two dozen university Internet accounts and

no commercial alternatives, Jamaica was ill-prepared to participate in the global marketplace. He noted that Telecommunication of Jamaica's (TOJ) monopoly on international telephone access would eventually prove an impediment to competitive pricing.

No sooner had Glenn issued this warning, the entire situation changed. The first on-line provider, InfoChannel had

initiated its service in early 1995 under an agreement with TOJ, with subscriber rates at \$7 per hour. In October, TOJ and the Fair Trading Commission came to an out-of-court settlement under which TOJ would have to provide access for service providers at reasonable costs. In December, TOJ announced its own on-line Internet service at \$2 per hour. Within days, InfoChannel slashed its service rates to be competitive with TOJ. Another on-line service, Jamaica On-Line, has recently announced its own new service for a flat \$15/month fee.

Education is only one sector in which information technology impacts are being felt. Project counterparts are currently using USAID-funded computers and computer training to: comprehensively reform customs administration; manage, analyze and integrate various government's budget processes; access Jamaican laws and subsidiary legislation to streamline civil and criminal judgements; share international market information with exporters on two

Jamaican websites; digitally map biodiverse sites to plan protective measures; train 470 data processing specialists to the information processing industry; convert Boeing engineering drawings into digital files; and create multimedia training packages for the cosmetics industry. USAID computers are also assisting the Jamaica Fair Trading Commission to manage fair trading enforcement actions including, ironically, its successful action against Telecommunications of Jamaica for unfair competition in providing internet services.

Inevitably, New World technology will transform the global economy. Another futurist, *Megatrends* author, John Naisbett, also visited Jamaica last year. His message for Jamaica, and countries like it, was one of optimism. Because telecommunications and transportation advances were making the world smaller, English is the language of the information age, and the trend to smaller, more responsive businesses, meant that Jamaican firms could compete on an equal footing with businesses anywhere.

Will the dawning of the information age bring with it economic success, or will adoption of information technology only ensure that Jamaica will stand a better chance of not falling further behind?

Jerome Glenn writes in Jamaica 2015:

*In the late 1960s many believed Jamaica would have been a first world country by now. Today, there is no consensus...Even if Jamaica grew at an average of 7% annually, it would take 40 years to become a first world economy, assuming that the first world grew*

*at an average of 3%. Hence, Jamaica will still be a third world country in 2015, by industrial age views of reality. However, the world is emerging from an agro/industrial age view to an information/service, worldview. By 2015, new understandings of access as wealth will have begun to change the concept of first and third worlds.*

Mr. Glenn describes how Jamaica could commit to an information technology path today (see Tele-Jamaica, Annex 4) that could profoundly advance its development, by current and information age standards. Although this is but one scenario as to how Jamaica could "leap-frog" into the 21st Century, USAID is committed to play a pivotal role in this process. As such, the Mission has identified several program approaches for the FY 1997-2001 period:

- expand information technology applications in the full range of strategic objective activities, including through USAID central assistance, such as the Global Communications and Learning Systems Project;
- support the use of computers in education to improve literacy, numeracy and other basic skills; to provide specialized training; to enable distance learning; to reconnect Jamaicans overseas to the development process back home; and to stimulate interest and attendance in schools by Jamaica's youth;
- openly advocate, and support where it is realistic, GOJ policies and local initiatives that vigorously commit Jamaica to an information technology path; and

- create an internal reserve of program information technology expertise, through creation of Mission databases, hands-on training of all staff, and increased involvement of the Mission's internal ADP staff on results package teams.

### **B. Community-Based Participation**

USAID activities have increasingly concentrated on community-based approaches. Beginning in 1994, SO1's emphasis was changed to increase economic participation by disadvantaged Jamaicans, including through work with farming families, microentrepreneurs in poor urban communities, and disadvantaged unskilled workers, community approaches to natural resource management are being pursued, and overall the program is incorporating a greater focus on the disadvantaged including women.

As a reengineering CEL, USAID has pioneered the Agency's first customer service plan, as well as an intensive customer survey carried out by a local consulting team and enumerators. Over the strategy period, USAID will ensure that design and monitoring plans include the use of community focus groups to ensure activities are achieving intended results at the grassroots level.

USAID plans to expand support for community-based organizations, including NGOs, in support of specific SO results. The new Uplifting Adolescent Project will provide grant financing for these groups to provide pre-set packages of services to at-risk youth, and technical assistance to build sustainability. The Mission will also explore using its successful school-community

committee approach, developed under USAID's PEAP project, to reconnect communities with their schools in support of discrete results, such as boosting literacy/numeracy and fund-raising for critical school infrastructure. In SO2, community management of protected areas will be supported. USAID will also explore integrating elements of successful national programs to reduce violence into its programs, where possible. These include alternative dispute mediation, currently supported by USAID in its terminating Sustainable Justice Reform Project, and the efforts of the Peace and Love in Schools (PALS) Program.

### **C. Partner Collaboration**

As one of its key themes over the strategy period, USAID/Jamaica will promote a more dynamic model for public-private partner coordination. To some extent, this has already begun, with a system of donor working groups having been established a year ago (see page 27). These groups were created after initial success with a microenterprise working group initiated three years ago, and other groups established more recently to coordinate poverty and watershed management activities. The microenterprise group has been the most successful: donors sign memoranda of understanding to pledge support for special activities, they meet regularly to discuss policies (this process has led to almost universal acceptance of real interest rates for credit programs), and to share information.

There are at least two advantages to the working groups relative to the past system of a single donors group meeting

under the auspices of UNDP (the agency traditionally charged with in-country coordination), or solely under the guidance of the Planning Institute of Jamaica. First, the groups are comprised of, and chaired by, those agencies active in the sector, and their participation as a result is enthusiastic and the level of commitment is high. Second, the model is more dynamic and workable, and enables the group to find creative relationships with local non-governmental institutions with shared interests. For example, Eagle Merchant Bank serves as an administrative secretariat for the microenterprise working group. From the donor's perspective, the Bank provides a private sector perspective to the proceedings and agenda.

Although only some of the working groups have been active in their first year, USAID believes that a new level of commitment to this approach should be sought, and that innovative ways of reinforcing the role of these coordinating groups should be identified and adopted. One way to reinforce responsibilities and targets would be for each group to establish a program performance matrix that would delineate responsibilities and annual targets, such as USAID's results framework. USAID has carried out initial discussions with the Planning Institute of Jamaica to utilize PRISM or other agency consultants to develop a performance matrix for the Prime Minister's multi-agency poverty eradication program.

Another way to reinforce responsibilities and targets would be to replicate the microenterprise working group's success with a private institution serving as a

secretariat. For instance, the productivity working group might find that the Private Sector Organization of Jamaica might be an objective and creative base to work with, or the education group might find a dynamic relationship with a national teachers' association, or with a national educational advisory board. Donors could potentially provide a small amount of funding to the host institution to cover costs for meetings and special seminars aimed at advancing the development agenda, special research, and program monitoring. USAID believes that this model could be applied readily and effectively in the education sector, with a non-governmental foundation acting as administrative secretariat to the donors working group, including providing reporting, developing an action agenda and in establishing policy directions.

Both of these models would also provide objective ways in which to set out targets and performance data that could be used in individual agencies' program design, and in regional and international donors' meetings (such as the Consultative Group for Caribbean Economic Development (CGCED)).

USAID has also had a productive relationship with Japan/OECF on the North Coast Development Support Project. With USAID providing in-country expertise, and a \$5 million grant for technical assistance and support for a project management unit, OECF has been able to direct a \$82 million loan for tourism infrastructure. With its early success on water, storm drains and pier extension components, the Inter-American Development Bank and European Union have joined USAID and OECF in co-financing the

upgrading of the North Coast highway. USAID has had initial discussions with OECF regarding other co-financing infrastructure activities, and both agencies are interested in using lessons learned to improve coordination, reduce administrative requirements and accelerate implementation in future co-financed activities.

With reduced government capacity, partner coordination should be carried out with increasing involvement of private foundations, NGOs and statutory organizations. USAID will continue to seek support of bilateral and multilateral donors for innovative approaches to coordination, co-financing and other collaborative modes.

**DONOR WORKING GROUPS  
JAMAICA**

	POVERTY	HEALTH	AIDS	EDUC.	VOC. TRAINING.	PRODUC- TIVITY	MICRO	ENV.	W/SHED	WATER/ SEWER	INFRA- STRUCT.
USAID	X	X	X	X		X	X	X	X	X	X
CIDA	X			X		X	X	X	X		
UK	X		X								
GTZ	X	X	X		X	X	X	X	X	X	
Netherlands	X		X				X	X	X		
Italy	X	X									
EU	X					X	X	X	X	X	X
UNDP	X		X	X		X		X	X		
IDB	X	X	X	X	X	X	X	X	X	X	X
WB	X	X		X		X	X			X	X
IMF	X					X		X			X
PAHO/WHO	X	X	X					X		X	
WFP	X				X	X	X				
UNFPA	X	X	X	X							
UNESCO	X		X	X	X			X			
UNICEF	X	X	X	X							
UNEP	X			X				X	X		
UNIDO						X					
FAO								X	X		
TOTAL NO.											

(Shaded cells indicates chairmanship.)

## VI. PROPOSED PROGRAM AND RATIONALE

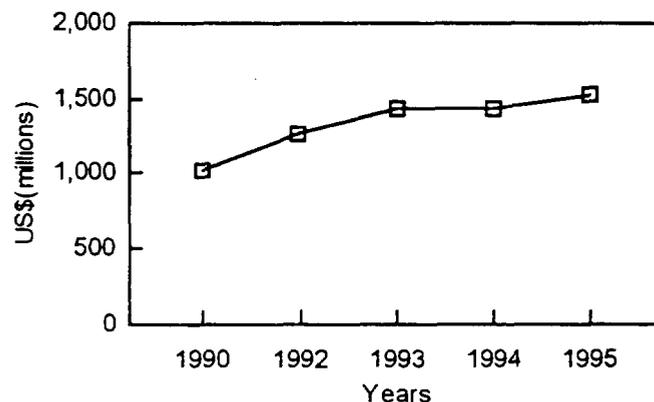
### S01: INCREASED PARTICIPATION FOR ECONOMIC GROWTH

USAID/Jamaica's first strategic objective is **increased participation for economic growth**. Although Jamaica has made tremendous strides in liberalizing its economy, a large proportion of the population has not benefitted through new employment and increased incomes. In its CDSS for FY 93-97, USAID established its first strategic objective as "increased foreign exchange earnings and employment." Although that broad objective remains critical at the national level, USAID has refocused its efforts on energizing the growth process by increasing economic participation through opportunities for working-age members of the 35-40% of the population who live in poverty, including women as a special target group, and in raising the productivity of other underemployed Jamaicans. This directly supports the LAC Regional Program Strategy for FY 1996-2000. In support of national interests, these new employment opportunities and productivity efforts will be targeted in foreign exchange-earning export and services areas, including microenterprise development where possible. To ensure growth of these private sector-led areas, USAID will continue to support foreign and domestic investment. To support a longer-term economic vision,

USAID will also support Jamaica's transition to the Free Trade Area of the Americas and the use of information technology in the widest gamut of growth activities.

This objective has several current activities, all designed to support broad-based and more equitable economic growth, and the initial building blocks of a new strategic objective agreement. These include: 1) *increased economic opportunities for the poor*, primarily through the Microenterprise Development, Hillside Agriculture, and Inner Kingston projects; 2) *improved human resource development and productivity*, important components of most of the economic development projects; 3) *increased growth of exports in priority agricultural and manufacturing sectors*, through the Improved Markets, Economic Growth and Opportunities (IMEGO) and Agricultural Export Services Projects; and 4) *increased private domestic and foreign investment*, through the IMEGO and North Coast Development project.

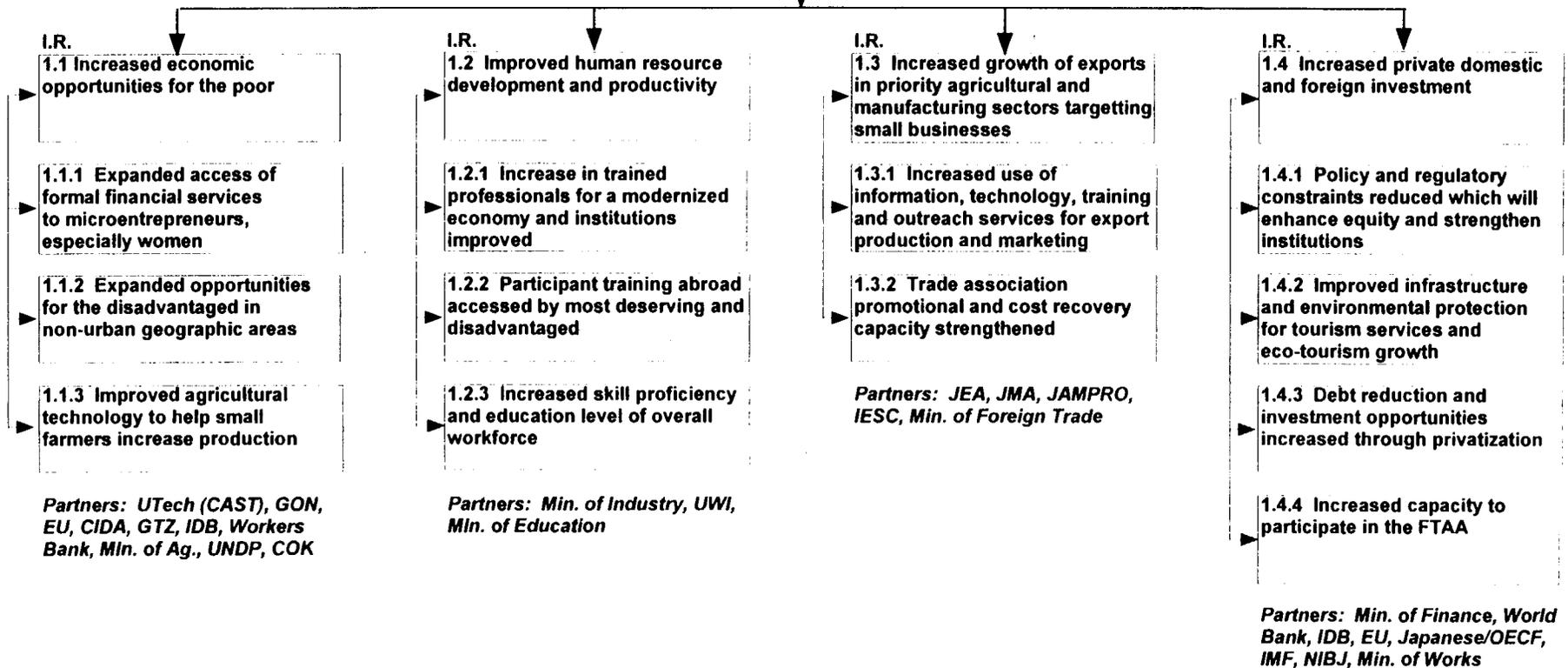
Figure 6 - Foreign exchange earnings in priority non-agricultural area (apparel, info processing, microenterprise and tourism)



Source: JAMPRO, IMEGO, PIOJ

## RESULTS FRAMEWORK

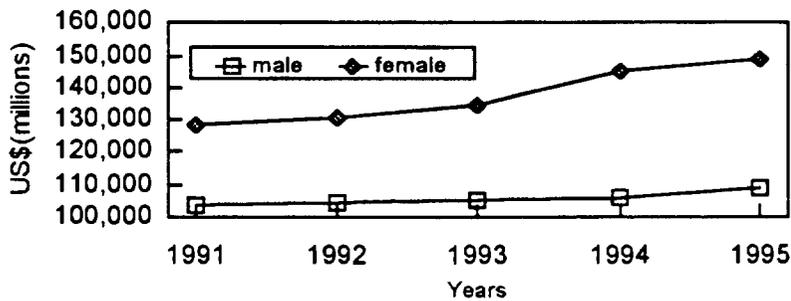
### SO1: INCREASED PARTICIPATION FOR ECONOMIC GROWTH



**Critical Assumptions:**

1. GOJ commitment to policy reform towards a free market economy
2. Stable macroeconomic climate regarding fiscal (tax & spend), monetary (interest & inflation), and exchange rate policies
3. Reduction of bureaucracy and red-tape obstacles to investment
4. Efficient and stable banking sector
5. Decrease of crime and violence in society
6. Adequate physical infrastructure
7. Legal and regulatory framework which fosters competition
8. Improvement in living standards and stable labor markets

Figure 7 - Employment in USAID assisted areas  
(apparel, info processing, microenterprise and tourism)



Source: STATIN, JAMPRO, PIOJ

### Proposed Strategy

An assessment of the USAID/Jamaica project activities in support of increased participation for economic growth indicates synergy with the opportunity areas listed in Annex 1. For example, consider four key constraints to economic growth: **poverty, productivity, policy implementation, and investment**. Poverty alleviation is addressed by the Microenterprise project, by Hillside Agriculture, and by the training and productivity initiatives of IMEGO. Training and education is the focus of assistance to the apparel sector, to training institutions, and to small businesses through the Jamaica Exporters Association. In policy implementation, the IMEGO project is providing technical assistance to the Jamaican Finance Ministry to improve fiscal policy analysis and monitoring, to the Jamaican Customs Service in the areas of procedures, classification, and integrity, and to the Fair Trading Commission for its establishment. In the area of investment, the Agricultural Export Services project provides funding for ventures in non-traditional agricultural, and tourism-support activities aid in supporting

investment by providing needed infrastructure and support for eco-tourism.

Indeed, in spite of progress, the fundamental problems facing Jamaica five years ago have not changed substantially today. The country still needs to adjust the macroeconomic framework to spur private investment in productive sectors oriented to export.

Jamaica will also have to compete in an increasingly demanding international market, improve its tourism product and further develop the linkages between this sector and the rest of the economy. USAID's role in assisting Jamaica, however, will be more narrowly focused in support of increasing participation for economic growth. As a result, the Mission will focus on four intermediate results in support of this objective, and will look to greater synergy between activities within the results framework and between SOs.

### Special Themes

There are three cross-cutting themes that will characterize Mission achievement of this strategic objective over the strategy period. These are information technology, community-based development, and partner collaboration:

**Information Technology:** The different result packages that will be implemented toward the achievement of this SO will include major components of information collection (with more detailed gender and other social group disaggregation), storage, analysis, and dissemination to sustain and enhance growth. Each results package will include a detailed

description of the information technology package that will enhance its implementation.

Information technology has been used successfully in the current portfolio of activities, including customs reform assisted by automation and training systems utilized by the U.S. Customs Service; utilization of the Internet and Worldwide Web by the Jamaica Exporters' Association under our small business project to advertise products and network internationally; use by the Fair Trading Commission of the latest software developed by the USFTC and USDOJ to ensure a level playing field for consumers and businesses; preparation and publication of a central government fiscal accounts monitoring report to enhance fiscal policy management; implementation of the UNFAO MicroBanker software program at Workers Bank branches and postal windows island-wide to take formal financial services to microentrepreneurs; and sundry MIS support in water loss management, public asset divestment, and securities regulation.

Future utilization of information technology will be built on past successes for continuing activities plus additional areas of opportunity which increase the country's capacity to participate in the FTAA, increase privatization and reduce debt, reduce policy and regulatory constraints which will enhance equity and strengthen institutions, trade and investment promotion, and improved productivity by teaching with computer aids as a cost-effective mode of delivery.

**Community-Based Development:** The design of results packages under this SO will include inputs from target communities and groups, both men and women, to ensure that their concerns are met. These communities will also provide feedback for mid-course corrections during implementation. Each design package will outline the specifics of community participation.

Input from the local level is of particular importance in the attainment of SO1's first intermediate result of increased economic opportunities for the poor and is in keeping with the GOJ's stated policy of increasing parish-level participation in planning and implementing new programs. Expansion of formal financial services through postal windows throughout the island will involve over 250 branches in parishes across the country. In addition, greater input will be sought from local Chambers of Commerce, agricultural cooperatives, trade associations, and parish councils to ensure their involvement in the planning process.

**Partner Collaboration:** No results package under this SO will be designed in a vacuum; each will be developed in full collaboration with the inputs of all partners. These include, in addition to members of the Mission's SO teams, host government organizations, private sector entities, other donors, and consultants and contractors with special expertise in the area pertaining to the results package.

