

Economic and Operational Evaluation of the  
Commodity Import Program  
of Jordan

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AbstractBackground

The main purpose of the CIP is to provide \$165.5 million of U.S. merchandise imports to both the private and the public sectors to stimulate growth in the Jordanian economy. About two-thirds of the funds have been obligated and almost half of the imports are in the process of being sent to Jordan.

Economic Evaluation

CIP assistance will probably have contributed to a slight increase in imports over what would otherwise have been the case. In general, most of the CIP imports would have entered Jordan anyway, although some might have been ordered in later years. The CIP, therefore, probably did not result in significant additional goods being ordered, however, it probably did encourage more ordering of goods from the United States.

The CIP may mainly be said to have contributed to Jordan's supply of foreign exchange. During 1986 and for many years previously, Jordan's market for foreign exchange appears to have functioned efficiently and relatively openly.

In general the program seems to meeting its main objective. However some improvements in USAID understanding of the GOJ budgeting process would probably help insure better use of funding in the public sector part of the program.

One of the secondary objectives of the CIP--enhancing the policy dialogue--shows little sign of being accomplished. No significant policy changes have been made so far and the GOJ seems to be counting on a renewal of the old sources of foreign exchange growth to pull it through the present difficulties rather than a policy reorientation to make the economy more export competitive.

The other secondary objective of the CIP--promoting more aggressive lending by banks--also seems unlikely to be accomplished. Bank lending to the private sector under the CIP has been made to mostly very secure borrowers: government-backed companies and companies supplying goods to the government.

Looking forward to what is likely to be happening with the CIP in the next few months, USAID should use the opportunity of obligating the third tranche of the CIP as leverage to support both USAID's and GOJ's interest in promoting the private sector by negotiating commitments to use the funds for private sector related activities.

## Executive Summary

Background

The CIP in Jordan was started in late 1985. \$160 million was allocated to the program for three years: \$50 million in 1985 and 1986 and \$60 million in 1987. This evaluation was required before the third, 1987, tranche of the program could be approved.

To date about \$45 million of public sector items have either been ordered or are in the process of being ordered. In the private sector, 149 letters of credit have been issued for \$49 million of goods. Thirty-five separate private and mixed (both private and public ownership companies) have participated in the program.

The objective of the CIP in Jordan is to provide U.S. merchandise imports to both the private and the public sectors. Because of the strong observed relationship between economic growth and import capacity in Jordan and because of the country's recent loss of foreign exchange, CIP assistance is ultimately intended to foster a higher rate of economic growth than would be likely to occur without the assistance.

Between 1975 and 1982 Jordan grew at an annual rate of 14 percent. However, as the price of oil fell and economic conditions in the Persian Gulf States deteriorated, remittances from Jordanians employed in the Gulf ceased to grow and official Arab donor aid to Jordan declined. As a consequence Jordan's growth plummeted to less than one percent per year from 1983 onward. Imports--upon which Jordan, without many natural resources, is highly dependent for capital and intermediate goods--have fallen every year since 1982.

Economic evaluation

CIP assistance has probably resulted in more imports arriving in Jordan than would otherwise have been the case. In general, however, it appears from anecdotal evidence that most of these goods would have been purchased even without the CIP although perhaps at a later date than with it. Most CIP imports do not appear to have been concentrated in one or even in several markets. This suggests that the CIP caused few distortions in the normal functioning of Jordan's markets although more purchases were probably made from the United States than otherwise would have occurred.

Purchases in the public sector part of the program are made on the basis of capital goods budgeting in the annual GOJ budget. Some requests for vehicles and furniture raise questions about how priorities for CIP purchase requests from the GOJ to USAID are established in the budgeting process. USAID should become more familiar with the GOJ budgeting process and should use the CIP as an opportunity to accomplish this.

A a source of foreign exchange, the CIP functions within the GCJ's relatively open and flexible foreign currency market. Some changes in enforcing regulations for foreign exchange took place during 1986 and also the Central Bank of Jordan altered the longstanding policy of pegging the dinar to the SDR. The system remains open and flexible and so foreign exchange may be said to be used efficiently.

The CIP was designed to bolster USAID influence in the policy dialogue and policy reform in Jordan. However, in spite of considerable efforts on the part of USAID, no significant policy changes have taken place. This probably reflects the GOJ's caution about change to accommodate its new and uncertain economic situation, and an optimism about the renewal of the old sources of foreign exchange growth: remittances and Arab aid. The caution also seems to reflect a pessimism about the prospects of the economy becoming more export competitive. Nonetheless USAID's current effort may provide a basis for eventual change if economic stagnation continues.

The is run through the banking system. One of the objectives of the private sector program--to promote more aggressive lending by Jordanian banks--does not appear to have happened. Even though the CIP allows banks to adjust the interest rate to reflect risk, most banks have not taken advantage of this flexibility and most of the loans appear to have gone to safe government guaranteed, or otherwise government-related, borrowers at the lowest possible rate. This outcome probably reflects the absence of non-government related capital spending in Jordan, and also reflects the current economic slowdown.

The economic evaluation examined the question of how the money in the counterpart fund would be used. Looking forward to what is likely to be happening with the CIP in the next few months, USAID should use the opportunity of obligating the third tranche of the CIP as leverage to support both USAID's and GCJ's interest in promoting the private sector. USAID should negotiate commitments of the funds's resources for private sector related activities.

#### Operational Evaluation

The Jordan Commodity Import Program has performed generally well as a result of effective management, periodic systems reviews, and the implementation of adjustments as deemed necessary. After a slow start in the private/mixed sector element of the program, and a USAID/Ministry of Planning review of possible causes for the sluggish performance, procedural adjustments were made (in May 1986) resulting in an increase in the letters of credit issued. The slow beginning in the public sector side of the program is attributable to various causes, encompassing USAID/Jordan, the GOJ and AID/Washington. Some

of the problems have already been resolved. Additional adjustments to the public sector program that might speed-up funds utilization are recommended below. Because substantial deliveries are now beginning to take place, additional efforts will be required in arrival accounting and end-use checking. These additional requirements, along with implementing some of the recommendations below will likely require additional personnel.

ECONOMIC AND OPERATIONAL EVALUATION OF THE COMMODITY IMPORT PROGRAM  
FOR JORDAN

Introduction

This is an evaluation of the USAID Commodity Import Program (CIP) in Jordan. The evaluation is presented in two parts: the first evaluates the economic effects of the CIP and the second examines how the program has functioned operationally. The two parts of the evaluation were carried out separately during February and March, 1987 by AID/W and ROCAP Guatemala Personnel assisted by USAID Personnel.

1. Economic Evaluation of Jordan's Commodity Import Program

The principle economic objective of the commodity import program in Jordan is to enhance Jordan's import capacity by providing U.S. merchandise imports to both the private and public sectors. Because of the strong observed relationship between economic growth and import capacity in Jordan, CIP assistance is ultimately intended to foster a higher rate of economic growth than would otherwise have occurred without the program. In addition, the Jordan CIP assistance is designed to promote a policy dialogue between the GOJ and USAID, and to foster more aggressive bank lending. Another objective--establishing a sizeable pool of local currency for activities--is not yet sufficiently advanced to be included in this evaluation, although some comments are made on this aspect of the CIP at the end of the evaluation.

Because of the relative newness of the Jordan program, the small amount of CIP imports that have actually arrived in Jordan, and the difficulties encountered in initiating the CIP, many of these aspects of the program cannot be evaluated except in an anecdotal and impressionistic way. Clearly this leaves much to be desired from the point of view of methodological rigor, but since this evaluation is hopefully serve to help establish some of the objectives of the final evaluation.

1. CIP Assistance to Enhance Import Capacity

All commodity import programs, by virtue of their transferring goods from one economy to another by a quasi-market or non-market mechanism, raise questions of economic efficiency. Perhaps the most important of these questions is whether the CIP supplies the same imports that would have been chosen if there were no CIP assistance. If the answer to this question is that the composition of imports changed because of the CIP, then an evaluation of the program should

examine how the transfer of goods affected specific markets. If the answer is that the CIP did little or nothing to change the composition of imports, then the main effect of the CIP is in its supply of foreign exchange and the evaluation should examine how efficiently the foreign exchange market works. This section will examine these questions against the general economic background of Jordan.

Economic Background.--The Jordanian economy--with its limited arable land, water, and energy resources--is highly dependent upon external transactions. This is especially notable in Jordan's high dependency on imports of food, energy and many other items related to consumption and production. In addition, Jordan's development problems are exacerbated by a high birth rate and large immigration following the Arab-Israeli and Lebanese conflicts. Nonetheless, Jordan has sustained high levels of economic growth generated by remittances from Jordanian workers in the Gulf and official Arab donor aid.

However, as a result of the decline in oil earnings in the Gulf States since 1982 the Jordanian economy has performed sluggishly in the mid-1980's. Workers' remittances have leveled off and Arab donor assistance has declined. Additionally, import demand from Arab countries--usually more than half of Jordan's exports--has declined. The Iran-Iraq war has contributed to this negative impact on Jordan's growth and trade deficit.

As a result of these and other factors, GDP and GNP, in real terms, have grown only 2.1 percent and 0.5 percent respectively since 1983, considerably below GOJ targets and much less than the growth rates during the 1975-82 period of 12.4 percent and 14.7 percent, respectively. Unemployment is also increasing with Jordan's labor force growing by about 4 to 6 percent annually and employment opportunities in the Gulf stagnating. Especially affected by the general economic decline has been the private sector with an almost 50 percent decline in investment since 1982.

The effect on Jordan's merchandise trade has been notable. Imports have fallen almost every year since 1982, and are expected to be about 13 percent lower in 1986 than in 1985. The decline, in part, reflects the falling price of imported oil, but also includes significant declines in all other import categories except food. Especially significant have been the reduced quantities of capital goods imports. Imports of machinery and transport equipment, for example, have fallen 47 percent between 1982 and 1985. Intermediate goods, except oil, have only declined 6 percent over the same period.

Merchandise exports after falling dramatically in 1983 have expanded consistently since then and were 38 percent higher in 1985 compared to 1982. In large part this reflects the increasing production of the phosphate industry which has expanded in the last few years. Export figures for 1986 are expected to show a decline

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from 1985 because of the poor price performance for phosphates. Also fruit, vegetable, and light manufacturing exports, shipped to neighboring Arab countries, have fallen reflecting the contracting Gulf market and the effects of the Iraq-Iran war on Iraq, a major market for Jordanian exports.

In spite of the narrowing trade deficit of recent years, the falling sources of remittances and Arab aid have not been able to compensate for the still substantial level of imports in excess of exports. One consequence of this is that Jordan has had to borrow from commercial markets; but more importantly for the country's development objectives, Jordan--constrained by the delining sources fo foreign exchange--has had to cut back on imports. Hence, the immediate purpose of the CIP is to address Jordan's import constraint problem by increaseing--through the supply of goods--the amount of foreign exchange available.

Size of CIP assistance.--The amount of funding made available for the program--\$50 million in 1985, \$55.5 million in 1986, and \$60 million in 1987--is, in total, equivalent to 42. percent of Jrodan's total estimated imports of goods and services in 1986. Hence, the assistance, when spread over three years, is quite small. The size of the CIP is also small when compared to other sources of foreign exchange. For example, the three year total for the CIP amounts to only 19 pepcent of the estimated remittances received in 1985 and only 22 percent of the Arab donor aid in that year. In comparison exports totaled \$324 million ona CIF basis and accounted for approximately 11.9 percent of Jordan's imports.

Because of the normal lag between issuing a letter of credit and shipping goods, the actual arrivals to date of CIP imports in rektion to the Jordanian economy are much smaller tahn the amounts discussed above. The actual amount of imports to enter Jordan since the program began in September 1985 is estimated to be less than \$12 million. Hence to the extent CIP assisted imports will affect import quantities, they will show up in 1987, 1988, and possibly later. Tables 1 and 2 show tje cirrent status program disbursements and expected arrival dates for the imports not yet in Jordan.