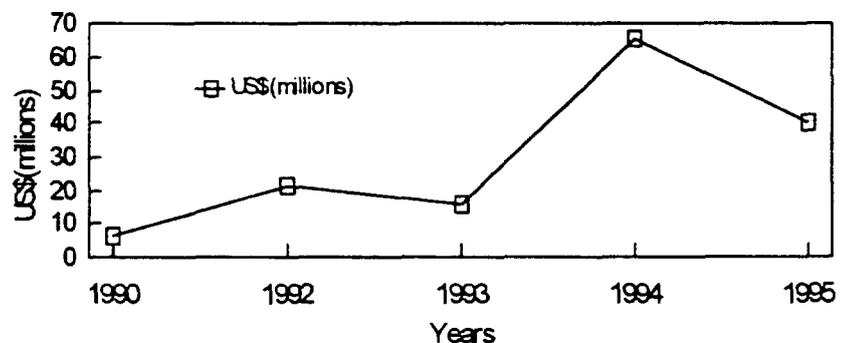
USAID has been coordinating its program with those of other donors working in Jamaica to ensure that individual donor programs complement each other and to avoid overlapping and duplication. Examples include coordination in privatization and customs reform (with the World Bank and the Inter-American Development Bank (IDB)); in the microenterprise sector (with the Netherlands, European Union (EU), IDB, Germany (GTZ), and CIDA); in fiscal policy management (UNDP); and in the development of tourism infrastructure on the north coast (OECF of Japan, IDB, and EU). In addition, USAID is a core member of donor working groups on productivity (chaired by USAID), poverty, microenterprise, and infrastructure. USAID will continue this coordination during the strategy period and will add two new elements: more effective utilization of donor working groups and co-financing or parallel financing with individual donors in their respective areas of interest. The donor working groups offer a unique forum for the discussion of development issues, including gender and other social issues, and for the development of rational programs within realistic constraints. The Mission will exploit this potential. In the area of co-financing, the Mission is providing expertise towards building tourism infrastructure with OECF in the Northern Jamaica Development Project. USAID has certain advantages (substantial field presence, and diversity of experience in all sectors of development) that other donors lack. On the other hand, other donors have a tendency

to prefer assisting in certain sectors and most donors have some capital resources available than USAID. USAID will attempt to enter into co-financing arrangements with other donors that would result in the optimum use of the available resources of each. There are substantial opportunities for such co-financing arrangements particularly in infrastructure, notably through a new World Bank Social Investment Fund, provided ever diminishing resources are available to provide long-term commitment that activities of this nature require.

### Proposed Intermediate Results

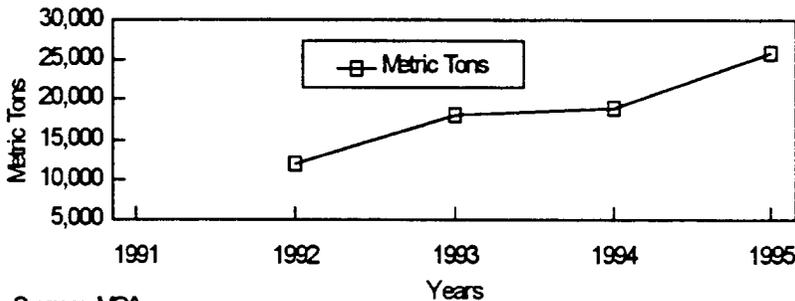
**1.1 Increased Economic Opportunities for the Poor:** in support of the LAC Regional Program Strategy, over the next five years USAID will seek to expand opportunities for the poor to participate in economic growth. This will be accomplished by providing financial services to microentrepreneurs, including rural Jamaicans who have not had access to formalized credit. This will include replication of the Workers Bank postal window model for handling loans and services, and by utilizing Microbanker software and other new management applications. USAID will seek to maintain women's participation at

Figure 8 - Annual government divestment proceeds



Source: NBJ

Figure 9 - Volume of U.S.-bound produce handled by USDA pre-clearance facilities.



Source: MDA

60% of all recipients, and will identify new policy directions based on more reliable and detailed social/gender data, including from a new national database. USAID will also seek to support small farmers through dissemination of technology and new income opportunities for men and women. As well, increased opportunities will be directly supported by SO3, which will focus on promoting employability and healthy lifestyle for young men and women.

**1.2 Improved Human Resource Development and Productivity:** besides increases in labor and capital, total factor productivity, which includes organizing work more efficiently and making technological improvements and innovations, may be the most important and sustainable source of economic growth. Increasing productivity of men and women is essential for Jamaica to be competitive in a world economy. USAID will support specific sectoral training courses which will support exports and investment, participant training in the U.S., and undergraduate and graduate curriculum development at the University of the West Indies, using the most technologically-advanced and cost-

effective methods available. USAID's efforts under SO3 to raise functional literacy/numeracy among boys and girls is a necessary element to the long-range feasibility of increased productivity.

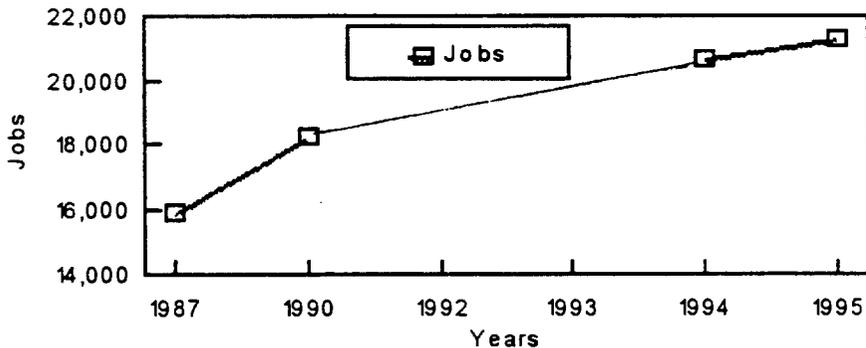
**Increased Growth of Exports in Priority Agricultural and Manufacturing Sectors, Targeting Small Businesses:** merchandise

exports increased by only 5.7% from 1990-94, while imports increased by 29.3%, and the balance of trade dropped from a minus \$522 million to a minus \$948 million. In addition to controlling its insatiable appetite for consumption, Jamaica must increase its exports of traditional and non-traditional products, or be faced with continued economic stagnation.

USAID will support export expansion in industries where comparative advantages exist, such as specialty crops, light industry, food processing, and information services. The Small Business Export Development component of IMEGO has been highly effective, and will be extended until March 1999 with an increased focus on information applications. SBED will also focus on specialty support for fashion apparel as this industry is Jamaica's greatest export success story of recent years, growing from \$15.8 million to \$520 million annually over the 1983-95 period. Women make up most of the 40,000 apparel workforce.

USAID's support for the USDA pre-clearance program ends in September 1996. Given remaining concerns, USAID is identifying select, limited interventions over the 1996-1997 period to ensure sustainability.

Figure 10 - Cumulative number of jobs created in Inner Kingston



Source: KRC

**Increased Private Domestic and Foreign Investment:** USAID will support increased private domestic and foreign investment as the engine for significant increases in economic growth measured by change in gross domestic product. USAID support for the Fiscal Policy Management Unit at the Ministry will end in 1996, though a review of remaining needs will be undertaken. Debt reduction and a reduced goal for GOJ management of publically-financed institutions, which can be more efficiently managed by the private sector, will continue to be supported under the privatization activity with the National Investment Bank of Jamaica. USAID will continue to support this effort, probably until most or all of the final 17 of the original 64 companies targeted in the GOJ's plan are divested by 1999. Customs reform support will continue until September 1998, when an evaluation will determine remaining obstacles to reducing non-tariff barriers as required by NAFTA/WTO. Recognizing that free trade, foreign investment and increased economic integration are key factors for raising standards of living and improving

working conditions, over the next five years USAID will work with the GOJ and the private sector under the Summit of the Americas initiative to increase Jamaica's capacity to participate in the FTAA by 2005.

#### Critical Assumptions:

- GOJ commitment to policy reform towards a free market economy
- Stable macroeconomic climate regarding fiscal (tax & spend), monetary (interest & inflation) and exchange rate policies
- Reduction of bureaucracy and red-tape obstacles to investment
- Efficient and stable banking sector
- Decrease of crime and violence in society
- Adequate physical infrastructure
- Legal and regulatory framework which fosters competition
- Stable labor markets

#### Phase Down Plan

Programmatically, the exit strategy for this strategic objective hinges on attainment of intermediate results, identified in the SO1 results framework and measured by the performance indicators at the Mission goal, SO and intermediate results levels. Although USAID involvement is, therefore, measured over a five-year time frame, some intermediate results will most likely remain valid beyond this period. Given budget realities, provisional plans must take into account a further distillation of priorities.

Under **increased economic opportunities for the poor**, the Mission foresees a prevailing and remaining challenge until the end of the strategy period in 2001. Progress in this area depends on other donor efforts as well. By the end of the period, increased attention will be shown to graduating and formalizing very small businesses, and less priority to new businesses. Small farmers will continue to need support as well, with increasing adoption of sustainable farming methods, marketing information and high-income crops, further analysis during the strategy period will be required to determine the need for ongoing USAID support.

**Improved human resource development and productivity**, will also be a key area of continuing attention. Only with significant progress in reversing downward trends in basic education can USAID's investments in training pay off. It is likely that significant work in this area will remain in 2001, and this could be a major thrust of a strategic plan past this period.

Under **increased growth of exports in priority agricultural and manufacturing sectors targeting small businesses**, USAID expects substantial progress towards achieving this result early in the strategy period and in targeted areas. Increasingly the focus is expected to be on information applications and training. USAID may have to put additional focus on assisting Jamaican enterprises in adapting to new international standards for exports as the strategy period unfolds.

Under **increased private domestic and foreign investment**, USAID will support, as appropriate, Jamaica's efforts to integrate into global or regional trade regimes and agreements. This will continue to present challenges to Jamaica and other LDCs, even past the strategy period. Completion of the North Coast project, including the highway, will play an important part in expanding tourism, and any further USAID assistance would depend on other donor financing and a legitimate role for USAID in coordination. With USAID assistance, the GOJ will complete privatization of its interim list of 64 companies by 1999 (although an additional list of 26 entities was added in April 1995), and both fiscal policy management and customs reform will be sustained by the GOJ mid-way through the strategy period.

**SO2: INCREASED PROTECTION OF KEY NATURAL RESOURCES IN ENVIRONMENTALLY AND ECONOMICALLY SIGNIFICANT AREAS**

USAID/Jamaica's second strategic objective is increased protection of key natural resources in environmentally and economically significant areas.

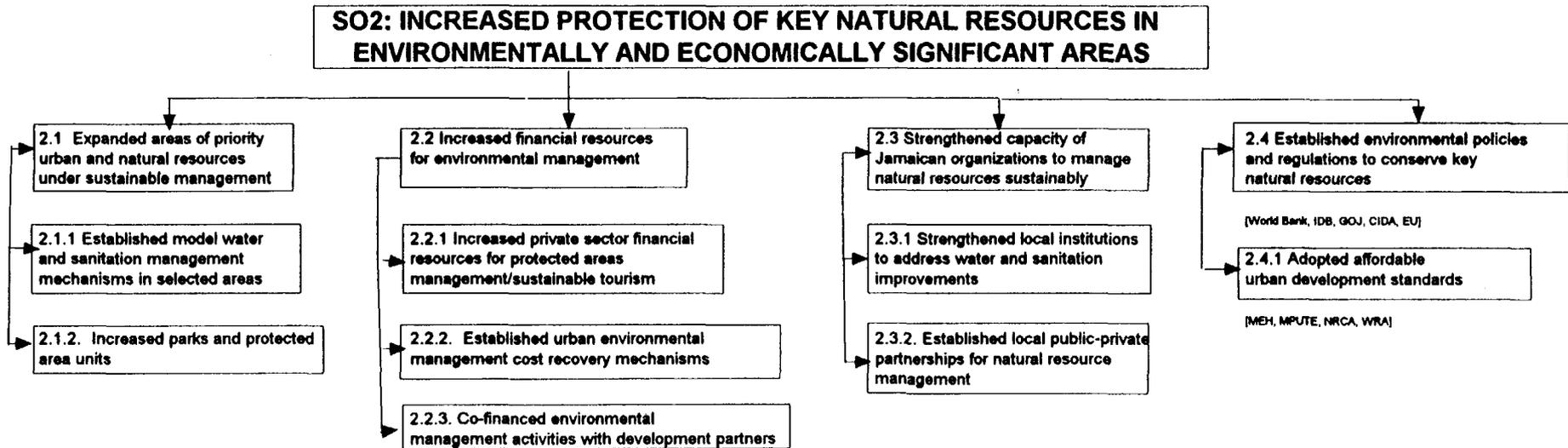
Jamaica continues to be rich in biodiversity and, like most small islands, environmentally fragile. Its economic and social well being is inextricably linked to the state of its natural resources and those continue to be under severe attack as the economic infrastructure and population concentrate in coastal zones, and urban settings and agricultural practices result in deforestation and loss of natural systems and habitats. The deforestation rate is among the highest in the world at an estimated 4-5% per year. Coral reefs, an indicator of coastal zone deterioration, are dying at an alarming rate in key tourist areas such as Negril (an estimated 40% have been lost) and Montego Bay (an estimated 60% have been lost). While 80% of Jamaica's water resources are provided by groundwater aquifers, the National Water Commission has closed 25% of the country's sources due to contamination and another 40% are considered to be at risk. The use of chemical fertilizers and pesticides, industrial pollution, household wastes and saline intrusion due to overpumping of wells are the principal causes. In five years, 60% of Jamaica's population will reside in urban areas, especially tourist centers, of which approximately a third will be located in squatter communities unserved by adequate household waste disposal. Only 25% of the country's households are connected to sewer systems and even where such connections exist, waste water treatment is, more often than not,

inadequate. Pollution is a rapidly rising problem placing at risk the environment and the health of Jamaicans.

Recognizing these trends, USAID/Jamaica established in 1993 its environmental strategic objective as "improved environmental quality and natural resource protection." The planned program outcomes for this strategic objective were: 1) improved management of environmentally threatened growth areas, 2) increased conservation of natural habitats, and 3) improved public/private capacity for sustainable resource use. During the 1992-1997 strategy period, Jamaica has made significant progress toward protecting its environment from destructive farming practices and unmanaged urban development, increasing conservation of natural habitats, and improving both private and public capacity for sustainable resource use. Two national parks were established and devolution to local management is underway. The Jamaica National Parks Trust Fund, established through a USAID-financed debt for nature swap, now provides almost 40% of the operating expenses for the two existing national parks. The Environmental Foundation of Jamaica, founded through a USAID-Jamaica debt forgiveness agreement has become the largest provider of resources for environmental NGO activities in Jamaica. Also, USAID became the key environmental donor working in natural resources management and protected areas.

As we move to a new strategy, we plan to build on the progress made in coordination with other donors actively involved in stemming the loss of natural habitats and resources.

## RESULTS FRAMEWORK



### Critical Assumptions:

1. Continued public policy supporting decentralized management of natural resources and urban services.
2. Continued GOJ commitment to establishing protected areas.
3. GOJ commitment to enable revenue generating programs to directly finance urban services and natural resources management.
4. GOJ commitment to adopt environmental management policy reforms.
5. NWC commitment to concept of community-based water and sanitation services.
6. GOJ commitment to revise development and environmental standards.

## Proposed Strategy

During the last year, USAID/Jamaica commissioned an environmental strategy prepared by World Resources Institute (WRI; see Annex 2), and initiated a reengineering exercise. A key element, was extensive involvement of Jamaican partners and other donors. This has shaped a redefinition of our SO. The new SO2 links the Mission's activities and environmental concerns to the Mission's other strategic objectives. Over the strategy period, the five principles will guide the selection of environmental interventions; to 1) focus on environmental issues with irreversible consequences; 2) maintain a customer-driven flexible approach; 3) target local-level public-private partnerships; 4) continue emphasis on sustainability; and 5) establish a well-focussed program of assistance.

SO2 will focus its efforts in 1) natural areas management and sustainable tourism, 2) water resources management, and 3) cross-cutting strengthening of environmental policies and institutions.

These priorities were determined through discussions with the GOJ, private sector groups, NGOs, and local communities, and within the context of Jamaica's economic, environmental, and social trends. Natural areas management, where linked to intrusive economic growth activities, is intended to encompass biodiversity and natural resources management. Water resources management recognizes the overlap that exists between municipal waste and water use, and their potential environmental and urban impacts. In both cases, SO2 activities will be focused geographically, and closely coordinated with other donor activities, to ensure maximum impact.

## Increased protection of key natural resources in environmentally and economically significant areas

means that USAID/Jamaica will work to protect those resources considered essential to the economic and environmental health of selected areas whose tourism-based economies are threatened by environmental degradation. Strategic choices will be made to protect resources that are under threat in a given area. For example, protection of the water sources in Negril may be more important than protecting the mangroves -- both are threatened, but a choice between the two may need to be made. This will be done in consultation with partners. "The focus on environmentally and economically significant areas" means that the choice of where SO2 works will be determined based upon the environmental significance of a particular activity (e.g. biodiversity considerations) or its economic importance (e.g. tourism).

## Intermediate Results

There are four intermediate results under SO2:

**2.1 Expanded areas of key natural resources under sustainable management.** The on-going Development of Environmental Management Organizations Project (DEMO) will increase the number of parks and protected areas units in critical areas, including through NGOs, private businesses and local communities. Building upon the lessons learned in waste water management under the Housing Guaranty-funded Jamaica Shelter Program, a follow-on activity is under development to mitigate urban pollution in low-income communities. This new activity will enable private and local

government investments in water supply and waste collection and treatment, and create incentives for water conservation and waste reduction. The Hillside Agriculture Project (HAP) contributes to this intermediate result by transferring environmentally sound agroforestry practices to low-income men and women farmers in important watershed areas. As HAP phases out in 1997, it leaves behind more than 6 million planted or rehabilitated economically-valuable trees and over 15,000 hillside farmers addressing soil management on fragile watershed land.

**2.2 Increased financial resources for environmental management.** USAID will seek to increase private sector financial resources for sustainable protected areas management, establish urban environmental management cost recovery mechanisms, and leverage USAID's resources with other donor and private sector partners. The DEMO Project is establishing a private sector-led capital campaign to expand a national fund for protected areas creation and management, and is working with community based organizations to establish finance-generating mechanisms to channel some of the implicit rents accruing to the tourist industry into natural resource protection. By the end of the strategy period, 80% of financial resources for protected areas management and sustainable tourism will come from private sector and revenue generating programs. The proposed urban environmental management activity will establish cost recovery mechanisms to sustain the public-private partnerships that address local water and sanitation issues.

**2.3 Strengthened capacity of Jamaican organizations to manage natural resources sustainable.** Efforts under SO2 will strengthen the capacity of non-governmental and community-based organizations to address water

and sanitation issues as well as to establish local public-private partnerships for natural resource management. The DEMO Project has two major focus areas. One is to strengthen policy, planning and implementation capacity of the Natural Resources Conservation Authority, Jamaica's environmental protection agency. The other is to strengthen the capacity of local groups (CBOs, NGOs, private sector firms) to manage protected areas sustainably, including through the use of customer focus groups of men and women.

**2.4 Established environmental policies and regulations to conserve key natural resources.** Natural resource management policy reforms are required, and will be assisted through the policy-level and regulatory interventions of the World Bank, Inter-American Development Bank, the GOJ, CIDA and the European Union. By the end of the strategy period, at least 20% of Jamaica's land surface is to be under protection. USAID will assist NRCA in establishing protection mechanisms as part of this effort.

### Special Themes

**Information technology:** SO2's information technology strategy prepares our Jamaican partners to address their current and future workloads, facilitating communications and information exchange. The other aspect of the strategy deals with uses of information and baseline data in natural resource and urban environmental management decisions.

USAID assistance has helped to move the Natural Resources Conservation Authority and NGO partners into the

information age. NRCA now has equipment and computer-literate staff and is in the process of installing a natural resource information system and an internal management information system. In addition, NRCA is establishing an Internet web site to assist communications within Jamaica and internationally.

While many aspects of Jamaica's environment have been studied, there is a paucity of information on the economic and social costs associated with various environmental problems. SO2 will work with our partners (GOJ, NGOs, and other donors) to ensure that biologic, social/gender and economic information is gathered, analyzed and disseminated in a timely and consistent manner. Building upon the experience to date, the challenge is to integrate the information and baseline data into the decision-making process at all levels.

**Community-based development:** Current GOJ policy promotes devolution of the government's planning and implementation authority to the parish level -- a trend in keeping with SO2's focus on increasing local participation in environmental management.

Evidence indicates that the communities which depend on the resources within parks and protected areas have not participated in the management of these areas. SO2 will pay greater attention to recognize the aspiration of such communities and to developing sustainable resource exploitation agreements, realistic alternative sources of livelihood, cooperative efforts to control resource extraction by outside interests and other measures to ensure their full integration into parks and protected areas management strategies.

**Partner collaboration:** USAID and a number of other international donors have demonstrated strong interest in fostering improved environmental management, both through governmental and non-governmental implementing agents. USAID, IDB and CIDA have been partners with the Natural Resources Conservation Authority in strengthening its capacity to carry out its broad-ranging environmental policy and regulatory functions. USAID, EU and the Netherlands have assisted both government and NGOs in improving management of protected areas. USAID, UNDP, the Environmental Foundation of Jamaica and CIDA's "Green Fund" have been instrumental both in strengthening the capacity of NGOs and in financing a range of NGO environmental improvement activities.

Extensive donor coordination and financing of environmental activities exists at several levels. USAID and other donors are represented at regular GOJ-initiated coordination meetings across a range of environmental matters (watershed planning, coral reef management, solid waste management, etc.). At the program level, USAID, IDB, CIDA, and NRCA have met monthly for several years to coordinate assistance activities. USAID is represented on the Board of Directors of EFJ which provides funds for NGO environmental improvement activities. EFJ's grant making is closely coordinated with that of the UNDP's small grants program and CIDA's Green Fund.

In watershed management, USAID's successful Hillside Agriculture Project led the way. Now, as HAP phases out in 1997, several donors (EU, World Bank, IDB,

UNDP, FAO and CIDA) have either on-going watershed management activities or activities under development -- all based upon the lessons learned during HAP.

SO2 will continue to emphasize close collaboration and the leveraging of USAID assistance with other donor funds.

### **Phase Down Plan**

By 2001, SO2 anticipates that the overall target of 20% of Jamaica's land surface protected, sustainably financed and managed, will be reached; mechanisms will be in place to provide steady resources; and trained staff will be available at the institutional levels. Natural areas will continue to be a high priority for the GOJ and NGOs, and USAID will strive to provide for this important purpose.

By 1999, SO2 will phase down its focus and assistance in natural areas management, protection, and financing. Based upon demand and irreversibility of the problem addressed, the focus of activities may turn to targeted interventions in urban environmental and coastal zone management, building upon SO2's present portfolio of activities and lessons learned.

USAID/Jamaica will work closely with other donors to develop the environmental policy agenda with GOJ and NGO partners. By 2000, SO2 will review the status of policy reforms and regulatory framework. A targeted policy initiative may be necessary.

Because Jamaica developed on the "grow first and clean up later" approach, environmental concerns had been an afterthought until the establishment of NRCA and a network of NGOs with EFJ financing -- all supported by USAID.

The Mission's resources will not be able to rectify all of Jamaica's environmental problems, but will provide a solid framework to avoid repeating mistakes of the past.

### **SO3: YOUNG JAMAICANS BETTER-EQUIPPED FOR THE 21ST CENTURY**

USAID/Jamaica has been a lead donor in social sector development, including the areas of family planning, health sector reform, AIDS/STD prevention and education assistance. With USAID support, Jamaica's total fertility rate has declined steadily from the 1960s, when women averaged 7.4 live births, to the late 1980s when it had fallen to 3.0 live births. USAID has also played an important role in supporting gains in health, including sharply reducing child and maternal mortality, and in health care reform including a successful strategy for maintaining public health care for the poor during the economic reform process. In the area of AIDS/STD prevention, Jamaica is making strides, not only in limiting the spread of HIV, but in reducing syphilis and other STDs through public, private and community-based efforts.

#### **The Crisis in Education**

Progress in the education sector has been less satisfactory. The CDSS for FY 1993-97 had proposed a phaseout of education assistance based on assumptions regarding other donor involvement and improved education standards. As noted in the Action Plan for FY 96/97, however, these assumptions did not materialize. According to Ministry of Education data, made available for the first time through USAID support for a management information system, basic skills and related performance standards have actually declined. Enrollment for primary school declined from 96% in 1989 to 80% in 1994; attendance fell from 87% to 65%; and the proportion of students completing sixth grade fell from 95% to 80%. The decline in standards affected boys more than girls,

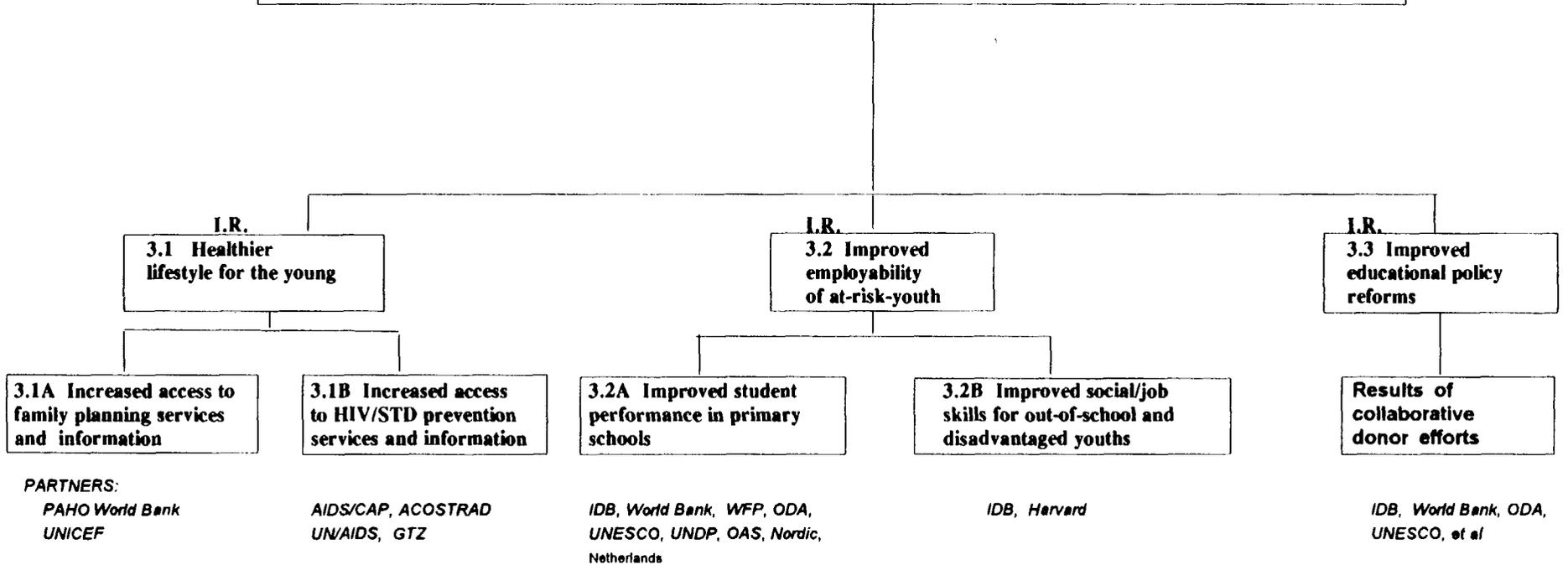
particularly in rural areas. Also, adult literacy fell from 88 in 1989 to 76% in 1994 -- a reflection of the increasing proportion of illiterates reaching adulthood.

This phenomenon will affect the capabilities of young people as they enter the workforce, which is already prone to a lack of basic skills and made up with a high proportion of untrainable personnel. Although unemployment has decreased to 15% from 25% in the early 1980s, most labor is absorbed by the informal sector where wages and skill requirements are low. This trend has continued through the 1990s. The problems of an uneducated and untrained workforce, and the negative impact on the investment climate, have been noted in a 1994 USAID workforce study and a recent U.S. Department of Commerce investors survey. Based on these analyses, as well as the consensus of diverse groups recently interviewed by USAID, including the private sector, the GOJ, NGOs and customers, *human resource development stands now as Jamaica's greatest need.*

#### **Remaining Challenges in Health and Family Planning**

With the decision to restore education to the its portfolio, the Mission has carried out a review of other SO3 program areas to identify remaining challenges in family planning, health and AIDS/STD prevention, particularly in light of reduced budget scenarios. In the area of health, many of Jamaica's indicators are at first-world levels. In health care reform, a 1994 World Bank-GOJ access and use study found that the GOJ's reform measures, while not complete, have not detracted from delivery of care to the poorest segments of society. Access to health care by all income groups has actually increased, with the poorest income group's access growing from 36%

**SO3: STRATEGIC OBJECTIVE: YOUNG JAMAICANS BETTER EQUIPPED FOR THE 21ST CENTURY**



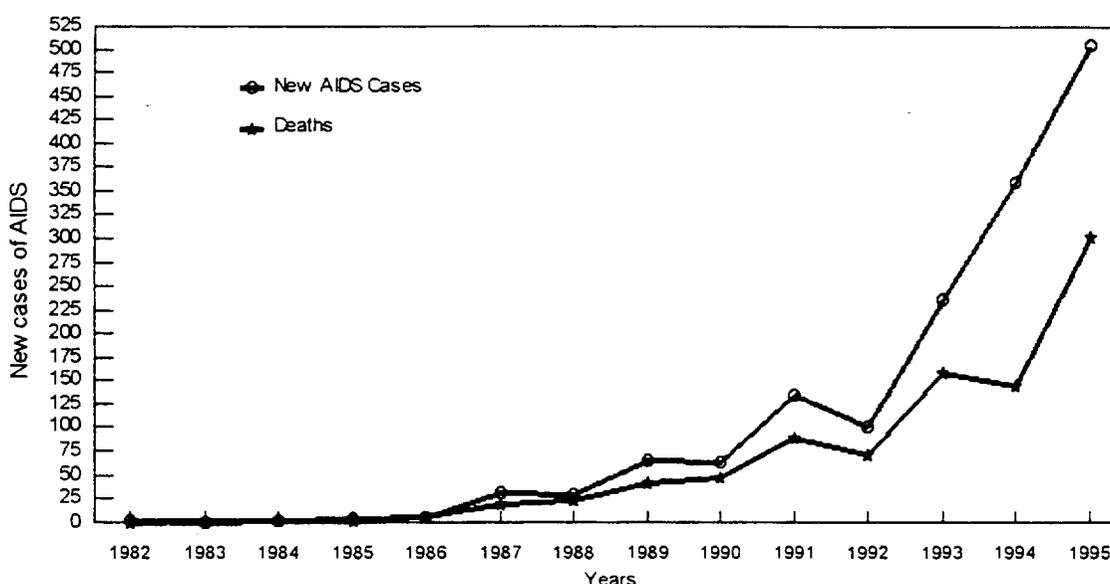
**CRITICAL ASSUMPTIONS**

1. GOJ budgetary levels for pre-primary and primary education maintained.
2. Jamaica's education tax will be prioritized for primary level education.
3. Jamaica's productive sector will expand to provide demand for labor.
4. Inflation rate will be controlled.
5. Political climate will remain stable.
6. GOJ's social contract with employers and trade unions will result in decreased inflation rate.
7. GOJ will provide training for teachers and other forms of direct support.
8. USAID planned budget levels sustained.
9. International donor sector input sustained.

in 1990 to 39% in 1993. As the poorest quintiles sought more care from the public sector, the wealthier segments share of public care fell from 30% in 1990 to 19% in 1994, thus allowing resources to be directed to the poor. Sixty-eight percent (68%) of the population now seek private outpatient care for all ambulatory services including family planning. Although there are significant problems remaining in health care

fertility rate and in gaining contraceptive prevalence. However, further declines in fertility are not possible without progress against two remaining obstacles: 1) broader use of long-term contraceptive methods, and 2) a reduction in the rate of unplanned teen-age pregnancies. USAID believes that a shift to longer-term methods will occur, including through the work of private physicians, public clinics and the National

Figure 11 - New cases of AIDS in Jamaica



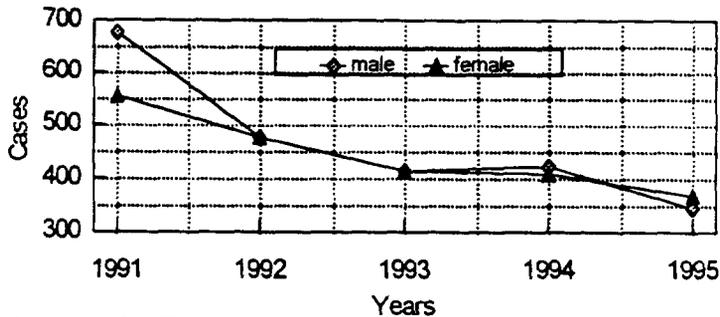
management, financing, decentralization and privatization, USAID believes that public-private health care progress will be sustained.

As reported in last year's Action Plan, the mission will be wrapping up its support for health sector reform at the end of its current project in late 1996.

In family planning, USAID and the GOJ have worked closely in bringing down the

Family Planning Board, and without USAID support past 1998. However, USAID believes that progress in reducing unplanned teen-age pregnancies -- 25% of girls leave school because of pregnancy, and 24% of all births are to teenagers -- is less likely without further support. The Jamaican Parliament recently passed legislation incorporating Family Life Education (FLE) in all levels of the school system. Though this policy was under discussion for 20 years, its passage was

Figure 12 - Incidence of primary and secondary syphilis



Source: MOH/FPI

catalyzed by USAID support as well as the preparations leading up to the UNFPA. While this is an important step, a concerted effort must also be made at the family and community level to make serious in-roads against the problem. Given the problems with similar FLE programs in other countries, it is important to provide carefully tailored assistance packages using successful models.

In AIDS/STD prevention, there has been progress in reducing syphilis rates and in raising awareness of AIDS/HIV. However, Jamaica is prone to an accelerating AIDS problem, despite a relatively low national HIV infection rate of 0.4%. AIDS cases are rising by about 60% annually, and a continued, concerted effort is required to bring a decrease in HIV transmission rates. Sexually-transmitted diseases affect a wide range of age groups. However, the most vulnerable group is young Jamaican men and women, given that world-wide, one-half of all HIV transmission is in persons under 25 years of age. Young Jamaican's lack of awareness of STD/AIDS, failure to use condoms, and a promiscuous lifestyle exacerbate the problem.

### Young Jamaicans At-Risk

Young Jamaicans, like youth anywhere, face difficult challenges and an uncertain future. However, the risks are more profound for socially and economically disadvantaged children, particularly those who have left school. Often, these problems are related to problems with dysfunctional families. Jamaica has a low incidence of nuclear families, and 42% are women-headed with a large incidence of sibling-headed households. In Jamaica, about 85% of all children are born out of wedlock, including 94% of children born in the Kingston metropolitan area.

The following are some of the critical problems which have been identified by a USAID-commissioned study which documented the magnitude of the out-of-school youth population, the ethnographic profile of this group and existing interventions which address the problem:

- 1) 200,000 adolescents are out of school and 30% of these out-of-school youth in the age range of 10-18 are illiterate; this compares with a national average illiteracy rate for the entire country of 24.3%;
- 2) about half of the children "graduating" from primary school are functionally illiterate, in both reading and math;
- 3) rates of teen pregnancy among out-of-school youth are alarmingly high, with pregnancy being a major reason for both girls and boys dropping out of school;

- 4) one in three children under age four, approximately 102,000 youngsters, live under the poverty line, and another estimated 2,500 children reside in the streets;
- 5) although the annual population growth rate of 1% would double the country's population to 4.8 million in the next 65 years, restrictive U.S. and other developed country migration policies could quickly accelerate this growth;
- 6) the labor force size is growing faster than the economy; the unemployment rate is 15.3%, including females (21%) and adolescents (40%);

As the numbers of persons living below the poverty line have increased there has been a corresponding trend toward aggressive and violent behavior. Children are involved in interpersonal violence at many levels -- as witnesses, victims and perpetrators. A study on children from inner city schools in Kingston found that 80% had witnessed violence either at home, at school or in their communities; 30% had been afraid to go to school because of violence in their communities; 37% had been involved in fights; 53% had been beaten by parents; and 63% had been beaten by teachers at some time during the year. Violence has affected school attendance and education, has eroded interpersonal trust and willingness to collaborate and has contributed to fear, anger and apathy among youth. The climate of fear among women and children, as a result of domestic violence and sexual abuse in particular, has created stress and tension particularly among women and children and has affected the psychological security and safety of family life.

### Proposed Strategy

Based on this analysis, it is clear that many of the greatest remaining challenges relate to young Jamaicans. Unless these challenges are met, Jamaica is unlikely to make a successful economic and social transition into the 21st Century. USAID proposes to play a leadership role in restoring hope for Jamaican youth through a comprehensive plan to reduce social and health risks, educate, train, and provide real opportunities for the Jamaican workforce of the information age.

To achieve this, the mission has selected as its objective, **Jamaican youth better-equipped for the 21st Century.**

To meet this challenge, USAID and its development partners must work to reduce risks, improve educational standards, and provide opportunities for Jamaica's young men and women today. In authorizing the Uplifting Adolescents Project (UAP) project in FY 95, the mission laid an important cornerstone of this new strategic objective. UAP will provide the resources for community-based organizations to deliver pre-specified packages of critical services to the most at-risk group among young Jamaicans -- out-of-school, disadvantaged adolescents between the age of 10-14. Now in contracting stage, UAP is aimed to change behaviors, attitudes and knowledge to reduce the risk of unplanned pregnancy, AIDS/STDs, drug use and violence, while overall raising self-esteem. The project will also support increased literacy and numeracy, a prerequisite for reconnecting young people with the economy.

However, the problems of young Jamaicans are broader than this demographic cohort. In-school children are also at-risk to a wide range of social problems, and because the education system is weak from years of underfunding, (95% of GOJ expenditures go to salaries) being in-school does not guarantee learning and preparedness. In its Action Plan for FY 96/97, the Mission proposed a new activity, New Horizons for Disadvantaged Youth, which would have addressed problems of young children, including at home, that lead to later poor educational performance and dropping out of school. In the Program Week review in Washington, the Bureau questioned whether this was the best investment in support of education, particularly when the system itself was not functioning well and did not have the institutional capacity to educate all children through the secondary level.

In response, USAID carried out a study of the problems of young children in the broader educational context (see Annex 3). While the consultants made an effective case for working with young children, particularly through early childhood education, the Mission has not identified an acceptable set of interventions, given resources and prospects for sustainability. Instead, USAID/Jamaica will design a new set of integrated activities in support of increased literacy/numeracy for children in primary schools. This could include joining an existing multi-partner effort with the Computer Society for Education Foundation, the private sector, the Inter-American Development Bank and the World Bank under the Jamaica 2000 project and related activities.

## Intermediate Results

**3.1: Healthier Lifestyle for Young Jamaicans:** USAID/Jamaica will carry out activities designed to reduce risks of unwanted pregnancy and sexually-transmitted diseases, including AIDS. In the public arena, support would be given to successful implementation of the Family Life Education curriculum in the school system, through teacher training and materials development, and based on lessons learned in countries such as the U.S., Nigeria, Mexico and Chile. USAID would also consider support for expanding programs like the highly successful Women's Center, which provides continuing education to pregnant girls, and has been 99% successful in delaying a second pregnancy until adulthood. USAID would also stress programs that first encourage abstinence and delayed sexual initiation, but provide the counseling, education and access to contraceptives through special programs as a reliable fallback option. This approach would apply as well to the Mission's new efforts at stemming AIDS/STD transmission, particularly through approaches that improve behavior, knowledge and practices among younger Jamaicans. USAID will continue to support the Epidemiological Unit's efforts to take their program to the North Coast, where tourism and urbanization have exacerbated the HIV transmission rate, and in reducing STDs as a co-factor of HIV transmission.

**3.2: Improved Employability of Young Jamaicans:** USAID will target two lower-level results to improve employability of young Jamaicans, through improved

literacy and related basic skills performance of primary school graduates as well as for out-of-school youth. In-school programs will dovetail with other partner programs, and will expand mathematics curricula developed under a previous USAID project. Under the Uplifting Adolescents Project, out-of-school children will be direct beneficiaries of multi-modal packages of services and skills training delivered through NGOs, grants. USAID will also provide technical assistance and training to strengthen NGOs' performance and prospects for sustainability.

### Special Themes

**Information Technology:** USAID will increasingly use computer technology in all of its programs, including in SO3. The most notable example will be in education. USAID may provide complementary assistance to the Jamaica 2000 Project, which seeks to introduce computer training for all pupils and teachers in all 1,100 primary and secondary schools and teacher-training colleges in Jamaica by the year 2000. USAID's specific interest in the program is in increasing literacy/numeracy standards at the primary school level, the current application focus of the program. Some possible results of USAID's activities, which would focus on primary schools, would include the replication on a wide scale of a successful model for expanding school computer labs into well-managed, financially-sustainable community resource centers, which continue to serve their primary role in giving enrolled students basic literacy/numeracy/computer skills, while alternatively serving the out-of-school population in basic and specialized training, including in support of productive enterprises in the community. These schools, located in

one or two educational regions, could possibly be electronically linked to the USAID-financed management information system computers at Ministry of Education headquarters, as well as to regional education centers, to enable efficient and rapid transmission of data and communications for improved school management.