Table 1.--Status of Jordan CIP Disbursements, January 31, 1987

<u>Item</u>	<u>Public</u>	<u>Mixed/Private</u> <u>1/</u>	<u>Total</u>
	(Millions of U.S. dollars)		
Amount of letters of credit issued or shortly to be issued	15.5	43.0	58.5
Of which, approx. amount arrived in Jordan as of Jan. 31, 1986	5.8	5.8	11.6
Amount of merchandise in process of being ordered	40.4	not applicable	40.4
Total	55.9	43.0	98.9
Balance remaining for first two tranches	- .9	9.9	9.0
Balance of CIP to be obligated	30.0	30.0	60.0
Total amounts to be ordered	29.1	39.9	69.0

1/ Mixed companies are those with both public and private ownership.

Table 2.--Amounts of CIP Imports to Arrive in 1987 and Later Periods

Expected by		
Sept. 30, 1987	30.1	42.0
Sept. 30, 1988	29.1	32.2
Expected after		
Sept. 30, 1988	20.0	0.0

Quality of the CIP transfer--While only about \$12 million of merchandise has already arrived, the value of merchandise that is either ordered but not yet arrived and merchandise that is being considered for CIP support in the FY 1985 and 1986 tranches is currently about \$98.9 million. These items are shown in table 3 below. With the exception of feed and grains and a few other items--amounting to perhaps between 10-20 percent of what has been requested--the merchandise can be characterized as capital goods.

Consequently, their effect on the Jordanian economy is likely to be felt over many years compared to the effect that such imports would have if they were intermediate goods.

Table 3.--Principle Commodity Categories Imported Under the Jordan CIP

Item	Mixed- Private Sector	Public Sector	Total	U.S. Share of total Jordan imports in <u>1985</u>
(in Millions of U.S. Dollars)				
Earth moving equipment	15.2	2.0	17.2	18
Computers	7.2	3.8	11.0	54
Drilling equipment		2.4	2.4	0
Aircraft spares	4.4		4.4	36
Landing systems		7.4	7.4	1/
Vehicles		3.9	3.9	2
Industrial machinery	0.8		0.8	7
Mining equipment spares	2.2		2.2	27
Feed and grains	2.9	5.5	8.4	30
Communications equip	2.8	16.2	19.2	12
Agricultural equip	.3	1.4	1.7	78
Centrifugal equip	2.5		2.5	9
Medical		2.4	2.4	45
Lab and voca. equip		1.4	1.4	11
Handling equip		3.6	3.6	5
Tug boats		5.0	5.0	1/
Other	4.7	0.9	5.6	1/
Total	43.0	55.9	98.9	

1/ Information was not available.

Because of the advanced level of development of the Jordanian economy, the CIP imports are unlikely to be technologically inappropriate for the economy. Furthermore, with a few exceptions, these goods appear to be the type that the United States has a comparative advantage in exporting--high technology products, heavy machinery, agricultural machinery, grains, etc. One possible exception to this may be the public sector purchase of vehicles. During interviews, purchasing directors from both the Jordan Civil Aviation Authority and the Ministry of Health indicated that they would normally have purchased vehicles from Europe or Japan were it not for the CIP.

Anecdotal information gathered in the course of the evaluation indicates that most participants in the program--public,

mixed-ownership (i.e. public and private sectors), and private--intended to purchase their capital equipment even without the CIP. Thus the CIP probably has had little discernible distortionary effect on capital goods markets.

One possible area where additional U.S. imports may have been so large as to alter the functioning of the markets is yellow corn imports by the public sector. However, because Jordanian public sector imports of this item traditionally are large, CIP imports probably did not alter the market significantly. In 1986, CIP imports of yellow corn were \$5.5 for 47 thousand metric tons. This compares with total imports in 1983, 1984, and 1985 of 205tmt, 132tmt, and 169tmt respectively. Also the U.S. share in each of these years was usually over twice the size of the CIP imports of 47tmt in 1986. Hence the size of CIP imports in 1986 does not seem large enough to distort the supply situation any more than in years before the CIP.

While there was little evidence of additionality and market distortion, this does not mean that the CIP left the Jordanian import situation undisturbed. Some users of the CIP said that they might have purchased merchandise from another source or that they might have delayed purchases a few years if the CIP were not available. For example, in the private sector, several contractors purchasing heavy earth moving equipment and building materials indicated that they had received competitive offers from Scandinavian and Japanese firms for equipment eventually to be obtained from the United States. They noted not only the attractive interest rate of the CIP but also the recent decline in the value of the U.S. dollar as factors influencing their decision to buy from U.S. manufacturers. The purchasing agent for the Jordan Civil Aviation Authority (JCAA), a public sector participant, also mentioned that the JCAA was probably purchasing landing equipment, as a consequence of the CIP assistance, a year or two earlier than otherwise. Nonetheless, the equipment probably would have been purchased anyway.

On the other hand, several of the users of this program seem to have been inclined to purchase from the United States even if the CIP were not available. Typical of these was the Arab Potash Company which decided in 1983 to standardize its truck fleet around Mack Trucks. Also the Rum Agricultural Company and the Ata Ali ice cream company were inclined to purchase agricultural equipment and ice cream making machinery from the United States even without the CIP.

In sum, the CIP probably has promoted and will continue to promote the ordering of slightly larger amounts of imports than would otherwise be done. So far these imports do not appear to be concentrated in any particular markets. Also, some more goods may come from the United States than otherwise, but--due to the small size of the program in relation to all Jordanian imports--the change in the direction of trade, as caused by the CIP, appears so far to have been small.

A final set of questions in this section is related to the budget process in the public sector. How effectively CIP assistance to the public sector is used, in part, reflects how effectively priorities are established in the budgeting process. Do the budgeting process and expenditure controls result in the most necessary items being purchased and, of these items, are those which are best obtained from the United States ordered through the CIP? To answer the first of these fully would require a thorough understanding and evaluation of the GOJ budget process. USAID is researching the GOJ budget process to develop a fuller understanding of the process and of expenditure controls. The results of this continuing investigation should be useful for the future operation of the CIP.

The formal outline of the budget process and the place of the CIP assistance in the process appears to be quite straightforward. The Office of the Budget in the Ministry of Finance asks the government agencies to estimate their capital expenditures based on the level of anticipated government revenues allocated to the various agencies. The Prime Minister's office then directs all agencies to choose items that can most appropriately be ordered through CIP assistance. The result, presumably, is a list of capital purchases from the United States that the agencies would have expected to make anyway. Nonetheless, the lists of items presented for public sector purchase (appendix A) and the list of items rejected (appendix B) raise a few preliminary questions about this process. One such question is whether some of the equipment ordered by ministries to provide services, might not be better supplied by Jordanian companies outside the government. For example, a number of the purchases are for passenger vehicles. Such transportation services do not have to be carried on by the government and, in fact, may be better carried out in the private sector, but the GOJ policy to consider private contracting for delivery of services rather than purchasing equipment and providing their services itself is not clear.

With regard to the list of items rejected by the USAID review panel, another question is raised about the budget process: how does the government decide when to purchase products outside the country and when to purchase domestically. Specifically, the USAID panel rejected two requests for about \$642,000 for furniture on the basis that the items could be made locally. Again, the Government of Jordan does not seem to have a clear cut policy with regard to this question.

Furthermore, as mentioned above, agencies appear to have advanced the date by several years of implementing certain projects because they will be funded by the CIP. In such cases USAID should understand the reason for giving the project higher priority and should be aware of the development implications of the action. Also there may be other distortions in the budgeting process such as a tendency to fund large purchases through the CIP regardless of the

appropriateness of the United States as a supplier. These effects deserve further investigation and understanding on the part of USAID.

Recommendation.--USAID should continue to explore the budgeting process and use the CIP as a means to this end. When and where possible USAID should raise questions that attempt to define whether the most efficient use of resources is promoted through the budget process.

Foreign exchange markets.--Through the CIP assistance, Jordan will receive commitments for foreign exchange amounting to \$160 million. How well the market for foreign exchange functions tells us how well the assistance is used and about its contribution to Jordan's development. If the foreign exchange market functions efficiently and the price of foreign exchange reflects supply and demand for foreign currencies, then, all else equal, the CIP funding may be said to be used more efficiently than otherwise.

Jordan's economy is a relatively open one with few capital and payments controls. Residents are allowed to open foreign currency accounts and a network of banks and moneychangers keeps the market functioning relatively efficiently. Although exchange controls and import licensing remain in force, the system does not appear to constrain normal business practices.

While the market for foreign exchange in 1986 and early 1987 seems to have functioned well, some signs of divergence between the official and the unofficial exchange rates emerged in late 1986. The GOJ apparently responded by tightening its enforcement of foreign exchange regulations and also by altering the long standing policy of pegging the dinar within a narrow band to the SDR (table 4). The net effect seems to have been to contain speculation and capital flight, but the possibility of greater difficulties in the future continues.

Jordan has two foreign exchange markets. The official market is for transactions carried out by banks--related to trade, travel, student remittances, a JD 5000 per person/per year conversion, and other officially sanctioned purposes. A parallel, unofficial market, carried out through moneychangers, also exists. This has been used primarily to send remittances from Jordanians employed abroad to their families in Jordan, and also for sending funds abroad for non-official purposes.

Usually the rates in the two markets are identical. However, in December 1986 a sufficiently large differential occurred between the two rates to encourage speculation. The CBJ tightened the administration of the foreign exchange system and subsequently, without announcing it, let the dinar depreciate against the SDR by a greater amount than is usually allowed. With regard to the administration of the market, the CBJ curtailed the freedom of moneychangers, requiring them to operate at least some types of transactions through Jordanian banks, and prohibiting them from

maintaining bank balances outside of Jordan. These changes are not the result of new regulations, but rather the enforcement of previously existing ones. With regard to dinar's depreciation, instead of letting the dinar float close to a 2.25 percent band around the SDR, the dinar has depreciated by over 10 percent against the SDR. This reunified the official and unofficial rates.

CBJ authorities confirm that the dinar was depreciated against the SDR, but they claim that the main reason for the depreciation was that the current weight of the dollar in the SDR basket of 5 currencies was too low, given the dollar's depreciation since the IMF revised the weights in 1985. In addition, the CBJ wants to prevent the dinar from becoming overvalued with regard to the dollar. Hence the dinar, while still appreciating against the dollar, has nonetheless appreciated less than it would have if still pegged to the IMF defined SDR. Probably, because of this appreciation against the dollar, the defacto unpegging of the dinar from the SDR has not created the panic withdrawal of savings from Jordan that had been feared as a consequence of such an action in the past. The action shows that the authorities are more flexible on this issue than had usually been assumed, and this in turn increases the likelihood that the foreign exchange markets will continue to function efficiently.

Table 4.--The Relationship of the dinar to the SDR

Time Period	SDR "pegged" value of the dinar in U.S. dollars A	U.S. dollar value of the dinar B	Percent difference A-B/A
CY 1985	2.62	2.54	3.1
CY 1986 to 10/86	3.06	2.92	4.6
Feb. 4, 1987	3.28	2.97	9.5
Feb. 18, 1987	3.33	2.94	11.7

## 2. The Policy Dialogue

The provisions for the policy dialogue at the most senior and formal level are part of the CIP agreement. Specifically, the only covenant in the grant agreement describes that officials from the GOJ will meet with USAID twice a year to discuss economic performance and macroeconomic issues. So far there have been 3 such meetings: in January and March 1986, and in January 1987. The purpose of these meetings is to provide both organizations a formal opportunity to improve understanding of macro-economic performance and of policies and programs affecting Jordan's financial circumstances, growth, and development. In these meetings USAID has raised many questions about GOJ policies and suggested certain directions for policy change

The policy dialogue also takes place more frequently and more informally at other levels--in routine discussions between USAID and GOJ officials, on project related matters, in discussions of scopes of work for consultants, and on other occasions. Furthermore, USAID has supported a number of consulting missions and studies which have analyzed the policy issues and options available to the GOJ. Many of these activities are described in appendix C.

The progress to date on the policy dialogue can be measured in two ways: The effort USAID has put into it and the evidence of policy changes made by the GOJ. The former is formidable while the latter is still somewhat lacking. This lack of change on the policy side reflects how difficult the process of policy change is for Jordan. The decline in economic activity caused by reduced external resources raises questions about how appropriate current economic policies are and how the new state can be accommodated the new situation. The caution that Jordan exhibits in confronting these new realities, constraints, and opportunities in the uncertain economic environment of the Gulf seems understandable. Furthermore, the amount of funding under the CIP and its relatively short 3 year duration are probably not sufficient to provide USAID with the kind of influence in the policy dialogue area that may originally have been anticipated. Some of the operational difficulties discussed below in initiating and carrying out the program, especially on the public sector side, also appear to have undermined USAID's role.