**Community-Based Development:** USAID has successfully used community-based approaches in family planning public awareness and education, and particularly in AIDS/STD prevention through the use of peer groups, CBOs and NGOs. The Uplifting Adolescents Project, as part of the new strategic objective, will provide new resources for these groups in their community-based efforts to manage risks and increase opportunities for out-of-school youth. In education, USAID was the lead donor in the school-community committees that have worked to reduce vandalism, improve curriculum, and even raise funds for infrastructure including computer labs. The Mission plans to apply this model to new challenges in education, including specific results related to literacy/numeracy, and to overall increase participation in school management.

**Partner Collaboration:** SO3 participates on donor working groups for AIDS prevention, health and education. In the strategy period, SO3 proposes expanding the education working group to include private foundations, and possibly establishing an administrative secretariat in a non-governmental organization or foundation to coordinate meetings, set agendas and report. The working group

could also play a more critical role in establishing an education policy agenda, and overall in insuring more collaborative private-public efforts to maximize investments.

### **Phase Down Plan**

USAID/Jamaica predicates its SO3 strategy on the assumption that many of the gains in the areas of family planning and health care reform will be sustained, and that the Mission can now target its resources towards particular problems of young people. However, USAID will continue to support the National Family Planning Board, perhaps through 1998, with tailored assistance intended to ensure it continues to fulfill its mandate. USAID also believes that private business and physicians will meet their expected roles in contraceptive procurement and a promotion of longer-term methods.

USAID believes it can accomplish its lower level result of significantly reducing unwanted teenage pregnancies over the strategy period. A 25% decline in teenage births equates to 6% of total annual births, and would be a major contribution to protecting the chances that young men and women will complete their education. With a significant reduction in teenage pregnancies, USAID would be in a position to end its family planning assistance to Jamaica.

In AIDS/STD prevention, monitoring of HIV spread, high-risk behavior, awareness and STD incidence among men and women will be required to determine the need for further USAID assistance past the year 2001.

Education will remain a challenge for years to come. Until government is in a

position to increase spending in all social sectors, there is little chance that education standards will quickly change. However, with USAID and other partner assistance, gains can be made at reversing downward literacy/numeracy rates, and in boosting primary school attendance. This is a minimum requirement for Jamaica to be able to participate in the global economy of the 21st Century. The Mission expects to stay engaged in this area past the strategy period.

**STRATEGIC SUPPORT OBJECTIVE  
(SSO): INCREASED CARIBBEAN  
CAPACITY TO ADDRESS REGIONAL  
DEVELOPMENT PROBLEMS**

USAID/Jamaica proposes the establishment of a new Strategic Support Objective, **increased Caribbean capacity to address regional development problems**. The Mission proposes such an objective because the U. S. has political and development interests in the region and there is a record of successful regional activities being developed and managed from USAID/Jamaica on behalf of Missions and central USAID Bureaus.

There is a new urgency to provide effective, innovative development assistance vehicles as USAID faces declining budgets and a diminished bilateral presence. As such, USAID management is exploring regional assistance modalities (State 53153 and 95 State 293375). The Caribbean Disaster Mitigation Project (CDMP) and the Caribbean Environmental Network (CEN) are examples of low-cost and efficient USAID interventions. The Mission has been responsive in designing and implementing these as well as other LAC initiatives such as the Dominica Infrastructure Storm Repair Project and the Environmental Initiative for the Americas activities in Jamaica and Haiti. The establishment of this objective is meant to formalize and consolidate a variety of discrete development activities of a regional or mission support nature (e.g. Haiti and the Dominican Republic) that have arisen over the last few years and which are likely to continue as U.S. political and development priorities evolve.

**U. S. Interests**

The U. S. Government's political agenda for the region includes containment of production and transshipment of drugs, free trade and investment, migration, and collaboration in international fora. Changes in trade regimes threaten the smallest, most fragile island economies. The U. S. trade position following the Summit of the Americas and North American Free Trade Area Agreement have eroded gains achieved under the Caribbean Basin Initiative. The U.S. failure to pass the Interim Trade Bill, the U. S. position on European Banana imports and its stance on trade with Cuba impact adversely on Caribbean economies and our relations with our neighbors.

Cooperation with our neighbors on drugs is a major policy objective, affected the ability of the governments themselves to sustain effective efforts in the face of economic hardship. Without improved economic and social conditions, illegal migration will continue to grow as a problem. Many in the immigrant population are unemployed and lacking high school educations. Finally, the island states of the region have been cooperative on leadership of the Organization of American States, nuclear non-proliferation and U.S.-Haiti policy. They could be useful allies as events in Cuba unfold.

**Caribbean Regional Development Issues and Strategic Approaches**

There are several regional development issues in which the U. S. government has an interest. Cable 95 State

293375 states "...we plan to continue efforts to promote Western Hemispheric goals and integrity. Disaster mitigation, environment and trade mentioned in the two papers on the English speaking Caribbean after RDO/C closeout are important to hemispheric goals."

The economic well-being and trade regimes of our neighbors are important development issues. USAID Strategic Framework Goal 1 is "broad-based economic growth achieved." The Summit of the Americas underscores these concerns and serves as a major policy initiative for the region. LAC has authorized the Hemispheric Free Trade Expansion project to help implement that policy. USAID is supportive of a regional economic policy that promotes free trade and U. S. investment. USAID/Jamaica will pay particular attention to the agenda of the working group on small island economies currently being chaired by the Jamaican Ambassador to the U.S. Jamaica has already implemented treaties on intellectual property rights and bilateral investment, a Fair Trading Commission, and a Security Exchange Commission, all of which represent responses to issues on the working group's agenda. Another rapidly emerging issue is that of information technology which the USAID Mission already has embraced as a cross-cutting theme in its development program.

Environmental quality also forms an essential development concern. USAID Strategic Framework Goal 4 is Environment Managed for Long Term Sustainability. Agency Objective 4.1 is biological diversity conserved. We share an important resource, the Caribbean Sea, which is rich in marine resources. The U.S. Government has

identified as one of its principle global environmental concerns marine resources. It has spearheaded the International Coral Reef Initiative (ICRI). The Summit of the Americas calls for a Partnership on Biodiversity. That partnership includes an element to "build capacity for the conservation and sustainable use of biodiversity, through programs on management of parks and protected areas, forest and wetlands management, the Small Islands Developing States, the Coral Reef Initiative,... among others." The quality of Caribbean Natural resources bears significantly on a mainstay of the regional economy, and tourism.

Natural disasters pose a major threat to regional development. The small islands are usually decimated when hurricanes hit their shores, much more so than countries with large land masses. Moreover, they are relatively frequent events which grow more destructive as increasing levels of economic infrastructure concentrate in environmentally sensitive coastal zones. USAID Strategic Framework Objective Goal 5 is "lives saved, suffering reduced and development potential reinforced." Agency Objective 5.1 is "potential impact of humanitarian crises reduced." Because of the frequency of natural disasters and the proximity of the Caribbean to the U.S., a relatively large level of USAID relief is provided to the region. The Bureau of Humanitarian Assistance has focused on disaster mitigation as a way to reduce the need for future relief efforts by the U.S. and minimize the disruption caused by disaster events on already fragile Caribbean economies.

### **Other Donor Programs and Complementarity**

USAID is working closely with other donors on disaster and environmental issues. The CDMP is being implemented by the Organization of American States, the Department of Regional Development and the Environment. Oversight is being provided by such regional institutions as CARICOM and the Caribbean Emergency Disaster Response Agency (CEDERA). The project was the first comprehensive effort of its kind in the world and has become a model for the design of other donor efforts. The World Bank is now designing a follow-on project for the region which will emphasize regional insurance capacity and capacity to administer policies stemming from CDMP. The InterAmerican Development Bank is planning a similar activity. The Caribbean Development Bank is in effect adopting the risk mapping technologies developed exclusively under the CDMP project and working with the island nations it serves to specifically ensure that infrastructure designs and construction are carried out to withstand the effects of hurricanes and tropical storms. The USAID-funded Dominica infrastructure project will provide the resources and services to serve as a model for future CDB financed engineering and construction in the region. The PanAmerican Health Organization is carrying out a component with its resources that will promote safe construction of hospitals and similar life line facilities. The Dominican Republic, Haiti, Jamaica, RDO/C and Belize missions have activities underway that are supportive of their overall assistance programs.

With regard to marine resources, the design of the CEN project calls for its oversight

by a committee of donors involved in coral reef issues. The project's Technical Advisory Committee (TAC) consists of United Nations Development Program/Global Environmental Facility, the World Bank, United Nations Environmental Program and the French and British development agencies all of whom have agreed to participate in the project. The idea of the committee is to coordinate closely with the other donors and to use lessons learned in CEN-financed pilot projects to more effectively deploy donor resources during and after CEN implementation. The UNEP office in Kingston is implementing the project and is contributing \$400,000 to the effort. The Haiti, Dominican Republic and RDO/C missions have activities that are being developed under this project.

### **Proposed Intermediate Results**

The SSO is structured to enable the Caribbean to address issues of mutual concern. The intermediate results to be achieved are "strengthened technical capacity to implement activities that address mutually agreed-upon development issues" and "effective policies and regulations to enable adoption of regional solutions".

**Strengthened Technical Capacity To Implement Regional Activities:** The development areas where this will be accomplished include environment, disaster mitigation and free trade. Strengthened capacity of Caribbean institutions will sustainably and cost-effectively address truly regional problems, thus reducing external dependence. The Hemispheric Free Trade Expansion project would assist

particularly the smallest island economies in helping them develop the capacity to participate in the new trade arrangements that are evolving, by the Caribbean Environmental Network and ENCORE projects which will work with governments and the private sector on addressing coastal zone and marine degradation due to tourism, and by the Dominica Storm Infrastructure Repair project which provides USAID assistance to design infrastructure that can withstand hurricanes, storm surge, flooding and like phenomena.

**Effective Policies And Regulations To Enable Regional Solutions:** Effective policies on free trade will be promoted by the Hemispheric Free Trade Expansion project. With regard to free trade the focus would be on sound regulation and supervision of capital markets that support progressive integration as well as improved trade disciplines. With regard to information technology, policies will be promoted which encourage competition, implement flexible regulatory regimes, provide access to information networks and ensure universal service. On disaster mitigation, the Caribbean Disaster mitigation Project and the Dominica infrastructure activity will promote the establishment of public sector policies on the location of infrastructure and critical economic activities, design and construction regulation of such facilities, and the regulation of residential development. Private sector policies on where to invest and the appropriate pricing policies also will be affected by the project. Also private utility companies are investing in strengthening their infrastructure systems. ENCORE should impact on environmental policies in OECS countries.

### Special Themes

**Partner Collaboration.** Under the environmental activity, the Caribbean Environmental Network (CEN) Technical Advisory Committee (TAC) defines the partnership framework with the donor community. The TAC meets semi-annually and discusses results of CEN, the activities of other donors on coral reef activities, and new initiatives that could impact on regional activities. With regard to disaster assistance we are working closely with CARICOM, CEDERA, PAHO, the World Bank and CDB on improving the design, construction, and insurance practices in the region. The CDMP has a TAC as well that promotes and coordinates the project policy agenda and involves USAID Missions, the OAS and regional institutions in management oversight.

**Community-Based Development:** Under CDMP there is a major community-based component that addresses preparedness. In the Dominican Republic the private business sector along with an association of NGOs are carrying out a series of training and community based awareness and mobilization projects that will promote improved readiness, particularly in urban areas that are high risk disaster sites (e.g. populations living in flood plains).

Under CEN and ENCORE there are a total of ten community-based pilot projects that coordinate interventions designed to protect coastal areas and marine resources.

**Information Technology** The CDMP has developed state-of-the-art hazard risk maps, a technology which is now being adopted by the National Oceanic and Atmospheric Agency, the Caribbean Development Bank,

the World Bank, insurance and reinsurance companies worldwide, among others. The technology uses Geographic Information Systems to develop 30 square foot "footprints" which can identify relative risk of a location to storm surge, hurricane, wave action and flooding phenomena. The Summit of the Americas promotes the spreading information technology and infrastructure. The Mission through HFTE will introduce the Internet and the many possibilities it raises in its application to countries of the region.

## VII. MANAGEMENT PLAN

USAID assistance to Jamaica is financed from the Development Assistance (DA) account. DA operational year budget (OYB) levels for the past three years from the DA have averaged \$10.5 million, down from about \$15 million in the four previous years. The Economic Support Fund (ESF) program for Jamaica, which had supported the reform program under structural adjustment, ended in FY 93. Despite these reductions, the USAID Mission has been able to minimize disruptions to its program by prudent actions, including a three-year hiatus in new project starts, and by focusing its activities within its strategic objectives on more discrete and attainable results.

### The DA Program: FY 1997-2001

LAC Bureau guidance provides two budget scenarios over the strategy period. The base level, of \$68.5 million, provides the planning framework for the Mission's three results frameworks. At the lower level of \$61.4 million, USAID/Jamaica anticipates achieving most of its planned results, with the exception of specific results as outlined below. In the case of both scenarios, the proposed budget includes bilateral assistance as well as the Mission's contributions to Global programs in support of the Jamaica program.

The lower budget level is based on a relatively sharp reduction in discretionary (Economic Growth) funding. This is particularly concerning, as it negatively affects the Mission's ability to fully implement its highest priority strategic objective, *increased participation for*

*economic growth* (SO1). At the same time, it would also detract from USAID's ability to achieve one of its most important intermediate results, *improved employability of young men and women*, under SO3. This critical education/basic skills result will depend on discretionary funding in absence of any special and additional basic education directive funding during the period. These reductions would also have a negative impact on the synergistic relationship between the three strategic objectives, which include activities that are mutually reinforcing.

At both budget levels, and given both the base and reduced OE scenarios, the Mission would retain three strategic objectives, particularly given the importance of SO1, and the relative security of environmental and population/AIDS directives.

**Table 1**  
**DA Funding Requirements**  
**By Strategic Objective (\$ Millions)**

<b>Strategic Objective/Special Objective</b>	<b>Base Scenario</b>	<b>Low Scenario</b>
<b>SO1: Increased Participation for Economic Growth</b>	23.75	18.6
<b>SO2: Increased Protection of Key Natural Resources in Environmentally and Economically Significant Areas</b>	20.60	20.0
<b>SO3: Young Jamaicans Better-Equipped for the 21st Century</b>	24.15	22.8
<b>Total</b>	68.50	61.4

**Table 2**  
**Resource Requirements**  
**Scenario 1 - Base Level (\$ Millions)**

Strategic Objective	FY97	FY98	FY99	FY00	FY01	Total
<b>SO1: Increased Participation for Economic Growth</b>						
<b>Total SO1 DA</b>	4.7	4.2	5.0	5.3	4.55	23.75
<b>SO2: Increased Protection of Key Natural Resources in Environmentally and Economically significant Areas</b>						
<b>Total SO2 DA</b>	4.0	4.0	4.2	4.2	4.2	20.60
<b>SO3: Young Jamaicans Better-Equipped for the 21st Century</b>						
<b>Total SO3 DA</b>	6.6	5.1	4.1	3.8	4.55	24.15
<b>Grand Total</b>	15.3	13.3	13.3	13.3	13.3	68.5

### Impacts of Program Cuts

The Mission has predicated its strategy on the full funding scenario, and is confident of attaining its three strategic objectives. The SO narrative sections include phase-down plans, which indicate which results will be achieved during the FY 1997-2001 period, and which sectoral

challenges will remain at the end of the period. At the lower funding level, however, the Mission anticipates that several proposed impacts will not be accomplished due to limited resources:

**SO1:** The low funding scenario for SO1 would impact on all of its proposed results. It would reduce somewhat USAID's impact on increased opportunities for the poor

from microenterprise support. This would equate to up to several hundred new firms not created, or firms supported. USAID would in this case make every reasonable attempt, however, to ensure that women as a group were not affected disproportionately. This would also detract from USAID's contributions to the GOJ's poverty eradication program. In regard to productivity enhancement and selected export support, USAID would make every attempt to ensure that the impacts of decreased funding were minimized on the poor, including women. In the area of investment support, USAID would curtail its privatization support, which would require the GOJ to find alternative sources of funding for technical assistance to complete its remaining ambitious, yet critical, program. USAID may also curtail onward customs reform support in favor of protecting resources for possible technical assistance in support of Jamaica's policy and regulatory reforms to ensure NAFTA parity or accession to the FTAA by the year 2005. Reduce funding levels could also impact on USAID's ability to enter into any future co-financing arrangement with Japan/OECF.

**SO2:** Because the environmental budgetary directive provides a level of protection to SO2, there would be less impact on natural resource management activities. At the low funding level, SO2 would have a slight decline in resources. USAID would in turn reduce funding under its planned urban pollution abatement activity, thus reducing the number of low-income families that would have access to environmentally-sound waste disposal facilities. USAID would maintain its support for protected

areas management, and would prioritize its activities in support of the national goal of 20% of all lands protected.

**SO3:** The reduction in discretionary funding at the lower budget level will limit the Mission's ability to increase literacy and numeracy rates among children. This negative impact on program results would apply to both in-school activities, and out-of-school interventions in support of at-risk adolescents. Because the population/AIDS directive is maintained at the low level over the strategy period, the Mission would be able to achieve its impacts on AIDS/STD prevention, reduced teenage pregnancies, and related results.

**Caribbean Regional:** Under current guidance, USAID/Jamaica will continue to manage regional activities in support of the environment (CEN) and disaster relief/mitigation (CDMP and the Dominica infrastructure rehabilitation). Because these activities are fully funded, program budget fluctuation will not impact on the Mission's ability to support these activities.

**Table 3**  
**Resource Requirements**  
**Scenario 2 - Low Level (\$ Millions)**

<b>Strategic Objective</b>	<b>FY97</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>Total</b>
<b>SO1: Increased Participation for Economic Growth</b>						
<b>Total SO1 DA</b>	4.6	3.50	3.50	3.50	3.5	18.6
<b>SO2: Increased Protection of Key Natural Resources in Environmentally and Economically significant Areas</b>						
<b>Total SO2 DA</b>	3.4	4.0	4.2	4.2	4.2	20.0
<b>SO3: Young Jamaicans Better-Equipped for the 21st Century</b>						
<b>Total SO3 DA</b>	4.6	4.7	4.5	4.5	4.5	22.8
<b>Grand Total</b>	12.6	12.2	12.2	12.2	12.2	61.4

**TABLE 4**  
**USAID/Jamaica Staffing Plan**  
**Base and Low Scenarios (Full Time Equivalent)**

Operating Expense Funded	FY95 Actual	FY96		FY97		FY98		FY99		FY00		FY01	
		Base	Low										
UDSH	9	12	11	11	10	11	10	10	10	10	10	10	10
FSNDH	8	8	7	0	0	0	0	0	0	0	0	0	0
FSNPSC	22	40	40	49	48	48	48	48	48	48	48	48	48
USPSC	1	2	2	3	3	3	3	3	3	3	3	3	3
<b>Subtotal OE</b>	<b>40</b>	<b>61</b>	<b>60</b>	<b>63</b>	<b>61</b>	<b>62</b>	<b>61</b>						
<b>PROGRAM FUNDED</b>													
FSNPSC	24	10	10	8	8	8	8	8	8	8	8	8	8
USPSC	6	6	6	6	6	6	6	6	6	6	6	6	6
PASA	1	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal Program</b>	<b>31</b>	<b>16</b>	<b>16</b>	<b>14</b>									
<b>GRAND TOTAL</b>	<b>71</b>	<b>77</b>	<b>76</b>	<b>77</b>	<b>75</b>								

### Staffing

A summary review of Table 4 suggests that USAID/Jamaica is "straightlining" its staffing projections. This, in fact, is not the case. There is a decline in USDH staffing levels which is not fully reflected in the table. The RHUDO operation based in Jamaica is being phased out and, consequently, the Mission will very much feel this loss as it seeks to maintain its regional initiatives. The workforce guidance indicated that USAID should have a USDH count of 11, as noted in "the most recently submitted Table VIII B." USAID was, in fact, authorized 12 positions and projected only filling 11 by the end of this FY. In

addition, USAID feels that it can, in due course, eliminate the Financial Management Officer late in FY97. With the advent of the NMS, deferring this departure so that the incumbent can facilitate the implementation of, in particular, AWACS would be the best course of action.

In FY97, USAID intends to convert its FSNDH employees to FSNPSC status. Earlier in FY96, 15 Trust Funded FSNPSCs were transferred to the operating expense side of the ledger. Given the anticipated project funding levels, USAID would not want to reduce its FSNPSC levels beyond that shown.

There has, in fact, been a slight increase in USPSC levels. The increases are associated with (a) the recruitment of a dependent spouse (exempt from PSC ceiling status) to assist in SO3, helping to offset an offshore USPSC who departed post in FY96, and (b) the anticipated recruitment in FY97 of a dependent spouse (also exempt from ceiling) to assist with personnel management oversight under an interagency (ICASS) agreement. USAID would manage the personnel program but the PSC's costs would be prorated.

Staffing levels in FY98 and beyond are hard to project pending confirmation that USAID will be spearheading a regional program.

During FY96 USAID/Jamaica initiated a transition from traditional offices to strategic objective teams. Among other things, this change has raised to the forefront the need to match available human resources with program needs. It has also been clearly recognized that the Mission should not consider personnel assignments as static but, rather, as resources to be reallocated as needs change. USAID's traditional personnel "tools" are ill-equipped to deal with frequent change and so work has been initiated to take a closer look at our human resources and how they can be optimally assigned and reassigned to meet our strategic objectives. A resident hire USPSC will be focusing his/her efforts on this task during the next three months.

### **Operating Expenditures/Trust Funds**

Table 5 of USAID's FY96/97 Action Plan provided a summary project

timeline. With the new Automated Directives in effect, there has been a shift to results packages rather than projects. Regardless of this change, USAID anticipates substantial design work over the FY 96-97 period and several new activity starts, particularly given the fact that the Mission's mortgage has been drawn down to a low level with a number of authorized projects due to be completed in the next two fiscal years.

To the extent possible, USAID is exploring--see the first paragraph of this section--whether existing staff time can be reallocated to meet at least part of these needs. This effort recognizes that additional activities will be coming to a close in FY97 which will free up some resources. It is also recognized that there has been a historic reliance on Trust Funds (TF) to compensate for shortfalls in appropriated funds. The ESF program, the source of TF, ended in FY 93. As these funds run out, FSN salary and GSO manpower services contract costs will demand a higher proportion of OE. Although the more frequent reallocation of human resources will certainly stretch USAID's current staff (and require them to develop skills in other areas), this approach has been determined preferable to implementing a RIF plan, should USAID/W not be able to fully meet ongoing needs with appropriated funds. OE funding requests have been tempered accordingly.

Inflation continues to plague Jamaica and is compounded by extremely high commercial interest rates (40-70%). An FSN salary increase averaging over 59%

was implemented in August 1995 but has since been largely eroded. Although in many Missions such situations are more than offset by local currency devaluations, USAID's current reliance on TF, instead of U.S. Dollars, to cover FSN salary expenses has essentially accelerated the depletion of the Trust Fund account and its interest accruals. This was exacerbated by the Mission voluntarily giving up \$250,000 in OE dollars through substitution of Jamaican TF dollars. A spot survey (covering salaries but not allowances) is being scheduled and another wage rate adjustment is expected later this fiscal year.

In late November 1995 USAID relocated into a new office building which was constructed because of the high rental cost of leased space in Jamaica. The move will save the Agency over \$600,000/year in OE funds and will effectively be amortized in about four years. The move has, however, resulted in additional needs which the Mission is trying to cover under its current OE budget. Although the new building has a small (2,300 sq. ft.) storage area, this is not sufficient to meet personal property and records storage requirements as well as a maintenance work area needs. USAID is looking for an inexpensive, off-site location which it can lease to address this problem. A thorough review of other OE needs also indicates that this Mission has "gotten by" on its equipment for too many years and the results are beginning to show. For example, the local Xerox representative has indicated that they can no longer service eight of our machines because they no longer carry spares for those old models. Similarly, the Mission has found that a substantial investment still

needs to be made in its computer system (for example, there is no common access to a CD-ROM server which means employees cannot even look up Agency directives and additional computers need to be purchased to accommodate software which cannot be run on "clean" NMS computers). The budget request prepared by ADP alone for this FY exceeded \$225,000. In short, the demand for OE resources during the next two-three years is going to be high despite efforts to reduce OE-funded staff and to limit unnecessary expenses.

As an experimental lab, the Mission has spent the last year learning a great deal about itself. It has gone to great lengths to reorganize and to place its work into the type of perspective that will lead to the results we all would like to see. USAID's Controller and Executive Officer have a clear sense of what needs to be done to support these endeavors. The "assumed" 2% percent reductions in FY97 and FY98 (a de facto 5% + increase, if inflation is taken into consideration) can be absorbed here just as it can be at every other USAID Mission, by increasing staff workloads, with the consequence of increasing vulnerability to less effective program implementation. Unlike most other Missions, however, the cuts are ill-timed as USAID/Jamaica faces the high cost of relocating into a new Mission and of addressing some significant and long overdue procurement needs. Since most of our costs are relatively fixed, these reductions will impact primarily on training opportunities, field trips, equipment upgrades and so on. That is, the same slow but sure attrition which the Agency has

been forced to deal with for the last five years.

USAID/Jamaica will also continue to manage important regional activities in the areas of disaster, environment and possibly, trade, at least through FY 98. The Mission believes it can provide this regional activity oversight within the resources currently provided internally and by BHR and G/HUP support for PSC staff. The Mission plans to absorb the USDH position (the current RHUDO chief) within its existing FTEs that total 12, and will also be able to cover an FSN secretary position.

### Other USAID Support

The Mission plans to draw on USAID/W technical support for achieving the SO's, as well as carrying out its policy and analytical agendas and implementing reengineering activities:

#### SO1

- ISO standards training;
- microenterprise institutional development, and outreach programs;
- NAFTA parity and FTAA accession technical assistance;

**TABLE 5**  
**Operating Expenses**  
**Projection (\$ Millions)**

<b>BASE PROJECTION</b>							
	<b>FY96</b>	<b>FY97</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>Total</b>
<b>Dollars</b>	1,561.3	1,561.3	1,561.3	1,561.3	2,732.6	2,732.6	10,149.1
<b>Trust Funds</b>	1,171.3	1,171.3	1,171.3	1,171.3	-	-	3,513.9
<b>Total</b>	2,732.6	2,732.6	2,732.6	2,732.6	2,732.6	2,732.6	13,663.0
<b>LOW PROJECTION</b>							
	<b>FY96</b>	<b>FY97</b>	<b>FY98</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>Total</b>
<b>Dollars</b>	1,561.3	1,530.1	1,499.5	1,469.5	2,520.5	2,470.0	9,489.6
<b>Trust Funds</b>	1,171.3	1,147.9	1,124.9	1,102.4	-	-	3,375.2
<b>TOTAL</b>	2,732.6	2,678.0	2,624.4	2,571.9	2,520.5	2,470.0	12,864.8

*Trust Fund available only through the end of FY99.*

- export marketing;
- applications of information technology in microenterprise, productivity training, export marketing, investment mobilization.

### **SO2**

- policy study on environmental requirements for coffee production;
- ISO standards training and technical assistance;
- applications of information technology in environmental management.

### **SO3**

- design of literacy/numeracy programs;
- AIDS

Mission Management will need considerable support from USAID/Washington, specifically from the Global Bureau Center for Population, Health and Nutrition. Technical assistance will be requested in areas such as contraceptive technology update; social marketing for contraceptives; quality assurance for providers of care in the public sector clinics. Also, support is needed in the field for the integration of the AIDS/STD prevention program into family planning programs and services for local private voluntary organizations.

### **Programming Options Matrix**

Tables 6 and 7 show the programming options available to the Mission in addressing Agency focus areas and Congressional interest areas at projected base and low funding levels.

**TABLE 6**  
**Agency Focus Areas**  
**Scenarios (\$ Millions)**

Strategic Objective	Encouraging Economic Growth		Stabilizing Population Growth		Protecting The Environment		Building Democracy		TOTAL		% Total	
	Base	Low	Base	Low	Base	Low	Base	Low	Base	Low	Base	Low
SO1	23.8	19.2			1.1	1.0			24.9	20.2		
SO2					20.0	19.4			20.0	19.4		
SO3	6.7	6.6	16.9	15.2					23.6	21.8		
<b>TOTAL</b>	<b>30.5</b>	<b>25.8</b>	<b>16.9</b>	<b>15.2</b>	<b>21.1</b>	<b>20.4</b>			<b>68.5</b>	<b>61.4</b>		
<b>Percent</b>	<b>44</b>	<b>42</b>	<b>25</b>	<b>25</b>	<b>31</b>	<b>33</b>					<b>100</b>	<b>100</b>

*Percentages have been rounded to ensure that totals equal 100%.*

**TABLE 7**  
**Congressional Interest Areas**  
**Base and Low Scenarios (\$Millions)**

Strategic Objective	Child Survival		Population		AIDS		Basic Education		Environ't		Micro Enterprise		Total	
	Base	Low	Base	Low	Base	Low	Base	Low	Base	Low	Base	Low	Base	Low
SO1									1.1	1.0	4.4	3.3	4.3	
SO2									20.0	19.4			20.0	19.4
SO3			11.1	7.8	7.2	7.4	6.7	6.6					25.0	21.8
<b>TOTAL</b>			<b>11.1</b>	<b>7.8</b>	<b>7.2</b>	<b>7.4</b>	<b>6.7</b>	<b>6.6</b>	<b>21.1</b>	<b>20.4</b>	<b>4.4</b>	<b>3.3</b>	<b>50.5</b>	<b>45.5</b>
<b>% OYB</b>			<b>16</b>	<b>13</b>	<b>11</b>	<b>12</b>	<b>10</b>	<b>11</b>	<b>31</b>	<b>33</b>	<b>6</b>	<b>5</b>	<b>74</b>	<b>74</b>

*The remaining OYB funding (26% for both scenarios) will be used in non-Congressional interest areas.*

## VIII. METHODOLOGY AND CONSULTATIVE PROCESS

In preparing its five-year strategy plan, USAID/Jamaica commissioned a series of studies and relied on other reports prepared as part of ongoing program management. In refining the proposed strategy, Mission management depended on its strategic objective teams and discussions with partners and customers to refine the thinking on the future of a USAID program in Jamaica. The SO teams decided on the following precepts to guide the strategy development:

\* *Innovation*, meaning that the strategy must conform to a vision of global and local trends so that the strategy can serve as a bridge to the 21st Century;

\* *Sustainability*, meaning that the strategy should assist Jamaica in achieving social and economic self-reliance;

\* *Synergy*, meaning that USAID/Jamaica needs to leverage its scarce developmental resources by coordinating its efforts with those of other donors and by selecting activities which produce maximum results per dollar invested;

\* *Customer-orientation*, meaning a maximum effort to ensure communication with partners and customers, and transferring ownership of the project activities to local counterparts.

The pivotal studies during the strategy preparation period included:

- Jamaica 2015, a futurist's perspective on Jamaica's path into the information age (Jerome Glenn);

- USAID customer survey, analysis of a survey of 500 USAID customers and partners' views of USAID's programs (Marlene Thompson and Associates).

- Participation in Economic Growth, an overview of constraints and opportunities for sustained economic growth (Financial Markets International, Inc.);

- Free Trade Survey, a detailed survey regarding Jamaica and the Free Trade Area of the Americas (Kurt Skeete);

- Intellectual Property Rights, an analysis of remaining obstacles under the U.S. - Jamaica bilateral agreement (Coopers and Lybrand);

- Towards an Agricultural/Rural Development Strategy, an examination of Jamaican agricultural performance and USAID approaches (Cargill Technical Services, Ltd.);

- Environmental Strategy, a sectoral review of natural resource protection and growth-related environmental problems (World Resources Institute);

- Evaluation of the Development of Environmental Management Organizations Project (Management Systems International);

**PRIORITY RANKINGS<sup>1</sup> OF AREAS OF OPPORTUNITY  
IDENTIFIED THROUGH CONSULTATIVE SESSIONS  
WITH THE NGO COMMUNITY, PRIVATE SECTOR & PUBLIC SECTOR**

Areas of Opportunity	NGO	Private Sector	Public Sector	Total
Education/training <sup>2</sup>	5	5	3	13
Information/telecommunications technology	3	3	4	10
Investment facilitation <sup>3</sup>	3	3	4	9
Community-based development	3	3		6
Streamlining government operations/improving the planning process <sup>4</sup>			5	5
Microenterprise development	3			3
Institutional support of NGOs	3			3

<sup>1</sup> Based on a range of 1 to 5, where 5 indicates the highest priority areas and 1 is the lowest priority

<sup>2</sup> Includes primary education, community colleges, teacher training colleges and targeted training. Specific suggestions included equipping computer labs and developing programs that concentrate on building self-esteem.

<sup>3</sup> Includes developing a policy framework (monetary, fiscal and trade) that is conducive to a stable macroeconomic environment and investment. High interest rates were noted as a key impediment to stabilizing the economic environment. Special reference was made to the need to reform the basis on which agricultural credit interest rates are formulated in order to make agriculture a viable industry.

<sup>4</sup> Includes an emphasis on using a long-term approach to planning; integrating social, economic and environmental issues; giving greater attention to the impact of policy on the informal sector; and coordinating private and public initiatives.

- New Horizons for Disadvantaged Youth, a comparative analysis of early childhood development and Jamaican education systems (Trevor Hamilton and Associates);
- Evaluation of the Primary Education Assistance Project (Caribbean Consultants);
- Evaluation of the AIDS/STD Prevention Project (Health Tech);
- 34 years of USAID-assistance (Tulin Pulley).

### **Consultative Sessions**

The Mission also brought together representatives of three groups, NGOs, private sector and government/statutory organizations to discuss national priorities, constraints and opportunities in the context of USAID's new five-year strategy plan. Participation at the sessions was quite active, and interest in the USAID program was quite high. In general, the sessions validated the Mission's program directions while indicating specific areas of focus and priority. Typical of the opinions expressed frequently to USAID staff in other meetings, education is seen as the greatest need. There was wide interest and lively discussion regarding the area of information technology. There was also wide agreement regarding the need to stimulate investment and a variety of other economic approaches to accelerated growth. Community-based approaches, continued frustration with government and central planning, microenterprise and NGO support also figured prominently in the sessions (see table).

### **Defining Customer Focus as a CEL Experiment**

As a country experimental laboratory, this Mission selected Customer Focus as one of three areas on which to concentrate its reengineering efforts. The choice of customer focus reflects the Mission's renewed and strengthened emphasis on participation and partnership with our host country in the process of program development, implementation and evaluation. One of our first activities toward establishing a customer focus was the preparation of customer service plans (CSPs). USAID/Jamaica's CSP was the Agency's first to be developed under USAID's reengineering effort. A general plan was drafted for the Mission, as well as individual plans for each strategic objective. The CSPs identify customers and partners and indicate linkages among customer networks. They also establish basic principles of customer service delivery and standards for measuring performance, and set forth plans for measuring/verifying customer satisfaction. The customer service plans for each strategic objective present detailed plans for ensuring that the needs and priorities of our customers and partners are continuously incorporated into the specific activities of our program and that there will be periodic feedback to ensure that our services are effectively reaching our targeted end-users.

### **Customer Survey**

To validate the CSPs and to affirm the mission's commitment to listening to and consulting with customers and partners as we formulate and implement our

development program, the Mission contracted with a local firm to conduct a customer survey, a partner survey and a series of focus groups in October-December 1995. The surveys and focus groups were designed to help us learn from our customers and partners what their priorities are and what they perceive to be key development constraints and opportunities. The questionnaires also included questions that allowed our customers to tell us what they think about USAID activities and the way they are implemented and to assess USAID's comparative strengths and weaknesses in Jamaica compared to other donors. According to the survey team, this opportunity for responsive communication between the Mission and its customers was eagerly and appreciatively received by respondents and viewed as a demonstration of the Mission's commitment to quality service and a participatory approach in the development and monitoring of USAID-supported activities.

### Findings

The survey and focus groups reached an island-wide, representative sampling of nearly 500 end-users and partners, including those whose participation in USAID-supported activities has ended, those currently involved in a USAID activity and those who represent potentially future customers and partners. The results of the surveys and focus groups, for the most part, affirm that the Mission program is making a positive contribution and validate Mission perceptions of what our partners and end-users like and don't like about USAID.

The results indicate that:

- the great majority of respondents believe that the Mission's program is addressing priority concerns and reaching appropriate customers and
- there is a consensus among end-users that USAID activities touched, in a positive way, the lives of persons in participating communities.

Common areas of concern among end-users include:

- the need for improving life skills among at-risk populations, including adolescents, women and low-income households;
- health care;
- housing; and
- unemployment.

Although not an issue articulated by end-users, the focus group sessions revealed a lack of cohesion among beneficiary groups to be a recurring and serious impediment to project implementation that needs to be addressed.

Among our development partners, the general consensus was that USAID's program is addressing important constraints in key sectors and targeting the appropriate populations. Principal concerns reflected by partners include:

- the often complicated procurement, as well as technical and financial reporting, procedures used by USAID;
- a perceived preference for using expatriate, rather than local, consultants;
- lengthy delays in disbursement of funds;
- changes in personnel in the middle of projects; and
- inadequate communication between project staff, partners and end-users.

#### **Incorporating Customer/Partner Input**

The Mission is now faced with the challenge of incorporating the input received through the survey and focus group sessions into strategic planning and new way of doing business, ensuring that the program is responsive to end-users' needs. For the most part, the priority areas identified by partners and customers are currently being addressed by the Mission program. The need for improving life skills among at-risk adolescents will be the focus of the upcoming Uplifting Adolescents project (UAP). Partners' issues concerning the way USAID does business are being addressed in the Mission's Customer Service Plan, reflected in our basic customer service principles and standards for performance. For example, USAID's principles include commitments to disburse funds on a timely manner, minimize reporting requirements and simplify processes and procedures to make them customer-friendly, with standards against

which to measure our performance established for each principle.

#### **Ensuring Consistent Customer Input and Feedback**

The Mission will continue to use the survey process at the strategic objective level to involve our customers and partners and seek their feedback consistently throughout the planning, implementation and evaluation phases of our activities. Our intention, now that the survey has been developed and administered, is to have Mission staff participate in future fieldwork and have them conduct the focus groups. This would provide an opportunity for the USAID staff who develop and implement our program to establish lines of direct communication, rather than relying solely on the interpretation of our partners. To further enhance our collaboration with customers, we plan to expand the use of focus group and roundtable discussions with our partners and customers to share strategic objectives and sector priorities and issues, as well as to develop joint activity descriptions and designs with mutually agreed upon results. The Mission has also made it policy to include partners on ouextended strategic objective teams. Emphasizing and integrating a participatory and collaborative approach into program development, implementation and evaluation activities, the Mission will ensure that the views and needs of our end-user beneficiaries and partners are continuously incorporated into activity objectives and result packages. The Mission is fully committed to carrying out a program that reflects and responds to its customers' needs.

## **ANNEX 1: ECONOMIC GROWTH -- CONSTRAINTS/OPPORTUNITIES**

(Condensed from "Participation in Economic Growth," Robert Bond, Financial Markets International, Inc., prepared for USAID)

### **Constraints**

#### **1. Policy Implementation**

The GOJ has done much in a legal and regulatory sense to reform the macroeconomic framework governing trade and investment. This includes freeing the exchange rate, implementing tax reform, tariff reduction, customs reform, creating a Fair Trading Commission, and passing Securities Market legislation. The major policy failing has been lack of fiscal and monetary policy discipline, leading to high inflation. This, in turn, has stymied productive investment and led to economic stagnation.

Part of the problem is an institutional failing of policy implementation. In common with many developing countries, Jamaica possesses a high caliber cadre of economic professionals at the most senior levels of government, but lacks the breadth and depth of expertise at lower levels required to manage and carry out decisions. Most GOJ agencies involved with economic, monetary and trade and investment policy exhibit institutional deficiencies in the areas of policy analysis, formulation, implementation and monitoring. For example, the Ministry of Finance (MOF) has organizational and personnel weaknesses which seriously limit its ability to implement and manage fiscal policy, including coordination of policy and

regulations in tax administration, revenue collection, expenditures, and procurement. The BOJ has serious problems in implementing monetary policy, and is very weak in the area of bank supervision, supervision of insurance companies, and supervision of investment funds. The GOJ's investment and export promotion agency, Jamaica Promotions Corporation (JAMPRO), lacks strategic direction and follow through, hampering efforts to attract foreign investment.