Recommendation.--USAID should continue to pursue these objectives as in the past through consulting activities, meetings, and projects, etc. If the foreign exchange constraint continues to restrict Jordan's growth, new sources of growth will be sought and USAID's current efforts may provide the basis for eventual change.

### 3. More Aggressive Lending by the Banks to the Private Sector

One of the objectives of the private sector program is (according to the PAAD) ". . . to encourage a more aggressive lending policy with respect to the A.I.D. funds." Consequently the evaluation attempted to examine how the CIP lending activities fit into the Jordanian banking system, and how this might be affecting banking practices to date.

According to a 1986 consultant's report on the Jordanian financial system (Shoraka, "A Preliminary Assessment of the Financial System of Jordan"), the interest rate structure is excessively rigid making banks reluctant to provide credit to the private sector unless loans are secured by mortgages or government guaranties. One implication of this analysis is that, if fewer controls are placed on the workings of the financial system, especially on interest rates, the interest rate charged can better reflect the risk to the banks and a wider range of borrowers will be able to obtain loans. The CIP does not totally remove the controls on interest rates, but by

providing funds at no cost to the banks, the CIP allows for more of an interest rate spread than is usually available in the Jordanian banking system. This, in turn, might be expected to stimulate more risk-taking by the banks.

Private sector program.--The private sector program requires two sets of economic transactions. The first is between USAID and the banks, and the second is between the banks and their borrowers. In the first, the CIP permits the banks to keep a proportion of the interest rate to run the program and assume the risk of default. In addition the bank is able to earn interest on a float of capital generated by the loan. Renumeration in the second step, between the bank and the borrower, is the interest rate charged the borrower by the bank.

As of January 1987, with little more than one year of operation, 149 letters of credit have been issued for about \$44 million to the private sector participants in the CIP. Thirty-five importers have participated in the benefits of the program which include comparatively (for the Jordanian economy) low interest rates and long repayment periods. The terms of the loans disbursed so far are described below:

Table 5.--Terms of CIP Private Sector Loans as of January 31, 1987

<u>Interest rate</u>	<u>No. of Transactions</u>	<u>Percent</u>
6.25	127	85
6.50	4	3
7.00	4	3
7.50	3	2
8.00	3	2
8.50	2	1
8.75	3	2
9.00	1	1
10.00	2	1
<u>Length of repayment</u>	<u>No. of transactions</u>	<u>Percent</u>
0-1 years	6	4
1-2 years	8	5
2-3	23	15
3-5 years	112	76

Forty-seven percent of the loan amounts have gone to companies owned jointly by the Jordanian government and by private individuals. Fifty-three percent of the loan amount has gone to purely private companies.

Borrowers.--In the course of the evaluation three banks and seven importers were interviewed. Of the seven importers, only one--Ata Ali Ice Cream Company--was starting a new productive facility that seemed to represent significant risk to its bank. One of the other borrowers was importing IBM computers for retail sales. Four of the others either received government guarantees for their loans or they were borrowing for projects being done for the government. Two contractors, for example, used the CIP facility to purchase equipment for infrastructure projects--a sewage treatment plant and a road--funded by USAID and the Arab Development Bank, respectively. A second computer importing firm used the CIP funds for purchasing computers for government agencies. Also several of the largest borrowers were receiving government guaranties--the Arab Potash Company and the Jordan Phosphate Co. (The latter was not interviewed.) A last company, Rum Agriculture Co., had purchased a government farm and received government guaranteed purchase prices for its output over the next five years.

The ability of the CIP to promote more aggressive lending practices seems to have been attenuated considerably by this tendency to find safe loans in spite of the banks' ability to raise their interest rate to accomodate riskier loans. This may be at least partially explained by the current economic slowdown in Jordan. As mentioned above, the recent economic difficulties of Jordan have lowered private sector investment considerably from 60 percent of all investment in 1982 to 45 percent last year. Most of the private sector investment seems to have gone into residential construction, and so the scope for providing funds to the purely private sector for business development purposes appears to be small.

The duration of lending.--The length of most of the loans under the CIP program is for the maximum period of time allowed under the CIP facility--five years for capital goods. A shorter period of time are permitted for raw materials--~~1 year~~--and intermediate goods--up to 3 years. This contrasts with the usual practice of commercial lending of Jordanian banks which is for a term of usually less than one year for all types of goods. In part this tendency to give longer term loans under the CIP represents the banks assuming greater risk (and hence evidence of more aggressive lending), and in part this reflects the fact that CIP money comes from outside the normal intermediation system between depositor and borrower. Under the usual practice of lending in Jordan, banks must guard against withdrawal of time deposits which are for a maximum period of one year. Without this concern under the CIP facility, they are more prone to lend for longer and riskier terms. This change may encourage riskier lending for longer terms even after the CIP ends, but this result seems unlikely because the unique nature of CIP funding.

The interest rate.--As mentioned above, the CIP facility offers the possibility of flexibility in the interest rate charged for a loan. Nonetheless about 85 percent of the CIP loans are issued at

the lowest possible rate allowed under the agreement: 6.25 percent. This seems to reflect a rigidity in the interest rate structure for the CIP facility which parallels that observed for the banking system as a whole even though the CIP facility seems to offer much more flexibility for banks to adjust their rates to the risk of their borrower than non-CIP lending.

On non-CIP lending, most banks in Jordan are squeezed by the high rate of interest the CBJ allows them to pay depositors, on the one hand, and the low interest rate they are allowed to charge their borrowers, on the other. This differential (at best 2-2.5 percent) does not encourage banks to lend to other than the most secure customers. Furthermore the low levels of growth of the Jordan economy in the last few years have made lending to the private sector even riskier than usual. Consequently banks prefer to lend only to very secure customers and especially to government and government-backed institutions.

In contrast to the usual interest rate arrangement, the CIP provides funds at no cost to the banks and allows a generous return of at least 5 percent at the minimum interest rate. The spread consists, of the proportion of the interest rate USAID allows the bank to keep and also the income generated by a float period during which the bank is able to earn income on the funds. When the program was initiated, the proportion of interest that the bank could keep was 20 percent, with 80 percent reverting to the Central Bank of Jordan (CBJ)/USAID special fund. However, few banks were willing to participate in the program, apparently finding the 20 percent share insufficient. During the first 4 months of the program when this 20 percent rate was in effect, only 17 letters of credit were issued (about 4 a month). However, in April 1986, USAID raised the share the banks receive to 50 percent, and in the following 8 months about 120 letters of credit were issued (almost 15 per month). Now, on the typical loan of 6.25 percent, the bank is able to keep 3.125 percent of the interest payment.

In addition the bank is able to earn interest on the payments it holds during the float period, estimated to be equivalent to slightly less than 2 percent. This float period consists of the time between the bank receiving the interest and amortization payment from the borrower and the quarterly transfers of the funds to the Central Bank of Jordan.

The total payment to the bank--about 5 percent on a typical loan of 6.25 percent--covers both their overhead costs of marketing and managing the program and their cost of assuming the risk for non-payment. According to their agreement with USAID, the banks must assume the risk and meet the interest and amortization payments to the CBJ even if their borrowers default. To the extent that the bank can raise the interest rate above 6.25 percent, it will capture in excess of 5 percent for its own benefit. Hence banks have an incentive to raise the interest rate, but, as mentioned above, very

few have done so.

The clustering of loans at the lowest rate probably, in part, reflects the competition among the banks to supply the loans, and the absence of suitable private sector customers for the banks to lend to. Because of the stagnating economy and the restrictions that the imports be U.S. goods shipped on U.S. carriers, demand for the loans appears to be lower than might have been expected. Nonetheless, even at this lowest rate the banks are still able to make at least 5 percent on the loan. To the extent this is the case, lowering the minimum rate or removing it entirely (when the program was initiated, the minimum rate was based on the CBJ discount rate which has been reduced since November 1986 to 5.75 percent) may lead to greater variability below the 6.25 percent interest rate, but it will also probably reduce the banks' enthusiasm for the CIP and slow disbursement. Also, offering five year loans for less than 6.25 percent will only increase the size of the CIP low interest rate premium to borrowers compared to borrowers in the rest of the financial market and it is not clear that it would be in the interest of the program to distort lending patterns further in this direction.

In sum, the rigidities in the banking system and the general economic downturn seemed to have reduced the interest rate flexibility provided in the CIP private sector system.

Recommendation.--As long as disbursing the CIP funds quickly is of importance, there is probably little that can be done to remedy this problem, most of the causes of which are outside of USAID's control. With more time, USAID could reduce or eliminate the amount of funding available under the private sector CIP to mixed (i.e. government/private ownership) companies and this might force banks to look for riskier loans. USAID should assess the likely impact of reducing or eliminating the funding available to mixed companies, and if the program would not be overly harmed (i.e. if disbursement would not be overly slowed), USAID should consider putting proportional limits on funding to mixed companies in order to encourage lending to more purely private companies.

#### 4. The Special Account

A dinar fund of about \$160 million is in the process of being generated by the counterpart payments for government and private sector purchases. The fund's build up will probably be slower than anticipated because of the popularity of the five year loans in the private sector program. Nonetheless, within the next several months, USAID and the GOJ will start negotiating over how to spend the fund's resources. Several possibilities can be examined: freezing the fund and sterilizing the effect of the fund, making the money available for purely public sector programs, or making it available only for private sector oriented programs.

Because of the central importance of the private sector in USAID's Jordan strategy, the position of USAID in the upcoming negotiations should logically be to use the money for mostly private sector programs. This interest in the private sector and especially in small enterprise development is also shared by the GOJ in the Third Five Year Plan. Also in meetings with many with GOJ officials, their concern with stimulating the private sector was frequently mentioned.

As CIP funds are obligated, leverage to influence the use of the CIP-generated special account for the private sector--consistent with both the GOJ and USAID priorities--is fast being dissipated.

Recommendation.--That the occasion of the grant agreement being amended for the last tranche be used to secure agreement on the parameters for the use of the special fund. Furthermore, that USAID encourage using a significant proportion of these fund for private sector related activities.

## II. Operational Evaluation of Jordan's Commodity Import Program

Both the public and private/mixed sector elements of the program got off to slow starts. As noted earlier in this evaluation the private/mixed sector sluggishness in the first few months of the program seems to have been caused by insufficient incentives to use the CIP. As a result, in May 1986 the payment terms to the banks were enhanced. This adjustment resulted in accelerated activity. At the current rate of transaction approvals, the funds available and scheduled to become available for the private sector will be disbursed before the Terminal Disbursement Date of the Agreement.

The slow pace of activity at the beginning of the public sector program was caused by the necessity to set in motion the somewhat complicated procedures for tendering and the associated bureaucratic approvals. Because this was the first CIP in Jordan, the delays were unavoidable, although some changes in the established system are suggested below. Another important factor is that no tenders were issued until August 1986, almost 11 months after program authorization. This delay is mostly attributable to the lengthy review of specifications in Jordan and Washington prior to issuing tenders. Notwithstanding the slow start, the program is now moving at a better pace and the problem areas are being analysed and addressed.

Overall, the management of the CIP is being handled well, especially given the limited number of personnel within USAID/Jordan assigned to CIP implementation (one U.S. direct hire officer, two FSN professionals and one FSN secretary). USAID's counterparts in both the public and private/mixed sectors are very capable and appear to be anxious to resolve any difficulties.

To identify potential areas for improvement in the procedures requires an understanding of how they work and an analysis of each element throughout the process. Descriptions of the procedures for the two elements of the CIP follow:

### 1. How the public sector program works

After the funds are made available, the Ministry of Planning's CIP Office, along with a representative of the Ministry of Finance meet with each of the ministries and other public sector entities to identify items in the individual approved budgets to be financed with CIP funds. After items are identified, the requesting public sector entity (ministry, agency, etc.) is asked to prepare and forward to the Ministry of Planning detailed specifications of the item(s) to be funded by the CIP. The Ministry of Planning then forwards the specifications to USAID/Jordan, where the CIP Office reviews the specifications for completeness, and presents them for approval to a USAID committee made up of the Mission Director and each Office

Director. The USAID committee reviews the proposed purchases to ensure that they do not conflict with over-all mission strategy. Upon approval by the committee, the specifications are forwarded to AID/Washington's Office of Procurement (M/SER/OP) for refinement, as necessary, and eventual publication of notice and tender issuance.