The Jamaican private sector is also deficient in the area of legal and regulatory policy implementation. The private sector, which has experienced the roller coaster ride of the Jamaican economy over the last decade, is having difficulty in digesting the new legislation and reacting positively to GOJ initiatives to improve the business climate. A fundamental lack of trust exists between the public and private sectors, with each side blaming the other for economic malaise. GOJ officials state that the Jamaican businessman does not really want to compete in a free market, preferring instead to rely on government concessions or favors. They place the blame for stagnate economic growth squarely on the failure of the private sector to invest. On the private sector side, there exists cynicism about both the intentions of the government and about its ability to implement apparently well-meaning economic reform measures. Businessmen point to high interest rates and inflation, directly attributable to government policy failures, as the cause of economic deterioration. Communications between the public and private sectors are minimal, severely inhibiting the ability of the country

to agree upon an economic development strategy and carry it forward.

## 2. Investment

Strong private investment and participation in productive sectors by Jamaicans and foreigners is required to accelerate economic growth. Although available statistical evidence is sketchy, it appears that the following conclusions can be drawn about investment and economic growth in Jamaica. First, modest public investment has had measurable short-term positive effects on economic growth, due to a Keynesian stimulus. Second, high levels of public investment have disastrous effects on growth in the medium term. For example, the high public investment of the 1970s and early 1980s crowded out private investment by congesting infrastructure, contributing to external debt overhang, and by contributing to policies that discouraged private competition with public enterprises. Third, the positive impact of private investment on economic growth is apparent, even after the impact of public investment is taken into account. Fourth, private investment increased dramatically as a share of total investment during the 1980s, rising from about one-third at the beginning of the decade to about two-thirds at the end. Not coincidentally, the period from 1986 to 1990 produced economic growth rates on average of 5.5%. Since 1990, private investment has slowed, in part because of an uncertain investment climate, in part because of lack of stability in macroeconomic policy, and in part because of continuing high inflation caused by fiscal and monetary policy disequilibrium.

Interestingly, adequate savings to finance investment in Jamaica seem to be available. Currently, Jamaican private savings are either in high yielding domestic financial instruments or abroad as capital flight. In order to access these savings, the GOJ needs to stabilize monetary policy. The key to this is for the GOJ to implement its stated policy of eliminating the quasi-fiscal losses of the central bank, and to provide it with institutional autonomy.

In spite of the favorable progress toward macroeconomic reform made by Jamaica in the past five years, foreign companies are less than enthusiastic about investing in Jamaica. A 1995 investor attitude survey of U. S. companies operating in Jamaica indicated that 60% of the companies interviewed would still choose Jamaica for their investment, 20% would have to reconsider in light of advantages offered by other countries (e.g., Mexico, Honduras), and 20% would not make the same investment given the difficulties of operating in Jamaica. The survey also provided information on the major obstacles to increased foreign investment in Jamaica. The most frequently cited constraint was a cumbersome bureaucracy and excessive red tape. Most companies cited lengthy delays in approvals for various permits, and complained about delays in customs for needed imports. The U.S. companies also expressed frustration with JAMPRO, noting that it focusses on encouraging investors to choose Jamaica but then provides only minimal assistance in facilitating the investment and beginning operations, despite assurances to the contrary. The second most frequently cited obstacle to investing in Jamaica was the poor state of infrastructure, particularly roads. Poor

transportation systems for both goods and workers erode both competitiveness and worker productivity. The high costs of energy and telecommunications compared to other locations were also mentioned. Finally, labor issues were also cited as an impediment to investment and doing business in Jamaica, mainly in terms of inconsistent signals from the government. Frequent strikes and work slowdowns have hampered some productive sectors (e.g., bauxite/alumina, certain manufacturers), and it is at best ambiguous what GOJ policy is in regard to the situation. For example, possible "right to strike" legislation rather than a move toward binding arbitration or mediation sends an anti-business message, particularly from a government which is widely viewed as pro-labor.

### 3. Poverty

Approximately one-third of the Jamaican population is at or below the poverty line. A 1994 UNDP study indicated that the proportion of Jamaicans below the poverty line had increased from 32.6% to 38.5% from 1988 to 1992, suggesting the negative effects of economic structural adjustment on living conditions. However, apparently the effects of poverty are somewhat mitigated in the Jamaican case through family ties, foreign remittances, social programs, or a traditional rural location. Starvation is virtually nonexistent, severe malnutrition is not pervasive, and infant mortality rates are low by middle-income country standards. The incidence of poverty is highest in rural areas, so a large fraction of the poor have at least an opportunity to grow their own food. The urban poor, though fewer in number, may suffer more because they may lack affordable

housing, cannot grow their own food, and are subject to high crime rates.

Most poor households in rural areas, and the great majority of poor households in urban areas, have one or more persons employed. Thus, poverty in Jamaica is mainly a problem of the working poor--people who may have jobs but demand for their labor is too low to push up wages. Related problems might be lack of skills and/or geographic access to better paying jobs. To reduce poverty, the economy needs to be restructured to increase demand for labor in the private sector, particularly for low skilled labor. To raise their incomes, the poor need more education and training to enhance the value of their labor and to increase their employment opportunities. To a great extent, a long term poverty alleviation strategy for Jamaica is public spending on good, basic education for the population.

### 4. Human Resources: Productivity and Competitiveness

Jamaica has made substantial progress in improving its productivity and product competitiveness in selected sectors. This is especially true in the case of firms which have been able to absorb the technical assistance provided by external consultants (e.g., apparel, data processing) to improve production processes, institute quality control, and train the workforce. Nevertheless, Jamaican industry is still constrained by unreliable raw material inputs, the lack of quality control procedures, low productivity as a result of a lack of middle managers and skilled workers, and the inability in certain sectors to produce sufficient quantities for export markets.

Crime and inadequate infrastructure (e.g., public transport) result in most manufacturing plants only operating one shift.

Private sector surveys reveal that labor issues dominate the internal factors of most concern to entrepreneurs. Chief among these are the inadequacy of basic entry level skills (literacy, numeracy), poor work habits/attitudes toward work, and tardiness. Reform of the primary and secondary education system is a priority. There is also a problem related to traditional labor management relations in Jamaica.

The country's workforce still lacks most of the basic competencies and technical skills needed to build a modern economy that can compete effectively in international markets. According to the 1994 Jamaica Labor Force Assessment report, sponsored by USAID/Jamaica, the two fundamental causes of Jamaica's workforce problems are the lack of strategic vision among Jamaica's managers and the decline in literacy, numeracy, and work ethic of the workforce. As a result, the productivity of the Jamaican workforce is only one-third to one-half of foreign competitors in other developing countries.

### **Opportunities**

The major challenge for the GOJ is economic growth. Strong private investment in productive sectors by Jamaicans and foreigners is required to accelerate growth. This means that the GOJ needs to convince investors that monetary, fiscal, and tax policies will be implemented to breakout of the current disequilibrium in the economy. At present, the wealthy can protect themselves by investing in financial

instruments or holding assets abroad. The poor, however, are trapped in an environment which puts an inflation tax on their savings and erodes the value of government social services. The GOJ needs to place greater reliance on the private sector as the engine of economic growth, reserving its impact on the economy for regulation and incentives rather than through budgeting and spending. The public sector also needs to complement the private sector by providing infrastructure, enforcing public order, and developing human resources. Continued rationalization of the public sector is needed, with greater productivity from fewer personnel. The still large share of the public sector in the economy needs to be reduced further.

Identifying the elements of a viable economic growth strategy for Jamaica in an increasingly competitive world economy is not difficult. Given the fact that Jamaica is a small open economy dependent on a few commodities (plus tourism) for export earnings, the strategy would encompass:

- \* Continuing diversification of exports, particularly in activities that are labor intensive (e.g., agribusiness, light industry, food processing, and information services);

- \* Improve the human capital of the island to take advantage of expanding opportunities;

- \* Improve the investment climate to allow for foreign and domestic investment, key to continued impressive GDP growth over the next five years and important for growth for the GOJ's tax base in carrying forward its social agenda.

This strategy is consistent with the GOJ's stated economic development strategy and industrial policy which includes: sustained investment in the development of human resources; promotion of greater competition and efficiency in the production of goods and services; increased integration of the domestic economy into the global economy; and continued macroeconomic stability; and equality of opportunity and access as well as equity in economic growth.

Jamaica needs to mobilize its public and private resources in support of productive investment in export-oriented production. Moreover, the country needs to achieve consensus on the sectors to be targeted for aggressive development and promotion. Four areas of labor-intensive export activity which have strong growth potential, take advantage of Jamaica's comparative advantages, and are complementary to a governmental focus on growth with equity are: agribusiness, especially food processing for niche markets; tourism; information services; and light manufacturing.

### **Agribusiness and Food Processing**

Both export crop production and food processing have strong growth potential. Regarding agricultural exports, both the volume and value of non-traditional agricultural exports have been growing slowly over the past decade, and especially in the past five years. The non-traditional crops which have experienced the greatest increases in volume and value have been sweet potato, papaya, and foliage plants. Agricultural exports will probably continue to grow in lines where Jamaica has an advantage in supplying a special niche, such as mountain

grown coffee, spices, high quality fruits and vegetables, and horticultural products. Investment has flowed to these areas over the past five years, and processing these agricultural products for export appears to be a reasonable growth sector.

The food processing sector has long played an important role in Jamaica, accounting for 25% of non-traditional manufactured exports. The sector has over 60 firms of various sizes producing canned fruits and vegetables, fruit juices and concentrates, jams, and spices and sauces. There appear to be significant market opportunities for processed food exports in both "specialty foods (ethnic)" and mainstream markets. The sector, however, faces a number of constraints to robust development. These include: high inflation and high interest rates, which are dampening the investment required to compete on international markets; lack of modern technology; lack of raw material inputs, both in terms of seasonality leading to low factory utilization and in terms of quality because of a lack of grading standards; lack of penetration of markets, in part due to a lack of a recognizable brand name and cooperation among producers on a marketing strategy; and inadequate and costly packaging. Perhaps the two greatest constraints are the availability of raw materials and packaging (the single highest factor cost in production). Regarding raw materials, the steps which will have to be taken are: incentives to increase acres under cultivation of selected crops and improvements in yields; establishment of a grading system for produce; and greater cooperation between growers and processors. Regarding packaging, the need is for investment to expand supply and upgrade the

quality to increase product attractiveness for international markets.

### Tourism

Jamaica has one of the most dynamic and innovative tourism sectors in the entire Caribbean. From 1984, Jamaica's rate of growth has far outpaced that of the Bahamas, Barbados and the Caribbean as a whole. The growth of visitor arrivals to Jamaica's since 1991 has been nothing short of phenomenal (see Figure 1 below). Despite this dynamism, between 1992 and 1993, visitor arrivals to Jamaica failed to keep pace with the growth in the overall Caribbean, recording a 7.7% growth rate, compared with 9.9% for the entire Caribbean. A decline in both cruise and stayover arrivals was recorded in 1994.

A number of factors have contributed to the superior performance and resilience of the Jamaican tourism industry. These include: the invention and spread of all-inclusive resorts together with their sophisticated market segmentation (e.g., couples-only resorts); vast expenditure on advertising and promotion (especially by the leading all-inclusive chains, particularly Sandals); penetration of the new markets (Japan and Latin America); high levels of destination awareness; low levels of tourism fatigue (workers tired of smiling); new investments in the tourism plant; a wide range and variety of visitor accommodations (from villas and guest houses to full service all-inclusive resorts); and an incredibly diverse and superior natural product.

The 1990s, however, have brought a number of new challenges. These include

more mature and more demanding consumers, new competition (Cuba, Mexico and the Dominican Republic), and changing customer preferences. What is more, Jamaica continues to miss a number of key emerging trends in the global and Caribbean marketplace, such the development and spread of environmentally friendly tourism, the emergence of entertainment destinations, the search for local and indigenous experiences (particularly among European travellers), and the booming cruise and European markets.

At the same time, the Jamaican tourism industry continues to be faced with a number of key problems: crime on visitors, inordinately high and increasing levels of visitor harassment (66% of visitors were harassed in 1994 compared with 62% in 1992); low performance of non-all-inclusive hotels (51.6% average occupancy levels in 1993, compared with 75.1% for all-inclusive); high seasonality especially in May and September where occupancy rates can be as low as 36.3% and 48.6% respectively; lack of attractions, events and things to do outside of the hotel (unlike Barbados, for example, where fine entertainment, dining and nightlife outside hotels are the norm); and poor quality and deteriorating natural and human environment. The private sector continues to be narrowly focused on their own properties and their own four walls, to the overall detriment of the overall environment.

While old formulas (all-inclusive, endless marketing) have worked in the past, and are no doubt still necessary, they may not be sufficient to drive the growth of tourism in the years to come. It is critically important

that Jamaica adopts new and innovative measures to respond creatively to the challenges ahead and lead the new tourism 'best practice'. Such include: caring about the environment and showing it; let the tourism industry become the leader in environmental conservation; organize and build the attractiveness of the tourism product outside the hotels; meaningfully involve locals in the tourism development process; empower employees; further the penetration of the European market and develop other market niches (families, mature market, adventure travel, eco-tourism, sports, entertainment); improve and refine the image and positioning of Jamaica to reflect the needs of different travel markets, specifically away from the sun, sand and sea image.

### **Information Services and Technology**

An informatics industry has already taken hold in Jamaica, and has strong growth potential. The compatibilities of language and time zones with North America provides Jamaica with certain natural advantages, but these may well erode over time as information technology continues to advance exponentially. Jamaica's competitors may well be India and other English speaking countries in Asia who have relatively low cost labor, an advantage Jamaica shares.

Surveys indicate that information technology (including software engineering) is one of the fastest growing sectors of the economy. Growth in both employment and sales have been dramatic. However, firm surveys indicate that export sales have been slow, and mainly concentrated on the

Caribbean region. There has been relatively little penetration of the North American or European market.

For the information technology sector to capture the opportunities afforded by the international market, several constraints must be alleviated. A survey of informatics firms carried out in 1994 by the University of the West Indies identified the following obstacles to achieving growth: lack of skilled personnel (40%); lack of capital (35%); a lack of adequate telecommunications (30%); and lack of marketing information and strategy (25%). Two additional constraints, which are based on more anecdotal information, are 1.) most software developers are not employing the most modern technologies, and some may be using outdated technologies; and 2.) there is a serious lack of cooperation and coordination among firms in this sector, particularly in terms of joint marketing efforts. On this last item, the Jamaican Exporters Association (JEA) is working on strengthening an informatics working group.

To realize its potential, the informatics industry must strengthen and improve the collaboration of its trade association members to plan for the development of the industry. This would include lobbying the GOJ for the incentives required to establish and expand the industry; explaining to banks and other financial institutions the special nature of the industry to allow firms to access capital; and developing a specific niche marketing program to enhance market penetration by Jamaican firms. The joint marketing effort would reduce costs, establish Jamaica's competitiveness, and create strategic alliances with foreign companies.

## Light Manufacturing

The manufacturing sector in Jamaica has dropped from 21.3% of GDP in 1986 to about 18% in 1994, reflecting the ups and downs of the business climate and cyclical changes in trade policy. Manufacturing nevertheless remains important, accounting for about 11% of the country's total exports of goods and services and about 11% of the workforce.

The largest and most dynamic subsector is textiles and apparel. In 1994, textiles and apparel accounted for about 20% of total merchandise exports and over 70% of total manufactured exports. The industry has achieved phenomenal growth, with export sales rising from \$15.8 million in the early 1980s to an estimated \$520 million in 1995. Likewise, the industry has moved up the technology scale, with more firms now involved in Cut Make & Trim (CMT) activities than in simple 807 A (goods made from American cut and formed fabrics) assembly operations. Still, Jamaica is the second largest supplier of 807A goods to the United States, after the Dominican Republic. Some companies have also moved to the use of computer-aided-design and computer-aided-cutting equipment in an attempt to alleviate the migration of the industry to low wage locations. Most companies are operating at high levels of capacity on at least one shift. The ability to move to two or three shifts is inhibited by problems of personal security, transportation, and a work culture that is apparently adverse to working night shifts.

The textile and apparel industry is an example of government and private sector

cooperation to spur development. In its formative stages the industry received special support from the government in terms of favorable policies and incentives, technical assistance (through Kurt Salmon Associates), vigorous promotion by the predecessor organization to JAMPRO, and worker training (e.g., through the creation of HEART). Nevertheless, Jamaica's competitive position is being challenged by low cost producers (e.g., Mexico, the Dominican Republic, Central America) and there is a need for the GOJ to assist the industry in putting down roots. This probably means providing added incentives for companies to upgrade technology, the development of a machine repair and maintenance capacity, and continued worker training.

Other light manufacturing operations exist in Jamaica, but their futures are more problematic. These include furniture, footwear and leather, and electronics. The furniture industry is constrained by a lack of capital and technology and has had extreme difficulty in penetrating competitive export markets. The U.S. is the natural market for Jamaican furniture, but there exists very low demand for low cost hard wood furniture. The leather and footwear subsector is small (less than 1% of manufacturing), uses obsolete technology, and has low productivity. The electronics subsector consists of about 10 firms which manufacture primarily appliances. The principal problem facing the industry is low cost imports, reflecting the fact that the competitive basis of the industry worldwide is the availability of low cost labor.

## Recommended Economic Growth Strategy

The development challenge in Jamaica is to deepen, broaden, and accelerate the economic liberalization process. While there seems to be awareness on the part of the GOJ that growth must be export-led and financed by private investment, there is also a seeming reluctance or inability to carry out policies which reduce fiscal deficits and lower inflation, provide incentives for productive investment, lessen the discretionary role of the state, and ease restrictions on trade and investment. Similarly, the Jamaican private sector has failed to respond to positive changes in the macroeconomic environment carried out by the GOJ, raising questions about its commitment to free enterprise, as opposed to seeking privileges from the government. Each side blames the other for the stagflation currently plaguing the country. However, the reality is that Jamaica cannot afford a process of marginal improvements in the trade and investment climate, which leave it further behind in the emerging competition for global trade and capital, constrains growth, and erodes real incomes.

It is in this promising but difficult environment that USAID/Jamaica must work to achieve its strategic objective of increased participation with economic growth. The primary challenge facing the Mission is how to use scarce and declining resources to maximize its leverage to produce the economic growth and jobs necessary for sustainable development.

In considering its strategy, USAID/Jamaica should bear in mind the following precepts:

\* Macroeconomic policy reform is the most powerful tool for stimulating economic growth and development. Reform of the policy framework and its active implementation influence the economic behavior of individuals and firms, determine whether and how resources are saved and invested, and decide what kinds of activities are encouraged. Thus, thoughtful and selective technical assistance in the area of improving trade and investment policies and/or implementation probably will result in the greatest return on the Mission's resources. Policy reform efforts by USAID/Jamaica should focus on targets of opportunity (e.g., intellectual property rights, banking sector reform, fiscal policy, utilities regulation, privatization) which are related to facilitating trade and investment and which are of relatively short duration.

\* Improving the business and regulatory climate is critically important to mobilizing the investment capital to finance growth and liberalize trade. The sustainability of macroeconomic reform depends in large part on crafting appropriate specific policies -- e.g., pricing policies, interest rate policies, simplifying administrative procedures, etc. -- to mobilize savings and channel them to productive investment in export sectors. Thus, there may be a need to assist in removing very specific impediments to growth.

\* Providing technical assistance to the local business community to enhance its ability to compete in international markets is essential. To take advantage of new opportunities, most firms will have to restructure their operations and find ways to access new markets to maintain and expand

their profitability. Likewise, the skills of both labor and management will have to be improved to enhance productivity. Thus, resources spend on targeted sectors to improve production processes and productivity are critically important.

\* Small countries such as Jamaica must move aggressively to make themselves the most attractive locations for investment and for serving export markets as possible. This means accelerating structural adjustments, providing the best possible legal protection to private investment, improving infrastructure, services and human resources, and presenting the fewest obstacles to doing business. Hence, Jamaica can find little solace in the fact that it has made marked improvement in its macroeconomic framework; it must do more, as suggested by the stagflation which has resulted.