If M/SER/OP needs clarifications regarding the specifications as submitted, they send a cable to USAID/Jordan asking for the required clarification. USAID forwards the request to the Ministry of Planning. The Ministry of Planning then forwards the clarification request to the concerned public sector entity, which provides its response to the Ministry of Planning, from where it is forwarded to USAID. USAID's CIP Office then provides M/SER/OP the requested clarification by telegram. If a contractor is being used to refine the specifications, M/SER/OP forwards the cabled information to the contractor.

Once specifications are finalized, M/SER/OP arranges for publication of notice of tender in the appropriate AID bulletin. The notice of tender, published in either the AID-Financed Export Opportunities Bulletin (for Invitations for Bids - IFB) or the Procurement Information Bulletin (for Requests for Quotations - RFQ), indicates that interested suppliers should request the tender documents from M/SER/OP, where they are reproduced and distributed. While making arrangements for publication of notice M/SER/OP forwards copies of the IFB or RFQ to USAID/Jordan by courier. Copies are forwarded by USAID to the CIP Director in the Ministry of Planning, who provides copies to the importing entity and to the General Supply Department. The importing entity reviews the final tender document, to ensure that its requirements are properly and completely defined, and the General Supply Department publishes notice of availability of the tender document for distribution to local agents of U. S. suppliers.

If the importing entity identifies a need for change in the IFB or RFQ, they notify such a need to the Ministry of Planning (MOP). MOP forwards the proposed change to USAID. USAID sends a cable to M/SER/OP requesting the issuance of an amendment to the IFB or RFQ. If/when an amendment is issued by M/SER/OP, copies are forwarded by courier to USAID. USAID provides copies to the MOP. MOP forwards copies to the importing entity and the General Supply Department (GSD). The GSD sends copies of the amendment to the local agents who obtained copies of the tender.

The IFBs and RFQs call for submission of bids/quotations to the Ministry of Planning. Upon receipt, the MOP forwards them to the GSD. Bids/quotations are opened at the GSD by the General Supply Department Tender Board Committee, chaired by the Director of the GSD and comprised of the Ministry of Planning, CIP Office Director, the Budget Office Director, representatives from the Audit Bureau, the Ministry of Industry and Trade and the importing entity. A USAID representative attends as an observer. After the bid/quotation

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opening, an evaluation is made by a technical committee at the importing entity made up of members from the importer and augmented by specialists appointed by the Tender Board Committee. Upon completion of evaluation, the technical committee proposes an award to the Tender Board Committee. If the committee concurs in the proposed award, it is forwarded to the MOP. The MOP submits it to USAID accompanied by a "Transaction Data Sheet" that indicates the U.S. bank and Letter of Commitment number to be used. If, after review, the USAID CIP Office has no objection to the proposed award, the CIP Office returns the Transaction Data Sheet to the MOP after assigning a transaction number and indicating USAID's "no objection" to the award. The MOP forwards the Transaction Data Sheet and USAID's concurrence to the importing entity. After obtaining the clearance of the Ministry of Finance, the importing entity presents the Transaction Data Sheet and other pertinent documentation to the Central Bank of Jordan and requests the issuance of a letter of credit. The Central Bank issues the letter of credit through a bank in the United States holding one of the AID Letters of Commitment. The U.S. bank confirms the letter of credit to the U.S. supplier. The supplier ships the goods, presents documents for payment to the U.S. bank, and gets paid. Copies of the shipping documents are sent by the supplier to the importing entity, USAID/Jordan, AID/Washington and the U.S. Maritime Administration (if ocean freight is used). The U.S. bank sends original shipping documents to the Central Bank of Jordan, where they are certified and forwarded to the importing entity for use in clearing the goods through customs. The U.S. bank also sends a set of documents to USAID/Jordan.

For some small value and emergency requirements or for spare parts for on-hand equipment, advertising and other elements of the procedure can be waived.

## 2. How the private sector program works

The funds allotted to the private/mixed sector are made available through 18 local commercial banking institutions to importers with import requirements from the United States in accordance with the Private/Mixed Sector Operating Circular (See Appendix D). The potential importer requests the banking institution to issue a letter of credit to a particular U.S. supplier. The bank reviews the credit worthiness of the potential importer and other financial factors and, if deemed an acceptable risk, proposes to USAID/Jordan the issuance of a letter of credit to the proposed U.S. supplier. The bank transmittal is accompanied by a Transaction Data Sheet that identifies the U.S. bank to be used. The USAID review is carried out by the CIP Office and entails consideration of competition, commodity eligibility, and U.S. shipping requirements. If/when the proposed transaction is approved by USAID, the participating bank is provided a completed Transaction Data Sheet that identifies the Letter of Commitment to be used and provides USAID's concurrence. A letter of credit is issued by the local bank

through the U.S. bank. The U.S. bank confirms the letter of credit to the supplier. The supplier ships the goods, presents documents for payment to the U.S. bank and gets paid. Copies of the shipping documents are sent by the supplier to the importing entity, USAID/Jordan, AID/Washington and the U.S. Maritime Administration (if ocean freight used). The U.S. bank sends original shipping documents to the local bank that issued the letter of credit, who forwards them to the importing entity for use in clearing the goods through customs. The U.S. bank also sends a set of documents to USAID/Jordan.

NOTE; Concurrent with the first steps being taken during both the public and private sector programs the Central Bank of Jordan executes Financing Requests asking that AID Letters of Commitment be established in U.S. banks, which are selected by the Central Bank, against which letter of credit can be issued. Upon receipt of the Financing Requests, USAID/Jordan cable requests AID/Washington's Office of Financial Management to establish the Letters of Commitment with the named U.S. banks. The Letter of Commitment call for U.S. bank to advise/confirm letters of credit to U.S. suppliers as requested by the "Approved Applicant". The approved applicant for both the public and private sector is the Central Bank of Jordan (CBJ). The CBJ is the issuing bank for the letters of credit for the public sector. The letters of credit for the private sector program are issued by the participating local commercial banks through the CBJ.

The U.S. banks are required by the terms of the Letters of Commitment to provide AID/Washington and USAID/Jordan monthly reports on the status of each Letter of Commitment. The Central Bank of Jordan and USAID attempt to track the status of funds available in each Letter of Commitment based on the reports provided by the U.S. banks and the documents provided by suppliers, importers and local banks, and reports from AID/Washington.

Before reviewing any of the individual steps in either procedure, it is worth noting that the description of the public sector procedure is considerably more lengthy and more complicated than the relatively straight-forward private sector procedures. This is primarily a result of the nature of the beast. i.e., public sector procurement requires the utilization of certain tendering procedures that would be applicable, CIP-financed or not, in Jordan or most anywhere else. However, part of the reason for the lengthy public sector process is that there are too many participants in the process. Any effort to streamline the procedures should identify potentially unnecessary steps in the process that could be eliminated. As will be noted in later segments of this evaluation, there are steps that might be eliminated involving AID/W, USAID/Jordan, the Ministry of Planning, and possibly the General Supply Department.

Evaluation of Public Sector Procedures

The initial step in the public sector procurement procedure is the identification of annual budget items to be financed by the CIP. This is initiated by the MOP and involves the MOP, each public sector entity and the Ministry of Finance. It should be noted here that every public sector entity interviewed expressed concern about the GOJ requirement that 1986 budget items be purchased in 1986, and those in the 1987 budget must be purchased in 1987, etc. The vast majority of 1986 budget items identified to be CIP-financed were not purchased in 1986. Therefore, the funds budgeted for those purchases were lost to the concerned department. As these items are being purchased in 1987, the funds are attributed to projected investments because the 1986 budgeted items are being funded with 1987 budget funds. Each importer placed the majority of blame for its loss of budget funds to the lengthy review of specifications in AID/Washington (to be addressed below). The selection of the items to be CIP-funded and the timing of the selection are crucial to the first action in a long series of actions, it must take place as transactions, but all of them. In 1986 this step had been accomplished by March 1st. As of March 8, 1987, it had not yet begun for the 1987 budget items. Recognizing that after the items are identified, the importing entity must develop specifications for its requirements, and given the lengthy process that follows, unless this first step is accelerated considerably, the 1987 goods will not be purchased in 1987. The Ministry of Planning's CIP Office indicated that in order to expedite this initial step, more personnel need to be assigned to that office. The personnel constraints appear to be individual procurement transactions. Just as important as the early identification of requirements and development of initial tend themselves to rapid processing and procurement. Excessively complicated requirements that will entail lengthy specifications refinement and small value items should be avoided when possible. Some of the requirements that have been under specifications review for over nine months include seismological and geophysical equipment, telecommunications equipment and computer systems. Other items identified for 1986 financing included seven with individual estimated values of less than \$50,000 (aside from several other small process). While lesser value transactions need not be prohibited, their inclusion in the program should be made only after determining their relative appropriateness for CIP-financing compared to other items.

One means of accomplishing the best selection of items to be financed by the CIP that has been proposed by USAID's CIP Office entails the early preliminary identification of requirements that exceed the funds available. i.e., if \$30 million is available for

the public sector, the MOP and MOF would identify items with a value of \$40 million for possible CIP-financing. A joint MOP/USAID review of these items would then select \$30 million in items most appropriate for CIP-financing. Such factors as whether or not an item has been purchased under the CIP before and simplicity of specifications would be considered. This additional step could save considerable time in the implementation of the other steps.

Recommendation.--Efforts be made, as necessary, to more rapidly identify the items to be financed and to select the most appropriate items for CIP-financing.

The next step, specifications refinement, was identified by most parties in Jordan as the most problematic element in the procedure. It involves transmittal of the initial specifications by the importing entity through the MOP and USAID/Jordan to M/SER/OP in AID/Washington. While it does not cause a major delay, the elimination in the transmittal to and from the MOP could save a few days on each transaction. Since the MOP has already approved the items to be purchased, instead of receiving and then forwarding the specifications, MOP could receive copies of the transmittals between the importing entities and USAID/Jordan and thereby monitor program progress.

Recommendation.--That after items have been identified for CIP-financing, the preliminary specifications be sent directly by the importing entity to USAID/Jordan, with copies to the MOP.

Once the specifications are received in M/SER/OP, some are assigned to a private contractor for review and others are reviewed by M/SER/OP personnel, depending on work-load and particular skills required. The specifications are generally reviewed on a "first come - first served" basis, including those arriving from Jordan as well as from programs in Egypt, Pakistan and elsewhere. So, the time required to begin the review of any particular requirement depends, not only on the number of requirements being submitted at any one time by Jordan, but also other world-wide requirements.

An analysis of the 58 individual requirements forwarded to AID/Washington for review and issuance of tender reveals that of the tenders that have been issued, the average time between being forwarded to AID/W and tender issuance was (6) months. For the requirements that had not yet been issued as of March 4, 1987, the average time in AID/W was also 6 months (see Appendix E). This lengthy specification review process obviously must be adjusted to expedite the overall procedure. The time involved can be attributed to several factors the most important of which are personnel constraints in M/SER/OP, and the submission of incomplete or unclear specifications that require clarifications. The shortage of personnel in M/SER/OP to review specifications, especially given the worldwide demands, has been acknowledged for some time. Contracts with private sector contractors have been awarded to carry out

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specifications review with only limited success. The current contract is expiring soon and will probably not be renewed. So some other means of alleviating the problem need to be explored. While M/SER/OP seeks additional personnel or an acceptable contracting arrangement, efforts can be made in the field to either finalize specifications or, at least refine them better than has been the case to avoid the need for clarifications. Examples of these and other possible efforts to expedite the specification review process include: (1) Upon identification of a requirement for CIP-financing, USAID/Jordan would ascertain if it has been previously purchased for this or other CIPs (the Mission has recently obtained computer diskettes with specifications for some previously purchased equipment and should attempt to obtain additional generic specifications from AID/Washington). If so, a copy of the previously used specification would be provided to the importing entity to use as a guide in preparing their specification; (2) The USAID/Jordan engineering office and/or a local contractor would finalize as many specifications as possible locally and submit the finalized specifications to M/SER/OP for advertising and issuance; (3) Specifications would be refined (either locally or in Washington) only to the point necessary for the issuance of a Request for Quotations (RFQ) - rather than so finitely defined for the issuance of an Invitation for Bids (IFB); (4) Upon receipt of specifications, M/SER/OP would advise USAID/Jordan the estimated time required to begin and complete their review of the item. If circumstances in M/SER/OP precluded timely review, USAID/Jordan would then have an opportunity to explore other options (local refinement of the specification, substituting the item for another, etc.); (5) Explore the possibility and utility of USAID/Jordan purchasing a microfiche supplier/product catalog system to enhance any of the proposed efforts described above.