Given the above parameters, and given the preceding analysis of Jamaica's economic opportunities and constraints, it is recommended that USAID/Jamaica concentrate its resources on a limited number of priority activities in support of sustainable economic growth through more open trade. This proposed strategy is consistent with a global and hemispheric shift toward two-way trade and open markets, reflects a policy of "trade instead of aid," and utilizes international trade as a key instrument to achieve sustainable economic growth. This strategy is also well suited to Jamaica, given the country's openness to international trade, the significant corollary between increased export earnings and growth which exists, and the need to spur both growth and exports to ease the debt overhang limiting development. The focus of activities should be on 1)

assisting Jamaica to improve its trade and investment policy framework to achieve permanent and effective access to outside markets, principally through participation in the Free Trade Area of the Americas, and 2) assisting Jamaica to improve its ability to compete in outside markets by substantially expanding output, increasing the quality of goods and services produced, and increasing productivity.

The Mission will base its increased participation for economic growth strategic objective on four intermediate results: increased economic opportunities for the poor, increased productivity, selected export support, and increased private domestic and foreign investment. To achieve these results, the thrust should be on activities designed to initiate or improve implementation of macroeconomic reform, activities designed to fine tune policies to improve the business climate, and specific activities designed to assist the private sector to respond to new opportunities. The Mission should also continue its concentration on specific sectors which hold out the most potential for increasing exports, particularly those which are labor intensive. While USAID/Jamaica no longer has the resources (e.g., ESF Funds) to contribute directly to macroeconomic policy reform, it can nevertheless focus on specific areas to spur the private sector to step forward and be the engine of economic growth.

As noted there and above, Jamaica's ability to expand trade to the levels required to achieve sustained high rates of growth needed to reduce poverty will require large increases in national and foreign private investment in productive sectors. Likewise,

improvements in the administration and implementation of trade policies is required to remove non-tariff barriers to trade, such as onerous documentation requirements, inefficient customs service, technical product standards, and licensing and permit requirements. Finally, worker productivity and labor-management relations need to be improved dramatically.

## **ANNEX 2: JAMAICA'S ENVIRONMENTAL CHALLENGES**

*(condensed from a USAID strategy study carried out by the World Resources Institute)*

### **I. Constraints/Opportunities**

Jamaica's economic and social well being is inextricably linked to the state of its natural resources and the quality of its environment. The island is rich in biodiversity but is ecologically fragile and there are environmental issues associated with each of the country's most important economic sectors. Agricultural productivity can only be maintained and enhanced through the sound management of land, water and forest resources. International tourism is fully dependent upon the wise management of coastal and other important natural resources which serve as the principal draw for visitors. In addition, industrial expansion must account for the need to prevent and control pollution lest the employment and income gains from manufacturing growth be undermined by declining environmental quality and rising health care costs. Experience around the world has shown that it is far more efficient to deal with environmental concerns as an integral part of the economic development process than to follow a costly "grow first and clean up later" approach. Based on a growing sense of urgency driven by environmental crises--from deforestation, contamination of groundwater, and coastal degradation--environmental considerations are now being more fully incorporated into the country's economic and social development programs and policies.

Recent reviews indicate that the management of natural systems--such as the loss of habitat, wildlands, vegetation, flora, fauna, and soil and human impacts including sewage contamination, pollution, and waste hazards--are of critical concern to Jamaica. However, these studies do not agree on the priorities for addressing Jamaica's environmental concerns. A principal reason for this lack of consensus is the paucity of information on the economic and social costs associated with various environmental problems. Most of the studies have relied on subjective assessments of experts rather than on hard data. There has been only scattered quantification of the physical changes occurring and virtually no attempts to place dollar values on the associated costs.

### **Terrestrial Ecosystems Management**

Although there is a variety of sustainable and productive land use patterns on the island, national concern is increasing because the deforestation rate is estimated to be one of the highest in the world, in excess of 3%. This is of particular concern on the fragile, steeply-sloping lands of the island's interior where there is widespread cultivation of crops without adequate vegetative or physical measures to conserve soil resources. The resultant erosion is lowering the productive potential of many upland areas and forcing farmers to resort to using more fertilizers to maintain the same output levels. Overuse of pesticides further contributes to environmental problems associated with agricultural practices. The conversion of forests to agricultural production increases total run-off, turning otherwise moderate upstream rainfall events into downstream floods. The major off-site costs include

increased flood damage as well as the siltation of irrigation systems, municipal and industrial water sources, and coastal ecosystems. Unfortunately, there has been no systematic assessment of these costs.

### **Coastal Resources Management**

Most Jamaicans reside in the coastal region. The overexploitation of coastal resources, the conversion of coastal forest lands to other uses, and the unsound disposal of wastes from the development of tourism, urban areas and industry have negatively impacted the island's coastal ecosystems. The deteriorating health of coral reefs is a key indicator of coastal degradation. Reefs have been heavily overfished and damaged by fishing and inappropriate recreational diving practices. Sediment levels in nearshore waters--which affect the productivity of coral reefs and of mangrove forest fish nurseries--have increased dramatically as the result of both upland agricultural practices and coastal zone construction. The discharge of high volumes of untreated sewage from settlements into coastal waters has led to the abnormal growth of algae on coral reefs, further diminishing their productivity and introducing new human health risks.

There appear to be at least three leading causes of these natural resource management problems. First, many of these resources are either "open access" resources--where no single user has any incentive to exploit the resources on a sustainable basis--or they are managed by smallholders who lack secure and transferable tenure rights. With regard to rural land use, the open access problem particularly pertains to timber and other products extracted by upland residents from

public lands and large private land holdings. With 50% of small farmers "squatting" on land without clear ownership rights, there are obvious constraints on the motivation for long-term conservation investments. Similarly, coastal forests, fisheries and reefs lack effective tenure rights. Improved attention to effective public and individual land use rights would improve the incentives for sustainable management of these resources.

A second underlying cause of resource degradation lies in the off-site nature of many adverse management impacts. Few mechanisms currently link upstream land use decisions with downstream consequences. This is disturbing in the case of coastal zone resources where the tourism industry is the source of adverse coastal impacts, because the country's beaches clearly constitute Jamaica's most important draw as a tourism destination. Costs associated with downstream siltation or biodiversity loss are of little consequence to the on-site user unless there are mechanisms--such as taxes, on-site joint management efforts subsidized by off-site beneficiaries, or education programs--to better link these consequences.

### **Water Resources Management**

Jamaicans have historically enjoyed an abundance of high-quality fresh water. Approximately 80% of Jamaica's water resources is provided through groundwater aquifers, which are dependent on sound watershed and surface water management. Following a 1995 drought, there were widespread water shortages, and there have been recent problems with water quality. The National Water Commission (NWC) has

been forced to close 25% of the country's developed groundwater sources due to contamination; a further 40% is considered to be at risk. In the Kingston area, over 60% of available groundwater is contaminated by high nitrate concentrations. Surface water quality is also affected: all major river courses receive polluting effluents at some point, either from industrial waste, sewage, silt, debris, or agricultural run-off. The pollution of Kingston Harbor is considered to be the most critical environmental manifestation of a lack of functioning treatment facilities in and around the city.

The principal sources of contaminated water are the discharges of industrial effluents into sink holes or unsealed holding areas, saline intrusion due to overpumping of wells, and seepage of domestic waste from absorption pits. Solid municipal waste, inadequately and improperly disposed of and often discarded together with industrial, hazardous, and medical wastes further contributes to the contamination of both groundwater wells and surface water. This is exacerbated by unauthorized solid waste dumping where enforcement is lacking. Sewage systems serve only 25% of Jamaica's households; the remainder dispose wastes through soak-away systems, pit latrines and even more rudimentary systems. Many aquifers have high nitrate concentrations due to waste seepage into limestone and groundwater reservoirs.

Of additional concern to water quality is the rapid growth of urban centers such as Montego Bay and Ocho Rios and the stress on already inadequate pollution control and wastewater collection and treatment systems. It is projected that urban residents will make

up 60% of the total population by the year 2000, and that between 0.5- 1.0 million people may already be living in squatter settlements. Most of these settlements are without adequate sewage, wastewater treatment systems, or sanitary landfills.

Water remains an underpriced and inefficiently-used resource. The lack of secure land tenure in many urban areas precludes attention to on-site water quality management. At the same time, the economic and social costs associated with water pollution by industries, including the tourism sector, are generally borne off-site. Specific efforts must be made to "internalize" these costs to water users. Environmental policies need to establish strong incentives for water pollution prevention and control by both industries and urban settlements. Industrial facilities can be built or retrofitted to minimize impacts on water quality, but this will only be viable if the proper mix of regulations and market-based incentives shape the behavior of industrialists. Small- and medium-sized enterprises operating in urban centers present a particular challenge, because they find it more difficult to absorb the cost of waste treatment or sewage disposal systems. Thus, water polluting activities by such small businesses will continue until mechanisms can be put in place to assist them in relocating or sustainably using water resources and controlling water pollutants. Of equal concern is water contamination by squatter settlements, which will continue unless clear regulatory frameworks tied to tenurial rights and low-cost disposal options are developed. Water users, as well as water managers, must recognize that water resources are limited despite the appearance of abundance. Present water use patterns

have already resulted in water becoming a non-renewable resource as aquifers have been closed because of contamination, and the lack of demand-side management of water usage has contributed to the decline in water quality.

There are several common themes among natural resource and environmental management problems and their causes. First, it is difficult to adequately measure the physical dimensions and consequences of problems because so few accurate data exist. This greatly hampers the ability to make well-informed decisions concerning management priorities. Second, although local circumstances differ, many of the problems identified are common throughout the island wherever similar environmental and social conditions exist. And finally, there are striking commonalities in the underlying causes of these problems. The need to deal with "open access" resources is pervasive as is the need to have resource users "internalize" the costs of their environmentally damaging behavior.

## **II. Host Country Priorities and Current Programs**

**Watershed Management:** Much of the effort to arrest the loss of forests and land degradation has centered on watershed management through tree planting and the introduction of new agricultural and farm forestry practices in hilly areas. These investments have been justified on the grounds of both on-site and off-site benefits. A prime example of this approach is the Department of Agriculture's Hillside Agriculture Project (HAP) which is supported by USAID. HAP has achieved substantial

increases in perennial crop production, with the planting of 2 million trees and resuscitation of old stock, and resulting erosion reduction within its sub-project sites. The Northeast Jamaica Watershed/Agroforestry Project, supported by the Netherlands, includes similar work in three watersheds. Other Government watershed management activities include agroforestry and reforestation projects in two watersheds supported by the EU, and a proposed project of the NWC (with IDB financing) which would target six critical watersheds over a five year period. The "Trees for Tomorrow" reforestation program sponsored by CIDA is scheduled to begin in mid-1996 under the direction of the Forestry Department. To date, these activities have had weak links to land tenure reforms and measures taken to address more fundamental incentives affecting sustainable land management. The HAP project, for example, has specifically worked only with farmers who own their land. Watershed management has been one of the leading areas of donor coordination through an ongoing working group.

**Parks & Protected Areas Management:** Since 1991, there has been significant progress in establishing the institutions and policies needed to manage protected areas in Jamaica. Jamaica's emerging strategy stresses cooperation between the GOJ and non-governmental entities. In 1994, the Jamaica Conservation and Development Trust (JCDDT) prepared a Systems Plan, identifying 150 areas island-wide for possible inclusion within an integrated national system of parks and protected areas (PPA). This was followed by NRCA's recent Green Paper entitled "Towards a National System of

Protected Areas for Jamaica" which presents policies, procedures, and a two-year action plan to form and manage a national PPA system. The latter document has been cleared by Cabinet and is currently under public review. USAID has been the most active international donor working with Jamaican institutions in promoting these efforts through its Protected Area Resources Conservation (PARC) Project and the PARC II component of the DEMO project. Under Planning Institute of Jamaica leadership, PARC I focussed on the establishment of two parks: the Blue and John Crow Mountain National Park and the Montego Bay Marine Park. PARC II aspires to continue this process by establishing additional parks in the two remaining large natural areas of high priority for conservation and management (the Black River and Cockpit Country regions) and achieving significant progress toward long-term financial sustainability of the protected areas system).

**Integrated Coastal Resources Management:** It has become clear that the economic and ecological contribution of the island's narrow coastal belt is being severely threatened by the activities of high concentrations of tourism infrastructure and surrounding service communities. In response, attempts are being made to preserve and restore the delicate balance of this region. Most notably, these include the Montego Bay Marine Park and the proposed Black River National Park. Similarly, the activities of the Negril Environmental Protection Trust arose out of concern about reef and water quality degradation in Negril, establishing it as Jamaica's first Environmental Protection Area. Though NEPT's activities have thus far concentrated mostly on public education,

it is laying a firm groundwork for more direct interventions (it recently received major grants from USAID and the EU). Similarly, the Urban Development Corporation, often accused of environmentally damaging coastal development, is now attempting to adopt a more careful approach to coastal planning and infrastructure development. In addition, the NRCA's Coastal Zone Management Division has begun a training process on principles of integrated coastal resources management for relevant governmental agencies. This effort will be coordinated with a new UNEP-sponsored project to strengthen regional institutions as nodes for data on Caribbean marine and coastal resources using.

In recent years, proposals for the establishment of a national PPA system have suggested creating a dizzying array of institutional arrangements. Confusion over the best options has hampered progress in this endeavor. The proposed institutions have included a variety of government, NGO, and private sector entities relating to PPA policies, management and financing. Limiting the key organizations involved and assembling workable agreements between them is a high priority if further progress is to be made. Both the new GOJ Green Paper and the recent DEMO/PARC II evaluation address these problems, and further efforts are vital. Although USAID remains the dominant international donor, others are getting increasingly involved. This will necessitate improved cooperation among these assistance programs--including those of the EU, Sweden, and private foundations.

**Water Resources Management:** There is a growing awareness of the urgent need to

address industrial and municipal water degradation as part of the economic development process. This changing attitude acknowledges that it is far more cost-effective and desirable from a social standpoint to tackle these problems as urban areas expand than to follow a "grow first, clean up later" policy. The increased attention to these problems is beginning to translate into concrete investments. Two NWC sewerage projects in the tourist areas of Negril and Ocho Rios have recently been carried out with support from the EU, and the NWC has obtained OECF financing, and USAID technical assistance, for a similar project in Montego Bay. These three projects are aimed at improving water quality along the northern coast. Several new and on-going solid waste management projects have received IDB financing. In addition, a waste management project for the clean-up of Kingston Harbor and development of a sewage collection and treatment system for the greater Kingston area is supported by the World Bank, CIDA, and UNEP. In recent years, USAID also has been contributing to these efforts through activities that address water quality issues such as solid waste management, sewage disposal, low-income settlements, urban policies, and capacity building on the national and local levels.

The GOJ has taken several initiatives to reduce the impacts of commercial/industrial activities on water quality including:

- partial development of a regulatory and management framework for pollution control, e.g., industrial effluent standards;
- development of a permitting and licensing system for effluent discharges;

- drafting of a national plan for the use, disposal and storage of PCBs;
- issuing of Section 17 notices to the manufacturing sector (these notices call for information on the manufacturing process, waste disposal systems and environmental practices at the plant, which form the basis for an environmental audit);
- requirements that an EIA be conducted for all new development projects; and
- consideration of introducing a wide range of economic instruments and incentives to encourage environmental management in industry.

There is growing recognition within the private sector that there is a need to reduce the impacts of its activities on the environment, particularly water quality. Most initiatives taken by the private sector to reduce industrial pollution have been in the bauxite/alumina sector and by the cement factory. Private sector agencies such as the Jamaica Hotels and Tourists Association (JHTA) and the Jamaica Exporters Association have conducted environmental audits of the operations of some of their member companies. Some development and commercial banks now require that borrowers conduct an environmental assessment of their development projects as a condition to receive financing. The Shipping Association of Jamaica and the Private Sector of Jamaica (PSOJ) have been involved in environmental education--targeting both their own members and the general public. However, insufficient access to technical expertise and financial resources have been the major reasons for the lack of progress in the "greening of industry." The PSOJ's Environmental Committee has proposed that a fund be

developed (with seed money from a donor agency) to finance environmental projects in the private sector. This fund could mix loans at concessionary rates with grants. Discussions with the JHTA indicate that they would be willing to put matching funds into a private environmental fund facility.

**Ongoing USAID Support for Environmental Programs:** Through USAID's assistance program of the last few years, sound progress has been made in several areas:

**Environmental Fund of Jamaica (EFJ):** The core endowment of this important source of funds for environmental NGOs will expand over the next 5 years from around \$9 million to a total of \$23 million, plus any unspent interest earnings. Currently, about \$1 million is granted annually, to grow to \$2.5 million per year.

**Environmental Initiative for the Americas (EIA; FY 95-97; \$2 million):** Two EIA activities were authorized in FY 95 under existing mission projects in support of pollution control and coastal management. A third regional grant to support a Caribbean Environmental Network to reduce the environmental impacts of tourism is also administered by the mission.

**Hillside Agriculture Project (HAP; FY 87-97; \$2 million pipeline).** This leading watershed management activity has resources available to leverage other donors entering the watershed management field and to both analyze and implement selected policy reforms which could have national impact on watershed areas. Period: Present to at least mid-1997. Budget: Around \$1 million.

**Development of Environmental Management Organizations (DEMO; FY 92-97 or later; \$5 million pipeline/mortgage).** This umbrella environmental activity will continue to provide support through its four components on: NRCA strengthening; NGO strengthening; strategic field interventions (Montego Bay, Negril, Kingston, and Black River); and development of PPA (PARC II). **Shelter Development:** Through Housing Guarantees and a grant program, USAID provides capital resources to upgrade access to water, sewage disposal, and wastewater systems for squatter settlements. Other activities include wastewater feasibility studies and policy studies on urban infrastructure and the development of urban services.

### III. PROPOSED PROGRAM AND RATIONALE

#### 1. Strategic Approaches

Notwithstanding the importance of USAID assistance in strengthening NRCA, the most successful Mission interventions in the natural resource and urban sectors have occurred at the *community level*. Further focusing USAID interventions at the local level and supporting public-private partnerships involving community groups, NGOs and private sector entities was endorsed by participants at USAID's Environmental Roundtable in December 1995 and by other key Jamaican environmental leaders in related discussions. The GOJ itself is proposing to devolve more of its planning and implementation authority to the parish level--a trend in keeping with USAID's goal of increasing local participation in environmental management.

In the near to medium-term, external resources, whether from the GOJ, USAID, or other donors, are unlikely to increase sufficiently to finance the country's full environmental agenda. Therefore, a key criterion in selecting activities to receive support is *sustainability*. For USAID, this includes closer cooperation with other donors and actors in the private sector. Leveraging resources is a desirable outcome, but one that can be difficult to achieve. However, the potential benefits of a coordinated donor approach are increasingly important in a resource-constrained environment. The Mission's positive efforts to date should be acknowledged and expanded.

Any significant reduction in resources for the Jamaica program would highlight the need to maintain a *focused program* of assistance for SO2. Given the DEMO project, remaining HAP resources, the various water quality activities, the EIA assistance, and the EFJ's resources, a broad menu of environmental activities is already on the table. While this may be appropriate given current funding levels, if resources were reduced, maintaining such a broad menu raises serious questions about USAID's span of technical backstopping capability as well as its ability to have sufficient impact on its target audiences. Thus, a further focusing of efforts is warranted through ongoing discussions with the Mission's customers.

#### Focus Areas

Within the strategic objective, two areas of focus are proposed for the FY1997-2001 environmental strategy: (1) *natural areas management*, and (2) *water resources management*. Selection of these areas was determined by linking environmental issues of greatest concern to the GOJ, private sector groups, NGOs, and local communities, and the consideration of economic, environmental, and social trends, both current and projected, occurring in Jamaica. Natural areas management, with a well-established link to intrusive economic growth activities, is intended to encompass biodiversity issues and other natural resource uses. Similarly, the emphasis on water resources management recognizes the overlap that exists between municipal waste and water use, and their potential environmental and urban impacts.

In both cases, activities should be closely integrated geographically, including with other donor activities, to ensure maximum impact.

### Natural Areas Management

Based on USAID's strong record of involvement in promoting action on the nation's protected areas and future opportunities, the Mission proposes the following:

*Establishing a Clear National Strategy Toward an Integrated PPA System.* It has become clear that no full consensus of all parties will be achieved on the establishment of a PPA national system, but that reasonably good will exists to support progress with both the overall system and individual protected areas. Despite its acknowledged inability to directly manage PPAs, the GOJ is now asserting--through the Green Paper and other steps--its policy leadership. Beginning with the four proposed National Parks, the Negril Environmental Protection Area, and possibly other areas, USAID should support aggressive efforts to establish new co-management approaches as models for the rest of the country's PPA system.

*Encouraging a Sharper Focus on Community Involvement in PPAs Management.* Despite the country's innovative management approaches which blend the efforts of government agencies, NGOs and the private sector, evidence indicates that communities which depend on the resources within PPAs have not been adequately integrated into the management of these areas by some of the NGOs involved. Examples include fishing communities in

Montego Bay and poor agricultural communities within and adjacent to John Crow and Blue Mountain National Parks. Greater attention must be given to recognizing the legitimate aspirations of such communities and to developing sustainable resource exploitation agreements, realistic alternative sources of livelihood, cooperative efforts to control resource extraction by outside interests and other measures to ensure their full integration into PPAS management strategies.

*Settling Financial Sustainability Issues.* USAID needs to provide leadership in ensuring that the PPAS system is on a firm and sustainable financial basis by 2000. This will mean quickly resolving the institutional issues surrounding the Jamaica National Parks Trust Fund and acting upon other current public and private proposals to increase revenues and to assure their appropriate distribution.

Given the crucial importance of the *tourism sector* to Jamaica's economic growth prospects and the dependence of the industry on the sound management of natural areas, the Mission should consider building stronger linkages between tourism development and the environment through the following strategy:

*Working Closely with the Private Sector.* There is ample private incentive for cooperative efforts to establish more sustainable tourism practices. Local and national tourism trade associations are ready to move forward in this regard. Examples include direct partnerships in natural resource

management schemes, fund raising for local PPA management, and development of new eco-friendly tourism destinations.

*Building on PPA Efforts.* Given the significant PPA management effort envisioned, the strong links between these efforts and the tourism industry, and the specter of declining financial resources, program efforts should be geographically focused. In practice, this will mean giving preference to regions offering opportunities for both PPA interventions (such as the five locations mentioned above) and demonstrations of sustainable tourism practices.

### **Water Resources Management**

The second area of focus is water resources management, with an emphasis on addressing water quality problems associated with urban development activities. Although USAID would join a number of other donors in this area, the critical nature of clean water in the environmental matrix was underscored in discussions with customers/partners as well as in Jamaica's own environmental planning documents. Furthermore, the Mission has already demonstrated an ability to multiply the effectiveness of its limited resources in this area through cooperation with Japan/OECF on the North Coast Development Project. As USAID's resources are inadequate to invest in major infrastructure projects, the Mission needs to capitalize on its past successes with community groups by focusing on supplementing infrastructural improvements with building local capacity to address the sources of water contamination and inefficient

use. Potential areas of opportunity suggested in discussions with Jamaican clients include:

*Forming private/public partnerships aimed at improving water quality.* Until recently, private enterprises have shown little interest in forming partnerships with public sector organizations. However, small- to medium-sized enterprises, such as "green" hotels or community tourism projects, may benefit from entering into partnerships with the public sector as a means of reducing the costs of adopting new approaches or technologies that are too high for a single business to absorb. The growing awareness of the need for collective action to address many environmental issues may provide the impetus necessary to form public/private sector partnerships that has been lacking in the past. Indeed, trade associations, such as the JMA, JEA, and Chambers of Commerce have indicated an interest in forming partnerships with local groups to address water contamination issues.

*Supporting community-based organizations (CBOs) addressing municipal water quality and land use concerns.* The rapid formation of squatter settlements around urban centers has contributed to contamination of water through lack of available sewage and waste treatment systems. CBOs may best be suited to address solutions toward reducing water contamination in present settlements as well as preventing new sources of contamination through informal planning and zoning of municipal activities.

*Supporting the capacity of local groups/parish governments to enforce water quality and land use regulations.* The NRCA

has acknowledged the difficulty in the GOJ's efforts to regulate microbusiness activities. Examples exist of effective pressures brought to bear by local groups directly affected by violators of water quality land use regulations. Local groups are most likely to be aware of violations and more capable of acting upon violations quickly if they possess the knowledge and resources needed for effective enforcement.

*Expanding industrial pollution prevention.* Jamaica's economic growth strategy promotes increased activity in the industrial and manufacturing sectors throughout the island, leading to more pollution from a greater and more diverse range of sources. The private sector, through discussions with the JHTA and the JMA, has indicated an interest in forming partnerships to reduce water pollution and improve overall environmental process standards (e.g., adopting ISO 14000).

**ANNEX 3: BASIC EDUCATION STUDY**  
*(This annex is summarized from a USAID-funded study carried out by Trevor Hamilton & Associates)*

The conception of the need for a New Horizons Project for disadvantaged youth grew out of an intuitive sense that attempts to cure the problems of "at risk" youth during adolescence would ultimately be self-defeating without addressing the undesired needs for improved early childhood development. The apprehension was that one set of youths would be helped while another generation of children would be born into the same set of circumstances and grow to require similar rehabilitative and corrective interventions. The recently completed baseline study through its comprehensive analysis of the current status of children 0-10 years and their living and learning environments serves to confirm USAID's initial hypothesis. The study's findings demonstrate that investment in Jamaican children before they enter school represents a non-negotiable prerequisite to later educational progress and attainment. In addition the strong evidence of the tangible benefits to be gained from early childhood interventions provides compelling argument for serious investment in the area as these have repeatedly demonstrated particular improvements on the life chances of children born into poverty.

Over the past fifteen years the Jamaican education system has experienced a crippling blow from the effects of structural adjustment. High levels of debt-servicing, fiscal tightening and significant staff layoffs in social service agencies have cumulatively stripped the main sources of supports to

children and poor families. Budgetary allocations to education for example while appearing to increase in nominal terms have actually decreased significantly in real terms due to the high rates of inflation. This situation in turn has led to qualitative deficiencies within the education system.

In the education sector several large scale programmes are currently being executed to address the identified system deficiencies at the Primary and Secondary levels. At the Primary level these include the World Bank's project for increasing supply of text books, the IDB-funded curricula revision project and the USAID multidimensional PEAP project (Primary Education Assistance Project). At the Secondary level the ROSE (Reform of Secondary Education) Project jointly funded by the World Bank and the Jamaican Government as well as the Technical/Vocational programmes supported by several agencies (eg. the World Food Programme) are making significant headway within the formal system. There have also been several efforts to expand and improve existing school plants to accommodate greater numbers of students at all levels of the system. These interventions appear to be progressing satisfactorily and cumulatively will go a long way in responding to the systemic problems in education in Jamaica.

While there will clearly be continued need for on-going improvements to overcome problems within the formal education system in Jamaica, this study urges that the challenge ahead will be to rationalize investments at all levels of the system, including the Basic level, to ensure adequate

social and economic returns to investments made in education by the Government and donor agencies.

Key to the success of any education system is a sufficiently prepared student at the point of entry. However, amidst all of the focus at systemic improvements there has been limited for ensuring the readiness of the Jamaican child for schooling. While 20% of all Education enrolment occurs in early childhood education only 2.5 % of the Education budget is allocated to this level. In addition, the country's definition of Early Childhood Education does not include provisions for children below four years of age. Consequently the returns on the educational investments outlined earlier must be seen as limited with respect to the realization of their full potential. A stark reality that cannot be ignored is the fact that only approximately 50 percent of the entire Primary school intake demonstrate mastery on universally accepted school readiness skills eg. listening comprehension, visual discrimination and other basic skills requisite for literacy development and performance in school. This means that the very first rung of the formal education ladder begins with a major disadvantage that will continue to threaten the best-intentioned efforts at later stages. A major argument of this study, there is critical need for interventions that address the early cognitive preparation of Jamaican children for schooling.

Related to the low level of cognitive functioning of school entrants is the concern surrounding the physiologically and socially disadvantaged status of the great majority of children which inhibits their capacity to benefit from the system. Jamaican studies

have shown that poor-achieving public primary school students weigh less, have a poor history of having breakfast, have low haemoglobin levels and demonstrate higher morbidity levels than higher academic achievers.

Apart from addressing system deficiencies and academically preparing students for school entry, therefore, other crucial factors that must be considered are the economic and social contexts in which the majority (over 60%) of Primary school entrants live. The sociological profile of this study provides revealing data concerning the high levels of poverty, overburdened female-headed households, absentee fathering, overcrowded dwellings, conflict ridden homes, communities plagued by violence, high levels of parent child separation, repressive parenting and child abuse, limited material supports, increasing child labour and high levels of teenage parenting. This profile presents a very grim picture of the environments into which the majority of Jamaican children are born.

While children spend a great portion of their daily lives in classroom settings they return home to be significantly affected by these substandard conditions and influenced by negative social forces which place these children at high "risk" of delayed development, deviant behaviour and school failure. The second required category of intervention identified by this study , therefore, is the provision of compensatory, preventive type programmes that will reduce the debilitating effects of children's home and community environments while at the same time providing opportunities for upliftment. As this study substantiates, high-quality

programmes for children living in poverty more than any other educational innovation demonstrate the promise of lasting benefits and return on investment.

Despite the knowledge that children's development requires a holistic approach, investments in their development through health, education and welfare programmes continue to be fragmented and compartmentalized. Such an approach is costly, redundant and potential benefits are limited. The intervention options presented in this study aim to integrate the provision of basic needs for young children. Through such an approach the unit and marginal cost of investment can be reduced and the convergence of resources on "at risk" children will help to maximize returns on investments. It is for this reason that this study recommends the strategic targeting of funds so that they may be aligned with other investments currently being made by major players in the area of early childhood care and development. Such programmes are seen as vital for improving the physiological, social and psychological preparation of children to accept the ethos and benefit from learning within the formal system.

Simple as early childhood programmes may appear, where children learn through play, social activities and discovery learning, these undoubtedly represent the vital building blocks upon which all subsequent learning and social functioning will be founded. Whether a child's destiny is to follow an academic or vocational route in their school or job career, a well-supported start for poor children is what will make the difference between success and failure. Whereas preparation for the labour market is most

often focussed at the secondary and tertiary levels this study makes a strong case that the early orientation of minds is crucial for the type of critical thinking and social functioning required in any learning situation or productive activity. It must also be remembered that the vast majority of the Jamaican population do not continue beyond the Primary education level. If primary education is the "cutting edge" of national development then the critical nature of the early years cannot be underestimated. Particularly where large numbers of children exist in deprived situations, primary schooling may prove too late to develop in these children the capacities for benefitting from schooling or optimizing their potential. Past educational and development models have failed because they have failed to break the cycles of persistent poverty, inequity and violence that have persecuted and marginalised thousands of Jamaican children. The social debt of this failure is measurable by the current indicators of social alienation, disintegration and wastage. Significant sums of money are now being invested in welfare and corrective programmes which produce little substantial or sustainable results in human progress. This is a survival strategy not a development orientation.

The arguments in favour of child care are often limited to the freeing of time for parents to get "productive" employment. Seldom, if ever, are the many other non-economic factors that feed the inter-generational reproduction of poverty analysed and costed. The majority of social problems in Jamaica are preventable and are rooted in the neglect of children starting during the earliest years of their life. In spite of the overwhelming body of knowledge that the

quality of care afforded to children in early childhood shapes their likelihood of success in virtually all aspects of their adult lives, the chronic neglect of children, wilful or otherwise and the low priority they get on the development agenda are the most serious problems facing Jamaica today. Unless the dominant development models gives way to a new approach which targets the improvement of the human condition with the youngest children at it centre, both the educational, economic and social future of this country will be jeopardized.

"Each new generation offers society another chance to get it right, and each successive failure to seize this opportunity is a stronger pull in the downward spiral of persistent poverty and social disintegration, making it more difficult to overcome these problems for the next generation. If early childhood programmes were supported for even a single generation there would be less to do in the next, because fewer of these children would as adults be unable to cope with their own families."

*Newman-Williams and Sabatine UNICEF (1995).*

This study urges USAID to move beyond the rhetoric to actual acceptance of the principal that "Early childhood is the key to future success". This study identifies opportunities for high impact interventions that will begin to fill the void that exists and consequently meet the challenges. The greatest challenge will be to prepare the nation for economic sustainability which will only be achieved by moving from planning for welfare to planning for development. We hope that this study will influence USAID to

make the necessary investment in young children now to enable the progress in human development which is needed to foster technological and economic growth in this generation and the ones to follow.

"It would be hard to imagine that society could find higher yield for a dollar of investment than that found in early childhood education programs for its at risk children."

US Committee for Economic Development Investing in Our Children (1985).

**ANNEX 4: TELE-JAMAICA 2015****Timeline:**

1995 - Fair Trading Commission court action forces Telecommunications of Jamaica to give providers low-cost access to the Internet

1997 - GOJ sets national goal to have all Jamaicans connected to multi-media networks via handheld computer communication devices for voice, video, data and other forms of graphics

1997 - GOJ offers incentives for private investors to provide in-country Internet access and related equipment

1999 - Internet advertising allows Jamaica to become beta test for new technologies in solar energy, genetic engineering for agriculture, educational software, telemedicine, reggae VR software, and retirement communities

1999 - New Jamaicans, with donor grant, form the Watering Hole (WH) Strategic Action Center to sell advantages of scientific thinking, advanced technology, and the concept of Tele-Jamaica

2000 - Tele-Jamaicans dot the globe, enlisted through Tele-Jamaica Access, a 1-800-JAMAICA service devoted to reconnecting Jamaicans living overseas, :

Welcome to Tele-Jamaica Access! If you want to ...

become a part-time tele-education teacher's aid, press 1  
become a marketing representative for

Jamaican products in your area, press 2  
contribute ideas on industrial policy, press 3  
explore ways to assist your home parish, press 5  
look for joint ventures, press 6  
become a Tele-Jamaican, press 7  
return to Jamaica, press 8  
donate items to Jamaica, press 9  
access Tele-Jamaica by Internet, hang up and access:  
<http://www.telejamaica.edu.jm>  
e-mail Tele-Jamaica, send to:  
Jamaican@uwinmom-edu.jm  
repeat this message, press #; talk to our operator, press 0; leave a message, press \*

2000 - WH revenues soar, from finder fees, equity positions and restaurant/ bar income, and sales of books, software and futuristic products; WH connects and trains 25 organizations in Internet marketing, advertising, negotiating and closing deals

2000 - Computer Foundation for Education meets goal: all 1,200 Jamaica schools have computer labs with Internet access

2001 - Microsoft, noting WH success, donates Net 2001 training to Jamaican organizations

2001 - Electronic parishes and villages receive tele-ed, tele-medicine, tele-trade, and tele-reality, giving urban advantages to rural dwellers

2002 - IBM successfully responds to Jamaica's Internet offer of market access and five-year tax holiday in return for 1000 hand-held computers weighing less than five

pounds each, with 1 gigabyte ROM, 24 MB RAM, with telephony and pre-loaded neural net software including voice recognition, synthesis and pen-based boards for less than \$100 each; becomes basis of mini-brain technology

2004 - Microsoft builds Cyberview Studio in Negril to produce virtual reality software kits, including Televacation Jamaica Experience, Mind Building, and Caribbean Romance

2005 - Computer Foundation meets second key objective: every school child has a mini-brain (hand-held computer transceiver)

2006 - Government of Jamaica selects first Internet-bid two-year sectoral economic proposals, and hires strategist to monitor its implementation

2007 - Cyberview's retirement catalogues stimulate sharp demand from Japanese, Chinese and North Americans for homes in Jamaican Paradise Centers

2008 - Universal Protocols (UP) eclipses the Internet, and transmits all telephony and data by photonics; Caribsats and low orbital micro-satellites allow anyone, anywhere to access anything, anytime

2008 - Jamaica-Minds, which promotes new attitudes for Jamaicans, is the most popular UP tele-VR production, and leads to Walt Disney filming Magic Values in Jamaica

2010 - WH's 10th anniversary; introduces direct to micro-sat mini-brains at its celebration

2012 - Collaboratories between the University of the West Indies and other research and development centers are fully linked to national policy planning; real-time networked inventory helps establish Jamaica's position as a central Caribbean trading center

2013 - IBM releases several lines of cyber jewelry, which replaces mini-brain technology

2015 - Jamaica is a first world information-age economy, assisted by the successful establishment of Tele-Jamaica as a virtual nation within the Hemispheric Trade Group; Tele-Jamaica model successfully used in Nigeria, and leads to resolution of Taiwan problem when Tele-China becomes the fastest growing economic activity in history.

(adopted from Tele-Jamaica, by Jerome Glenn)

## ANNEX 5: PROGRAM PERFORMANCE INDICATORS

*SO1: INCREASED PARTICIPATION FOR ECONOMIC GROWTH  
USAID/JAMAICA FIVE YEAR STRATEGY  
1997-2001*

Indicators

USAID Mission Goal:

- GDP per capita (\$ value)
- Incidence of absolute poverty (%)
- Modified Human Development Index (coefficient)

SO1:

- GDP growth rate (%)
- Employment in assisted areas (m/f)
- Foreign exchange earnings in priority areas (\$value)

1.1:

- Disadvantaged persons receiving financial services (m/f)
- Assisted small and microenterprise firms (urban/rural)
- Improved export crop technology adopted by small farmers (no.)

1.2:

- People trained for the production sector (m/f)
- MBAs graduated by UWI (m/f)
- Increase in proportion of health services provided by private sector (%)
- Improvement in numeracy and literacy rate (%)

1.3:

- Number of small firms adopting in-plant technology (no.)
- Trade associations' membership (no.)
- People trained for the export sector (m/f)
- Volume of produce handled by export marketing facilities (tons)

1.4:

- Private domestic and foreign investment (\$ value)
- Number of foreign visitors (no.)
- Value of public sector divestment proceeds (\$)
- Number of FTAA related trade reforms enacted and implemented (no.)

## **SO2: Increased protection of key natural resources in environmentally and economically significant areas**

SO-level indicators:

1. Percent of environmentally threatened area under protection
2. Percent of target communities adopting model water and sanitation solutions (1997-2002)

### **2.1 Expanded areas of priority urban and natural resources under sustainable management**

2. Indicators

- 2.1 Number of model water/sanitation mechanisms approved
- 2.2 Number of parks/protected areas units established.

### **2.2. Increased financial resources for environmental management**

2.2 Indicators

- 2.1
  - a. Fundraising program for national trust fund implemented (dollars)
  - b. Fundraising program for local trust funds implemented (dollars)
  - c. Revenue generation programs in place (dollars)
- 2.2 Number of CBOs/NGOs operating water/sanitation systems on a full cost recovery basis
- 2.3 Funds leveraged with development partners (dollars)

### **2.3 Strengthened capacity of Jamaican organizations to manage natural resources sustainably**

2. Indicators

- 2.1 Number of CBOs and NGOs successfully dealing with water and sanitation issues
- 2.2 Number of NGOs receiving delegation of authority to manage protected areas increased

### **2.4 Established environmental policies and regulation to conserve key natural resources**

2. Indicators

- a. Policy reforms to create economic incentives for sound environmental
- b. Policies to institute best management practices adopted.

### SO3: Young Jamaicans better equipped for the 21st Century

#### SO-level indicators:

1. Fertility rate
2. STD/HIV transmission rate
3. Functional literacy and numeracy rate

#### Lower level Indicators:

#### *I.R 3.1 Healthier lifestyle for Young Men and Women (ages 10 - 24)*

##### 3.1 Indicators:

##### **3.1A Increased access to family planning services and information by young men and women\***

- 3.1.1 Contraceptive prevalence rate.
  - 3.1.2 Acceptors (M/F) protected by long-term methods.
  - 3.1.3 Unintended teenage pregnancy.
  - 3.1.4 Delayed initial intercourse (M/F).
- 3.1B Increased access to HIV/STD prevention services and information by young men and women**
- 3.1.5 Transmission rate of HIV/STD among young men and women.
  - 3.1.6 Condom use.
  - 3.1.7 Syphilis rate in antenatal women.
  - 3.1.8 STD/HIV Reporting by all providers.

#### *I.R 3.2 Employability improved for at-risk youth (M/F ages 10 - 24)*

##### 3.2 Indicators:

##### **3.2A Improved student performance (M/F) in primary schools**

- 3.2.1 Grade I "readiness" inventory for pre-primary and primary.
- 3.2.2 Age range of primary entrants (M/F).
- 3.2.3 Formal, didactic and structured approaches for primary grades.
- 3.2.4 Learning difficulties in the early primary grades (M/F).
- 3.2.5 Referrals for age groups 7 to 8 years (M/F).

\*We will continue to measure contraceptive prevalence rate and use of long term contraceptive methods until completion of the Family Planning Initiatives Project.

**3.2B Improved social/job skills for out-of-school and disadvantaged young men and women (ages 10 - 24)**

**3.2B Indicators**

3.2.6 Out-of-school youths/adolescents (M/F) return to school.

3.2.7 Completion rate for all-age and vocational schools' programs (M/F).

3.2.8 Reduction in violence in schools.

**3.3 *Improved Educational Policy Reforms***