Recommendation.--That USAID/Jordan use previously issued specifications to facilitate importers' specification development; finalize as many specifications as possible locally; and propose to AID/W the issuance of more RFQs instead of IFBs, as appropriate.

Recommendation.--That M/SER/OP, either through direct-hire or contract, obtain the staff required to review, refine and finalize specifications in a timely manner.

Recommendation.--That upon receipt of specifications from USAID/Jordan, M/SER/OP advise when review can be expected to begin and when it can be expected to be completed.

Often during specification review there is need for some clarification from the importing entity. Currently M/SER/OP requests such clarification via telegram to USAID/Jordan. USAID then forwards the request to the MOP. It is then forwarded to the importing entity. Responses to requests for clarifications return through the same parties. A much more efficient means of obtaining technical clarifications would be to do it directly. M/SER/OP or a contractor,

would seek the technical clarifications directly by telex to the importing entity, and vice versa. If a U.S. contractor is doing the work this arrangement would eliminate three current participants in the process (M/SER/OP, USAID/Jordan, and MOP), and corresponding time savings could be obtained.

Recommendation.--That correspondence regarding purely technical clarifications be handled directly between the importing entity and the M/SER/OP reviewer of specifications.

After the specifications are finalized current procedure calls for M/SER/OP to arrange for publication of notice of tender in the appropriate AID Bulletin and to distribute copies of tenders and amendments to prospective suppliers. The reproduction and distribution of tenders and amendments are administrative burdens that detract from M/SER/OP's ability to address more substantive matters. Moreover, the contracts that result from these tenders are between the Government of Jordan importers and the U.S. suppliers. Because AID/Washington is issuing the tenders, suppliers might assume more AID contractual involvement than actually exists. The issuance of tender documents is more logically the responsibility of the Government of Jordan. Given the personnel constraints of M/SER/OP and their adverse impact on the important function of specifications review, these administrative functions should be shifted to the Jordanian Embassy or other Government of Jordan entity if possible.

Recommendation.--That the responsibility for the reproduction and distribution of tender documents and amendments be assumed by the Government of Jordan.

Notices of tender indicate that bids/quotations are to be submitted to the Ministry of Planning. Upon receipt, the Ministry of Planning forwards them to the General Supply Department. Bids/quotations submitted through local agents are often delivered directly to the General Supply Department. So that all offers are going to the same place, and in order to eliminate an unnecessary administrative step all bids/quotations should be received directly at the General Supply Department.

Recommendation.--All tender documents should indicate that bids/quotations are to be received at the General Supply Department, or wherever the bid opening will take place.

After bids/quotations are opened at the GSD by the Tender Board Committee, they are evaluated by a technical committee of the importing entity. IFBs/RFQs call for award to be made within 45 days after the Bid Opening or Quotation Deadline, and indicate that extensions of bid/quotation validity can be requested only with the approval of USAID/Jordan. As indicated in Appendix F, of awards made under the tender procedure as of March 4, 1987, the average time between bid opening/quotation deadline and award was 63.18 days. Of the the tenders that should have been awarded by March 4, 1987 but

had not been, the times since bid opening/quotation deadline ranged from 49 days to 120 days, averaging 82.42 days. Three tenders that had not yet been awarded were within the 45 day limit. According to the USAID/Jordan CIP Office, their approval had not been sought for the extension of bid/quotation validity in the vast majority of cases. Apparently validity extensions were requested without USAID concurrence and/or awards were made after bid/quotation validity had expired.

Even recognizing that tender evaluation is a part-time assignment for the participants, evaluation for normal equipment items should not exceed 45 days. Some straight forward items can be awarded in less than 30 days. However, there are complicated items that logically could require more than 45 days. Two actions should be taken to alleviate the time-consuming process of extending bid/quotation validity and to assure faster evaluations:

Recommendation.--That USAID/Jordan and the buying entity estimate the time that will be required to make the award evaluation for each requirement and include a proposed evaluation period for each tender in the transmittal of specifications to AID/Washington and that USAID/Jordan systematically urge committees to complete evaluation within the stipulated time-frame.

Recommendation.--That importing entities be required to implement the tender requirement that USAID/Jordan approve any requests for extensions of bid/quotation validity.

Upon completion of evaluation, the importing entity proposes an award through the MOP to the GSD. If the GSD Tender Board Committee approves of the proposed award, the approval is forwarded to USAID/Jordan through the MOP. If USAID/Jordan has no objection to the proposed award, concurrence is forwarded to the importing entity through the MOP. Since the MOP's CIP Office is represented on the Tender Board Committee, there is no need to transmit the award proposal and approval through the MOP. The transmittal represents three unnecessary administrative steps that can be eliminated. Copies of the transmittals should be provided to MOP so that proper program monitoring can take place.

Recommendation.--That award proposals from tender evaluation committees be submitted directly to GSD; and GSD approvals be submitted directly from GSD to USAID/Jordan; and USAID/Jordan approvals be submitted directly to the importing entity.

The GSD is receiving and opening bids/quotations and reviewing and approving proposed awards. The GSD and some of the public sector importers stated that these roles for the GSD are mandated by Jordanian law for transactions over JD 1,000 (approximately \$3,000). Given this apparent legal restriction, no formal recommendation is being made, but it is noted that a possible more efficient mechanism would eliminate the GSD's participation completely--i.e.,

bids/quotations would be received at the importing entity, which would establish an evaluation committee and propose awards directly to USAID/Jordan.

The remaining procedural steps in the public sector program, issuance of the letters of credit, delivery/receipt of goods, and the deposit of funds in the Special Account are running smoothly and no recommendations for improvement are made. However, the Central Bank of Jordan and USAID/Jordan's monitoring of these final steps is hindered by lack of information from the U.S. Letter of Commitment banks. As of March 4, 1987 none of the U.S. L/Com banks had provided the monthly disbursement report to USAID/Jordan that is required by the terms of each Letter of Commitment. The monthly reports from the banks are essential in monitoring the status of each Letter of Commitment. Without these necessary reports actual disbursements against the Letters of Commitment are not known until receipt of AID/Washington's disbursement reports (W-214), which also are not being provided to the Mission. In the absence of these reports, disbursements are known only to the extent individual advices of charges are forwarded by the U.S. banks to the Central Bank (through the local commercial banks for the private/mixed sector program). These do not include the interest charged by the U.S. banks and some are not forwarded to the Central Bank. The monthly bank reports and the W-214 are needed to reconcile the records of each participating bank, the Central Bank and USAID/Jordan, and to preclude the issuance of letters of credit for which there are not funds available in the named Letter of Commitment.

Recommendation.--That the AID/Washington Financial Management Office urge the U.S. Letter of Commitment banks to provide the required reports to USAID/Jordan or move the L/Coms to banks that will; that Financial Management be requested to provide the W-214 report to USAID/Jordan as they are published.

USAID/Jordan has issued a Mission Order that properly addresses the functions of arrival accounting (to monitor arrival of commodities and ensure timely clearance through customs) and end-use checks (to ensure proper use of imported items). However, mostly because arrivals have only recently begun, full implementation of the system has yet to be implemented. The Mission should take advantage of the establishment of this system to address the need for an information system covering the entire program. Another concern is that the Mission Order calls for the end-use check to be accomplished by the CIP Office. To insure the integrity of the transactions being checked, it is advisable that the final check not be done by the same office that initiated and participated in the allocation and procurement process. The end-use check should be done by another office within USAID, probably the Finance and Management Office.

Recommendation.--A computerized arrival accounting system should be established that should also include a management information system covering all aspects of the program, from L/Com

issuance and disbursement, specifications submission and review, award, arrival and end-use checks.

Recommendation.--That the end-use check function be moved from the CIP Office to another office withing the Mission.

##### 5. Evaluation of the private/mixed sector operational procedures

Interviews with private/mixed sector importers, local commercial banks, the Central Bank of Jordan, and USAID/Jordan revealed that after the adjustments that were made in the terms provided to the banks and importers in May 1986, activity in Jordan's private/mixed sector CIP program increased dramatically. (See Appendix G). There has since been a continuous stream of private importers participating in what they perceive as a program offering excellent opportunities. The result is that allocations to the private sector under the first and second tranches have been almost completely committed and there appears to be no let up in the exceptional rate of private sector participation in this program. The only remaining operational difficulties relate to the requirement of the Cargo Preference Act to ship at least 50% of the goods on U.S.-flag vessels. The adverse effects of the Cargo Preference Act are most notable with potential imports of agricultural products. As of the evaluation, several applications for use of the CIP to import commodities had been denied by USAID/Jordan because they did not include 50% shipment on U.S.-flag vessels. Five of the transactions were for yellow corn and soybean meal with a total value of over \$2.6 million. The vast difference in freight rates between U.S.-flag ships and non-U.S.-flag ships makes such transactions commercially infeasible. An example of the freight difference was noted in the public sector corn purchase where \$50 per metric ton was paid for the charter for the U.S.-flag ship, and \$14 per metric ton was paid for the non-U.S. charter.

Because of the statutory nature of the 50/50 shipping requirement and the need to meet the requirement on a transaction by transaction basis for bulk commodities, no recommendation is made to alleviate the problem for bulk shipments other than to suggest that if USAID/Jordan considers that an exorbitant rate is being charged, AID/W be requested to determine whether or not the rate is "fair and reasonable".

The 50/50 shipping requirement for liner shipments poses a different problem. There is only one company providing U.S.-flag service to Jordan, even though others can provide U.S.-flag through-bills-of-ladings. The company that provides U.S.-flag service is in a non-competitive situation, which seems to be reflected in its rates. A transaction under review in USAID/Jordan during this evaluation indicates that the company with U.S.-flag service to Aqaba provided a quotation of \$8,000 to ship some equipment from the United States. Another company offered -

U.S.-flag through-bill-of-lading quotation of \$3,000 for the same equipment.

Recommendation.--If the U.S.-flag shipping requirement is identified as a major impediment to the successful implementation of the program (so far it is considered a minor irritant), that USAID/Jordan undertake a thorough analysis of the shipping situation, including available service and in-depth cost comparisons, and propose to AID/W possible alternatives to monitoring compliance with the Cargo Preference Act. The alternatives might include considering through-bills-of-lading issued by a U.S.-flag carrier as evidence of U.S.-flag shipment, and identifying other loans and/or grants in the Bureau that can be combined with this program for the purposes of Cargo Preference compliance.

The fiscal conservativeness of the banking institutions was identified by some importers as a slowing factor in the private/mixed sector program. Some participating banks are uncomfortable with the unusually long-term 5-year CIP facilities and are reluctant in many cases to approve applications unless their potential risks are more than covered. However, the terms offered to the banks appear to be more than generous and the evaluators do not propose any decrease in the banking risks involved in the program. Conversely, there are some local banking institutions that are actively seeking potential users of the CIP and are anxious to participate more than they have been able to. According to some, the program was substantially publicized at its beginning, but since the banks were not enthusiastic about participating at that time, the publicizing was for naught. Now that the terms for the importers and banks have been adjusted, a new publicity effort might have a beneficial impact on the private/sector program.

Recommendation.--That USAID/Jordan initiate a new publicity effort, including ads in local newspapers and the preparation and distribution of pamphlets, to inform potential Jordanian importers of CIP, including the adjusted terms of the program.

ECONOMICSConclusions

CIP assistance appears to be providing mostly capital goods in support of GOJ budget activities, and in support of private sector activities. It is doing so without distorting markets significantly and is providing balance of payments support to relatively efficient and open foreign exchange markets.

Certain budgetary practices of the GOJ with regard to the CIP seem to be resulting in import requests that do not make optimal use of the CIP (e.g. requests for vehicles and furniture).

Very little progress has been made with the secondary objective of promoting the policy dialogue. Major policy changes have not yet been instituted in the key areas of financial policy, foreign trade policy, industrial licensing, and privatization.

The program is meeting its principle objectives.

USAID needs to develop a better understanding of the GOJ budgeting process.

The GOJ is not yet prepared to make significant policy changes suggested by the policy dialogue and the CIP does not seem to be providing sufficient leverage to promote the dialogue.

Recommendations

The third tranche should be disbursed as planned.

USAID should continue to explore the budgeting process and use the CIP as a means to this end. When and where possible USAID should raise questions that attempt to define whether the most efficient use of resources is promoted through the budget process.

USAID should continue to pursue these objectives as in the past through consulting activities, meetings, and projects, etc. If the foreign exchange constraint continues to restrict Jordan's growth, the GOJ may then look for new sources of growth, and USAID's current efforts may provide the basis for eventual change.

ECONOMICSConclusions

The CIP does not seem to have encouraged more aggressive lending by banks as was hoped. Most banks have loaned to safe government guaranteed, or otherwise government-related, borrowers at the lowest possible rate.

This outcome probably reflects the absence of non-government related capital spending in Jordan, and reflects the current economic slowdown.

After the third tranche of the CIP is obligated, USAID leverage to influence the use of the CIP generated special account will be attenuated.

A dinar fund of about \$160 million is being generated by counterpart payments. USAID and GOJ will start to negotiate over how to spend the fund's resources. The fund could be used to bolster the efforts made on behalf of the private sector initiatives.

Recommendations

As long as disbursing the CIP funds quickly is of importance, there is probably little that can be done to remedy this problem, most of the causes of which are outside of USAID's control. With more time, USAID could reduce or eliminate the amount of funding available under the private sector CIP to mixed (i.e. government/private ownership) companies, however in the short run one effect of this would be to slow disbursement.

The occasion of the grant agreement being amended for the last tranche should be used to secure agreement on the parameters for the use of the special fund. Furthermore, that USAID encourage using a significant proportion of these funds for private sector related activities.

OPERATIONS

Findings

Conclusions

Recommendations

Purchase of items is delayed because of complicated specifications

There are delays in initiating the process and there are too many small items ordered

Efforts should be made, as necessary, to more rapidly identify the items to be financed and to select the most appropriate items for CIP-financing.

Delays in passing the documents from the importing agency to M/SER/OP are incurred while the document goes through the Ministry of Planning

The Ministry of Planning does not need to review the specifications

After items have been identified for CIP-financing, the preliminary specifications should be sent directly by the importing entity to USAID/Jordan, with copies to the MOP

Frequent hold ups in processing orders at M/SER/OP

Specifications are not clear and time is required to clarify them

USAID/Jordan should use previously issued specifications to facilitate importers' specification development; finalize as many specifications as possible locally; and propose to AID/W the issuance of more RFQs instead of IFBs, as appropriate.

Frequent hold ups in processing orders at M/SER/OP

Lack of staffing at M/SER/OP

M/SER/OP should obtain the staff required to review, refine and finalize specifications in a timely manner either through direct-hire or contract

OPERATIONS

Findings

Conclusions

Recommendations

GOJ and USAID are unaware of status of specification review

Lack of sufficient contact between M/SER/OP and the field

Upon receipt of specifications from USAID/Jordan, M/SER/OP should advise when review can be expected to begin and when it can be expected to be completed.

Delays occur in communicating technical specifications clarifications among the importing entity, MOP, USAID, and M/SER/OP

Too many steps in the procedure between M/SER/OP and the importing agency

Correspondence regarding purely technical clarifications should be handled directly between the importing entity and the M/SER/OP reviewer of specifications.

Delays are experienced because M/SER/OP is engaged in reproducing and distributing tender documents and amendments

M/SER/OP suffers a staff shortage in Washington headquarters

The responsibility for the reproduction and distribution of tender documents and amendments be assumed by the Government of Jordan.

Some bids/quotations go to the MOP and some to the GSD

Ambiguous bid/quotacion instructions

All tender documents should indicate that bids/quotations are to be received at the General Supply Department, or wherever the bid opening will take place.

OPERATIONSFindingsConclusionsRecommendations

Considerable delays beyond the required 45-day period for evaluating bids by the GOJ and frequent lack of notification of USAID of such delays

Inadequate attention to the process

USAID/Jordan and the buying entity should estimate the time that will be required to make the award evaluation for each requirement and include a proposed evaluation period for each tender in the transmittal of specifications to AID/Washington; and USAID/Jordan and the General Supply Department should systematically urge evaluation committees to complete evaluation within the stipulated time-frame. Also, importing entities should be required to implement the tender requirement that USAID/Jordan approve any requests for extensions of bid/quotation validity.

After an award is made by the GSD's tender board committee, notification must pass through MOP to USAID and then through MOP to the importing agency

The MOP's involvement is redundant since they are on the tender board

Award proposals from tender evaluation committees should be submitted directly to GSD; and GSD approvals should be submitted directly to USAID/Jordan; and USAID/Jordan approvals should be submitted directly to the importing entity.

XI

OPERATIONS

Findings

Conclusions

Recommendations

SAID does not have timely information about disbursements amounts against letters of credit

U.S. banks are not supplying the required documents and the W-214 form from AID/W is delayed

AID/Washington Financial Management Office should urge the U.S. Letter of Commitment banks to provide the required reports to USAID/Jordan or move the L/Coms to banks that will; that Financial Management be requested to provide the W-214 report to USAID/Jordan as they are published.

SAID does not have an information system covering the entire program, and has not separated the end-use check from the CIP office

CIP-financed goods have not yet started to arrive in significant amounts

A computerized arrival accounting system should be established that should also include a management information system covering all aspects of the program, from L/Com issuance and disbursement, specifications submission and review, award, arrival and end-use checks. Also the end-use check function should be moved from the CIP Office to another office within the Mission, or appropriate checks and balances should be established to ensure the internal integrity of the procurement process

## XII

### OPERATIONS

#### Findings

The cost of shipping on U.S. liners appears to be at least twice the cost of shipping on non-U.S. liners

#### Conclusions

Only one U.S. company provides liner service to Jordan and therefore the company is in a non-competitive situation

#### Recommendations

If the U.S.-flag shipping requirement is identified as a major impediment to the successful implementation of the program (so far it is considered a minor irritant), USAID/Jordan should undertake a thorough analysis of the shipping situation, including available service and in-depth cost comparisons, and propose to AID/W possible alternatives to monitoring compliance with the Cargo Preference Act. The alternatives might include considering through-bills-of-lading issued by a U.S.-flag carrier as evidence of U.S.-flag shipment, and identifying other loans and/or grants in the Bureau that can be combined with this program for the purposes of Cargo Preference compliance.

Some banks that would like to participate in the program are having difficulties finding private sector participants to lend to

USAID's publicity effort took place before the terms of the program were made more attractive

USAID/Jordan should initiate a new publicity effort, including ads in local newspapers and the preparation and distribution of pamphlets, to inform potential Jordanian importers of the adjusted terms of the program.

Appendix A

Public and Private/Mixed Sectors Commodity Reports

January 31, 1987

JORDAN COMMODITY IMPORT PROGRAM

PUBLIC SECTOR REPORT - TO DATE

Attached for your information is above report for which summaries are provided below:

Section A. and D. Total Public Sector Awards	\$ 15,533,918
Section B. Tenders Scheduled for Opening	\$ 19,445,000
Section C. Specs Under Review by AID/W	\$ 16,496,500
Section A. Awards to be made "Understudy"	\$ 4,424,000
Total Public Sector Activity	\$ 55,899,418

For details see the attached sections A. through D.

(This report prepared by USAID/J CIP Office)

JORDAN COMMODITY IMPORT PROGRAM  
PUBLIC SECTOR TENDER REPORT - TO DATE

Date: \_\_\_\_\_

A.

<u>OPENED TENDERS</u> <u>IFB/RFP NO.</u>	<u>COMMODITIES</u>	<u>OPENED</u>	<u>Estimated Value</u>	<u>DATE AND VALUE OF AWARDS APPROVED</u>		<u>PUB. NO.</u>
				<u>BY USAID</u>		
MOP-MD/1-86/KOJ	Electronic Radio Sounde	Oct. 25, 1986	57,353	12/11/86	57,353	50
MOE/2-86/KOJ	Vehicles	Oct. 2, 1986	267,560	11/15/86	257,560	46 & 47
NRA/3-86/KOJ	Drilling Equipment	Oct. 1, 1986	2,400,000	2/27/86	2,607,529*	70 - 83
JVA/4-86/KOJ	Earth Moving Equipment and Vehicles	Oct. 7, 1986	2,020,720	12/11/86	2,020,720*	52 - 58
MOHE/5-86/KOJ	Laboratory Equipment	Oct. 15, 1986	413,250	12/24/86	415,632	93
CAA/6-86/KOJ	Vehicles	Oct. 22, 1986	420,000	12/24/86	534,949	60 - 66
JEA/7-86/KOJ	Computer	Nov. 8, 1986	1,000,000			67, 68 & 69
DOS/8-86/KOJ	Buses & Wagons	Oct. 30, 1986	112,628	12/11/86	112,628	51
MOC/10-86/KOJ	Vehicles	Nov. 5, 1986	168,000	12/27/86	179,380	89
MOHE/11-86/KOJ	Pickup & Buses	Nov. 6, 1986	92,000	1/28/87	129,514	94895
MOA/12-86/KOJ	Agriculture Equipment and Vehicles	Dec. 9, 1986	1000,000	1/28/87	479,078	100 - 105
MOE/13-86/KOJ	Computers	Nov. 30, 1986	250,000			
YU/14-86/KOJ	Chemicals & Equipment	Nov. 19, 1986	350,000			
PETRA/2-87/KOJ	Radios & Generator & Vehicles	Dec. 8, 1986	250,000	1/28/87	63,178	97,98899
MOS/3-86/KOJ	Yellow Corn	Oct. 21, 1986	5,542,000	10/23/86	5,542,362	49
MOE/1-87/KOJ	Lab & Computer Equip.	Dec. 15, 1986	750,000			
MDH/9-86/KOJ	Catscanner	Dec. 18, 1986	1,200,000			
DOS/4-87/KOJ	Printing Press	Jan. 3, 1987	180,000			
MIT/6-87/KOJ	Weights & Measures	Jan. 13, 1987	33,000			
VTLS/7-87/KOJ	Vehicles	Jan. 20, 1987	132,000			
MFLS/9-87/KOJ	Vehicles	Jan. 26, 1987	491,000			
MOC/10-87/KOJ	Wrapping Machine	Jan. 28, 1987	38,000			

Plus other approved public sector TN's (see section D. of this report)

2,558,485

\$ 17,167,511  
Total Estimates

\$ 15,533,818  
Total Awards

Awards under study

\$ 4,424,000

\*Additional Awards Pending

5

B. TENDERS SCHEDULED FOR OPENING

<u>IFB/RFQ NO.</u>	<u>COMMODITIES</u>	<u>OPENING DATE</u>	<u>ESTIMATED VALUE</u>
JTC/5-87/KOJ	Radio System and Computer	Feb. 17 1987	2,000,000
JTC/8-87/KOJ	Dropwire & etc Annex5	Feb. 10, 1987	6,000,000
JTC/11-87/KOJ	Mini Computer Systems (Annex 2)	Feb. 11, 1987	40,000
JTC/12-87/SOJ	Electric-Mechanical Power Laboratory (Training Models)	Feb. 18, 1987	60,000
JRTC/13-87/KOJ	Radio Equip. & Computer	Feb. 25, 1987	250,000
GPC/14-87/KOJ	Tug & Tow Boats	Feb. 25, 1987	5,000,000
JTC/15-87/KOJ	Telephone Sets	Mar. 1, 1987	2,000,000
YUFN/16-87/KOJ	Medical Tapes	Mar. 2, 1987	15,000
JFC/17-37/KOJ	Forklifts/Cranes	Mar. 8, 1987	3,600,000
NOH/18-87/KOJ	Medical Records	Mar. 9, 1987	500,000

Total Estimated Value \$19,445,000

C. SPECIFICATIONS UNDER REVIEW BY AID WASHINGTON

<u>SPEC NO.</u>	<u>MINISTRY</u>	<u>COMMODITIES</u>	<u>EST. VALUE</u>	<u>Date Sent To AID/W</u>
012	Natural Resources Authority	Seismological Equip. (Computer, Micro Seismic strong motion lab equip., geophysical equipment)	\$1,157,000.	4/18/86
013	Telecommunications Corporation	Annex 1,3,6 & 7	2,000,000.	5/15/86
015	Ministry of Supply	FPABX (Telephone Exch)	21,000.	5/15/86
016	Ministry of Interior	Computer, sole source	225,000.	5/18/86
017	Civil Service Commission	Computer	77,000.	5/18/86
025	Ministry of Health	Vehicles & Equipment	650,000.	5/23/86
027	Dept. of Statistics	Computer, Sole Source	70,000.	6/17/86
030	Yarmouk University	Various Equip. & Computer, Sole Source	420,000.	6/17/86
031A	Jordan Electricity Authority	Wiring etc.	100,000.	6/17/86
031B	Civil Aviation Auth.	Landing System, Sole Source	750,000	7/15/86
035	University of Jordan	Computer Micro	150,000	10/2/86
036	Min. of Transport	Coastal Radio System	2,625,000	10/2/86
037	Telecommunication Corporation	Facsimile	112,000	10/21/86
038	Jordan Radio & T.V. Corporation	Tower	122,500	10/21/86
039	Civil Aviation Auth.	Approach Lighting System	525,000	10/21/86
040	Civil Aviation Auth.	Radar	6,125,000	10/21/86
041	Ministry of Health	Autoclave	135,000	11/6/86
042	Jordan National Geographic Center	Vehicles	75,000	11/6/86
043	Jordan National Geographic Central	Computer	134,000	11/6/86
044	Ministry of Health	Computer	150,000	11/6/86
045	Telecommunication Corporation	Repeater/Adapter	35,000	11/30/86
046	Ministry of Interior	Cameras & Public Address	55,000	12/16/86
047	CAA	Station Mgn & Pickups	150,000	12/16/86
048	Parliament	Computer	30,000	12/16/86
049	Telec. Corp.	Telephone System	500,000	12/30/86

Total Estimated Value \$ 16,496,500



FBI-113	05-Nov-86	6208 LAMB CO	AGRICULTURE	AMERICAN WORLD	AGRI-EQUIPT	AGRI-EQUIPT	651.9092-9219	2420	18-Nov-86	1213,978.00	CAF	SEA-FREIGHT	HANTRUST	JORDAN GULF BANK	
FBI-114	15-Nov-86	ATA ALL	INDUSTRIAL	GLACIER INC	GLACIER	PACKINGMAY	PACKINGMAY	666.2098-2548	2420	18-Nov-86	1905,518.00	CAF	SEA-FREIGHT	HANTRUST	BANK OF JORDAN
FBI-115	11-Nov-86	ALIA	AIRLINES	WALGARD CO	WALGARD	SPACE PARTS	SPACE PARTS	674.4502-4517	2420/86	22-Nov-86	152,992.00	CAF	AIR-FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-116	11-Nov-86	ALIA	AIRLINES	1 12 CONF	1 12	SPACE PARTS	SPACE PARTS	674.4502-4517	2420/86	22-Nov-86	181,225.00	CAF	AIR-FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-117	17-Nov-86	ARM AGRI CO	AGRICULTURAL	LINOSAY	LINOSAY	IRRIGATION	EQUIPMENTS	682.6052-6055	160/86	22-Nov-86	1140,941.00	CAF	SEA-FREIGHT	HANTRUST	ARAB BANK LTD
FBI-118	04-Nov-86	JORDAN DATA	COMPUTER	DATA GENERAL	DATA GENERAL	COMPUTER	COMPUTER	678.2604-2670	282/86	22-Nov-86	621,416.00	CAF	AIR-FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-119	CANCELLED														
FBI-120	CANCELLED														
FBI-121	19-Nov-86	POTASH	MIXING	ALSCRA PUMPS	ALSCRA	SPARES/PUMPS	SPARES	682.9402-9099	412/86	26-Nov-86	111,217.00	CAF	SEA-FREIGHT	HANTRUST	ARAB FINANCE CORP
FBI-122	CANCELLED														
FBI-123	CANCELLED														
FBI-124	25-Nov-86	BEEMALLY CO	PHARMACEUT-	ONE LAMDA INC	LAMDA	LAG-EQUIPT	LAG-EQUIPT	628.2206-6090	2480/86	27-Nov-86	152,005.00	CAF	AIR-FREIGHT	IBAF	ARAB BANK LTD
FBI-125	25-Nov-86	BEEMALLY CO	PHARMACEUT-	FORTRAN-BENNET	FORTRAN	VENTILATOR	VENTILATOR	706.4226-4240	3480/86	27-Nov-86	152,721.00	CAF	AIR-FREIGHT	IBAF	ARAB BANK LTD
FBI-126	28-Nov-86	SAG ENG	ENGINEERING	FORD PETER CO	FORD	TAPPING SLEEVE	SLEEVES	674.4210-9902	860/86	29-Nov-86	4240,250.00	CAF	SEA-FREIGHT	HANTRUST	NATIONAL FINANCIAL INV CO
FBI-127	01-Dec-86	ALIA	AIRLINES	GARRET	GARRET	AIRCRAFT SPACE	SPARES	674.4502-4517	251/86	08-Dec-86	6125,858.22	CAF	AIR-FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-128	01-Dec-86	ALIA	AIRLINES	UNITED TECH CO	U T	AIRCRAFT SPACE	SPARES	682.2226-2229	252/86	08-Dec-86	115,755.60	CAF	AIR-FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-129	10-Dec-86	ALIA	AIRLINES	FAYRER CO	PARLER	AIRCRAFT SPACE	SPARES	674.4502-4517	253/86	16-Dec-86	10,864.70	CAF	AIR-FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-130	10-Dec-86	ALIA	AIRLINES	GARRET CO	GARRET	AIRCRAFT SPACE	SPARES	674.4502-4517	249/86	17-Dec-86	11,299,957.87	CAF	AIR-FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-131	04-Dec-86	ALIA	AIRLINES	KIELAND ACSS	KIELAND	AIRCRAFT SPACE	SPARES	674.4502-4517	257/86	16-Dec-86	14,452.50	CAF	AIR-FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-132	08-Dec-86	EMIZLARI	CONTRACTORS	INFILCO INC	INFILCO	SCREENS	SEATERS	682.4404-8949	61660799	18-Dec-86	124,695.00	CAF	SEA-FREIGHT	HANTRUST	PEIRA BANK
FBI-133	15-Dec-86	ASER-YET 101	AGRI-EQUIPT	D.B. SHIN	D.B.	SPRINKERS	SPRINKERS	682.6052-6055	26/86	22-Dec-86	128,825.92	CAF	SEA-FREIGHT	HANTRUST	JORDAN GULF BANK
FBI-134	04-Dec-86	J.P.R.	MIXING	AK ASSEMB	AK	TRUCKS	TRUCKS	682.8544	86674	15-Dec-86	1156,222.00	CAF	SEA-FREIGHT	HANTRUST	NATIONAL FINANCIAL INV CO
FBI-135	14-Dec-86	ALIA	AIRLINES	SARGENT 180	SARGENT	SPARES	SPARES	674.4502-4517	247/86	22-Dec-86	12,189.54	CAF	AIR-FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-136	14-Dec-86	ALIA	AIRLINES	FAYRER HANKEFIA	PARLER	SPARES	SPARES	674.4502-4517	245/86	27-Dec-86	112,717.42	CAF	AIR-FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-137	17-Dec-86	TRIXON-LOSINGER ENR	CONTRACTORS	CATERPILLAR	CATERPILLAR	EARTH MOVING EQUIPMENT	EARTH MOVING EQUIPMENT	684.0211-0224 672.2110-2440 672.0254-0270	86160204	21-Dec-86	12,234,990.00	CAF	SEA FREIGHT	HANTRUST	PEIRA BANK
FBI-138	21-Dec-86	AL-NAMRA	CONTRACTORS	BLAN-KNO1	BLAN-KNO1	ASPHALT FINISHER	ASPHALT FINISHER	678.5407-5099	17/86/87	27-Dec-86	1125,000.00	CAF	SEA FREIGHT	HANTRUST	JORDAN NATIONAL BANK
FBI-139	21-Dec-86	GENERAL COMPUTERS		L.P.R.	L.P.R.	COMPUTER	COMPUTER	678.2604-2670	21/86/87	03-Jan-87	1248,000.00	CAF	AIR-FREIGHT	HANTRUST	JORDAN NATIONAL BANK
FBI-140	15-Dec-86	J.P.R.C.C.	MIXING	PICOTUS-ERIC	P.E.	DRILLS	DRILLS	684.0505-0510	86678	05-Jan-87	1015,247.00	CAF	SEA-FREIGHT	HANTRUST	THE NATIONAL FINANCIAL INV CO
FBI-141	16-Dec-86	ALIA	AIRLINES	JORDANIAN SARGENT	S.S.	SPARES	SPARES	674.4502-4517	12/87	21-Jan-87	16,972.44	CAF	AIR-FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-142	05-Jan-87	MERIECO	TRUCKS	LIFE FORCE	L.P.R.	FORKLIFT	FORKLIFT	727.0124-0149	24/87	11-Jan-87	162,825.00	CAF	SEA-FREIGHT	HANTRUST	JORDAN GULF BANK

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FBI-084	01-Sep-86	POTASH	MIXING	CLACK PROCESS	ELDER	BELT FILTER	FILTER	772.2520-1410	371/86	01-Sep-86	1121,298.92	CLF	SEA FREIGHT	HANTRUST	SCIE FINANCE CORP
FBI-085	17-Jul-86	SIMONIAN	ENGINEERING	LAYNE & BOWLER	L & B	PUMPS	PUMPS	662.9299-9199	272/86	01-Sep-86	121,424.00	CLF	SEA FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-086	12-Sep-86	SIMONIAN	ENGINEERING	FRANKY BARNES	FRANKY BARNES	PUMPS	PUMPS	662.9299-9199	268/86	01-Sep-86	120,182.00	CLF	SEA FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-087	12-Sep-86	SIMONIAN	ENGINEERING	REIDISH	REIDISH	VALVES	VALVES	689.9501-2729	271/86	01-Sep-86	117,190.00	CLF	SEA FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-088	12-Sep-86	SIMONIAN	ENGINEERING	FULLER CO	FULLER	AIR FLOWER	FLOWER	661.1011-1049	269/86	01-Sep-86	118,000.00	CLF	SEA FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-089	12-Sep-86	SIMONIAN	ENGINEERING	FRANKY B. BARNES	BARNES	6016 VALVE	6016 VALVE	689.9501-2729	271/86	01-Sep-86	122,218.00	CLF	SEA FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-090	28-Nov-86	ARAB BANKING	ENGINEERING	TAQI FACIL INT	TAQI	COMPUTER	COMPUTER	676.2600-2870	126/86	20-Sep-86	112,195.02	F00	AIR FREIGHT	HANTRUST	JORDAN BANK
FBI-091	14-Sep-86	S.E. JOHNSON	CONTRACTING	DR COMPANY	DR	SCOTCHLITE	SCOTCHLITE	652.2119-2199	202/86	16-Sep-86	1167,240.00	F00	AIR FREIGHT	HANTRUST	FINANCE & CREDIT CORP
FBI-092	CANCELLED														
FBI-093	CANCELLED														
FBI-094	09-Sep-86	POTASH	MIXING	WESTINGHOUSE	WESTINGHOUSE	MUTUAL GEAR	SPARES	689.9710-9740	299/86	22-Sep-86	121,142.00	CLF	AIR FREIGHT	HANTRUST	ARAB FINANCE CORP
FBI-095	28-Sep-86	POTASH	MIXING	PHILADELPHIA	PHILADELPHIA	SPARES FOR	SPARES	689.9710-9740			114,940.00	CLF	SEA FREIGHT	HANTRUST	ARAB FINANCE CORP
FBI-096	28-Sep-86	ARAB BANKING	AGRICULTURAL	GENETICS INT'L	GENETICS	WHEAT SEED	SEEDS	120.6240	142/86	01-Oct-86	115,600.00	CLF	SEA FREIGHT	HANTRUST	ARAB BANK LTD
FBI-097	28-Sep-86	SIMONIAN	ENGINEERING	GRIFFIN PIPE	GRIFFIN	PIPES	PIPES	610.2510-2540	292/86	01-Oct-86	172,971.38	F00	SEA FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-098	28-Sep-86	POTASH	MIXING	WESTINGHOUSE	WESTINGHOUSE	SWITCHGEARS	SPARES	676.1210-9002			112,976.00	CLF	AIR FREIGHT	HANTRUST	ARAB FINANCE CORP
FBI-099A	19-Jul-86	SIMONIAN	ENGINEERING	WESTEC INC	WESTEC	CLASSIFIER	CENTRIFUGAL	661.7620-9009	202/86	09-Oct-86	110,000.00	F00	SEA FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-099	01-Oct-86	ARAB BANKING	AGRICULTURAL	CATERPILLAR	CATERPILLAR	ENGINES	ENGINES	660.1110-1120	148/86	09-Oct-86	1124,124.00	F00	SEA FREIGHT	HANTRUST	ARAB BANK LTD
FBI-100	07-Oct-86	ARAB BANKING	AGRICULTURAL	JOHNSON PUMP CO	JOHNSON	PUMPS	PUMPS	662.9299-9199	147/86	09-Oct-86	1205,705.00	F00	SEA FREIGHT	HANTRUST	ARAB BANK LTD
FBI-101	05-Oct-86	BARAZEN CO	AGRICULTURAL	CONTINENTAL SA-	-----	SOYA BEAN PEAL	SOYBEAN	181.5400	302/86	09-Oct-86	1277,200.00	F00	SEA FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-102	11-Oct-86	JORDAN DATA	TELETYPE	DATA GENERAL	DATA GENERAL	COMPUTER	COMPUTER	676.2600-2870	221/86	12-Oct-86	178,222.00	F00	AIR FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-103	11-Oct-86	JORDAN DATA	ENGINEERING	DATA GENERAL	DATA GENERAL	COMPUTER	COMPUTER	676.2600-2870	222/86	12-Oct-86	1124,292.00	F00	AIR FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-104	14-Oct-86	BARAZEN	TRADING	CONT'L GRAIN	-----	YELLOW CORN	YELLOW CORN	120.7440-2425	207/86	15-Oct-86	1261,226.00	F00	SEA-FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-105	14-Oct-86	BARAZEN	TRADING	CONT'L GRAIN	-----	YELLOW CORN	YELLOW CORN	120.7440-2425	210/86	15-Oct-86	1261,226.00	F00	SEA-FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-106	14-Oct-86	CANCELLED													
FBI-107	25-Oct-86	S.E. JOHNSON	ENGINEERING	PHENIX INT'L	SIMONIAN	DRILLING EQUIP	DRILLING	661.6270-6220			149,474.00	CLF	SEA FREIGHT	HANTRUST	NATIONAL FINANCIAL INV CO
FBI-108	27-Oct-86	SPECIAL SYS-	COMPUTERS	LEVINT CO	LEVINT	COMPUTERS	COMPUTERS	676.2600-2870	865405	27-Oct-86	142,450.00	CLF	AIR-FREIGHT	HANTRUST	FETRA BANK
FBI-109	28-Oct-86	CANCELLED													
FBI-110	28-Oct-86	AL-HAFSA	FINANCE	JORDAN INVESTMENT	JORDAN	LAG-EQUIPTS	DISSOLUTION	709.9200-3000	242/86	05-Nov-86	129,184.00	CLF	AIR-FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-111	04-Nov-86	SIMONIAN	ENGINEERING	WATERSON INC	WATERSON	SLUICE GATES	SLUICE GATES	689.9501-2729	275/86	08-Nov-86	112,628.00	CLF	SEA-FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP
FBI-112	02-Nov-86	JORDAN SYSTEM	COMPUTER	DATA GENERAL	DATA GENERAL	COMPUTER	COMPUTER	676.2600-2870	229/86	06-Nov-86	109,120.00	CLF	AIR-FREIGHT	HANTRUST	JORDAN INV & FINANCE CORP



FBI-142	04-Jan-87	ALTA	AIRLINES	HERICAL CO KIMBER ROSS	S.R.	SPARES	SPARES	474,227-4517	15/87	24-Jan-87	15,604.50	FDB	AIR-FREIGHT	HANTHUS	FINANCE & CREDIT CORP
FBI-144	21-Nov-81	ALTA	AIRLINES	CHRISTIE INC	CHRISTIE INC	SPAR S	SPARES	474,227-4517	16/87	24-Jan-87	116,427.01	FDB	AIR-FREIGHT	HANTHUS	FINANCE & CREDIT CORP
FBI-145	08-Jan-87	ALTA	AIRLINES	BARRET	BARRET	SPARES	SPARES	474,227-4517	17/87	24-Jan-87	16,529.00	FDB	AIR-FREIGHT	HANTHUS	FINANCE & CREDIT CORP
FBI-146	08-Jan-87	ALTA	AIRLINES	BARRET	BARRET	SPARES	SPARES	474,227-4517	18/87	24-Jan-87	18,027.74	FDB	AIR-FREIGHT	HANTHUS	FINANCE & CREDIT CORP
FBI-147	15-Jan-87	ALTA	WHISEN CONTRACTING CO	WHISEN CONTRACTING CO	BLADE	BLADE	521,000-1146				1129,781.40	CAF	SEA-FREIGHT	HANTHUS	CARD BANK
FBI-148	19-Jan-87	ALTA	INDUSTRIAL	INDUSTRIAL	POLYMEROLIB			771,000-1050			157,000.00	CAF	SEA-FREIGHT	HANTHUS	CARD BANK
FBI-149	21-Nov-81	ALTA	AIRLINES	S.L.	S.L.	AIRCRAFT	SPARE SPARES	474,227-4517	19/87	24-Jan-87	12,485,444.00	FDB	AIR-FREIGHT	HANTHUS	FINANCE & CREDIT CORP
FBI-150	07-Jan-87	ALTA	ENGINEERING	ENGINEERING CO	ENGINEERING CO	PUMP	PUMP	563,000-4440			140,000.00	FDB	SEA-FREIGHT	HANTHUS	ARAB FINANCE CORP
FBI-151	06-Jan-87	ALTA	ENGINEERING	ENGINEERING CO	ENGINEERING CO	SCHEMATIC	SCHEMATIC	610,000-4440			147,142.00	FDB	SEA-FREIGHT	HANTHUS	ARAB FINANCE CORP
FBI-152	06-Jan-87	ALTA	ENGINEERING	ENGINEERING CO	ENGINEERING CO	TRAILER	TRAILER	610,000-4440			1214,500.00	FDB	SEA-FREIGHT	HANTHUS	ARAB FINANCE CORP
FBI-153	21-Jan-87	ALTA	AGRICULTURAL	AGRICULTURAL		PUMP CONTROL	PANELS	425,000-1070	04/24/12/87		171,970.00	CAF	SEA-FREIGHT	HANTHUS	ARAB BANK
FBI-154	24-Jan-87	ALTA	AIRLINES	TRIDEN	TRIDEN	SPARES	SPARES	474,227-4517	22/87		111,579.00	FDB	AIR-FREIGHT	HANTHUS	FINANCE & CREDIT CORP
FBI-155	24-Jan-87	ALTA	ENGINEERING	ENGINEERING	ENGINEERING	IRRIGATION	IRRIGATION	425,000-1070	02/24/12/87		1725,440.85	CAF	SEA-FREIGHT	HANTHUS	ARAB BANK LTD
FBI-156	24-Jan-87	ALTA	ENGINEERING	ENGINEERING	ENGINEERING	COMPUTER	COMPUTER	425,000-1070	02/24/12/87		121,160.00	CAF	AIR-FREIGHT	HANTHUS	PETRA BANK
FBI-157	24-Jan-87	ALTA	ENGINEERING	ENGINEERING	ENGINEERING	PUMP	PUMP	425,000-1070	02/24/12/87		122,014.67	CAF	SEA-FREIGHT	HANTHUS	ARAB BANK LTD
FBI-158	25-Jan-87	ALTA	AIRLINES	BARRET	BARRET	SPARES	SPARES	474,227-4517			18,922.00	FDB	AIR-FREIGHT	URAF	FINANCE & CREDIT CORP
FBI-159	25-Jan-87	ALTA	AIRLINES	DATA RETRIEVE	DATA RETRIEVE	PRINTERS	PRINTERS	670,000-0970			122,691.70	FDB	AIR-FREIGHT	URAF	FINANCE & CREDIT CORP
FBI-160	29-Jan-87	ALTA	AIRLINES	WHISEN CONTRACTING CO	WHISEN CONTRACTING CO	LIFT	LIFT	660,000-1065			127,872.00	FDB	AIR-FREIGHT	URAF	FINANCE & CREDIT CORP

TOTAL TRANSACTIONS APPROVED  
BALANCE BEGINNING  
TOTAL LC'S ISSUED

444,127,195.22  
19,822,874.67  
463,950,069.89

AMOUNT OF LC'S ISSUED US DRS 44,127,195.22  
THROUGH JAN 31st 1986

Best Available Document

Appendix B

Rejected CIP Public Sector Proposals

REJECTED CIP PUBLIC SECTOR PROPOSALS

<u>IMPORTER</u>	<u>SPECIFICATIONS</u>	<u>REASON REJECTED</u>	<u>ESTIMATED VALUE</u>
1. Jordan Radio & T.V. Corp.	Radio Transmitters	Polical sensitivety	\$7,500,000
2. Yarmouk University	Furniture & Equip. for main campus site	Turn key job which can be produced locally	525,000
3. Mutah University	Laboratories in engineering and Natural Services Dept.	Military controlled	4,000,000
4. Jordan Electricity Auth.	Microwave Networks	Appeared to be tendered & awarded prior to agreement date 9/17/86	785,000
5. Natural Resources Auth.	Rock Bits	Source/origin Saudi Arabia	17,000
6. Mutah University	Micro computers, physics laboratory and nuclear physics laboratory	Military controlled	1,300,000
7. Natural Resources Auth.	Video cassettes, video sets and T.V. sets	not produced in the U.S.	25,000
8. Jordan Electricity Auth.	Shelving system & other small items	Can be produced in Jordan	117,500
9. Jordan Electricity Auth.	V.H.F. radio base station	Belcw minimum limitation of \$10,000	8,099
10. Civil Aviation Auth.	Spares for encoder and decoder circuit	Source/origin U.K.	5,250

Appendix C

Policy Dialogue Action Plan

## POLICY DIALOGUE ACTION PLAN

PRIORITIES	ACTIVITIES	STATUS	NEXT STEPS
PRIORITY ONE			
1.1 Liberalization of Financial Markets (interest rate controls, syndicated loans, market segmentation, development of secondary market, new financial instruments.)	Preliminary assessment of Jordan financial system completed.	Completed 8/86	Request by 12/4/86 return of Sh for second phase of policy dialogue assistance.
	Conference on venture capital, financial instruments.	PRE assistance requested 11/24/86.	Discuss with PRE re further info by 12/2/86.
	Technical assistance on creation of mutual fund.	Cable sent to PRE asking for assistance in locating and funding a mutual fund specialist ASAP, 11/24/86.	Consultant to arrive 2/86.
	Technical assistance for Mergers and Acquisitions.	Cable sent to PRE asking for assistance in locating and funding specialists in Mergers and Acquisitions ASAP, 11/24.	Consultant to arrive 2/86.
	Assessment of credit constraints for small enterprises.		Define as part of scope of work small entrepreneur project 12/4
	Seminar on constraints to financial intermediation.		Approach Bankers Association by regarding sponsoring such seminar
	Specialized training for bankers in bond trading, loan risk and cash flow analysis to prepare banks for liberalized financial market.	Bankers' Association has requested assistance.	Arrange PETRA funding by 1/87.
	Assessment of agricultural credit system and needs.		Assessment to be undertaken in under HADP.

PRIORITIES	ACTIVITIES	STATUS	NEXT STEPS
1.2 Privatization	Assistance to shape GOJ privatization policy and implement projects.	Center for privatization (CFP) completed survey of prospects for privatization in Jordan in 7/86.	
		Economic advisers to the Prime Minister and the Minister of Finance sent to AID sponsored privatization conference in Washington.	
		Public Transportation Company: Consultants from CFP completed survey of PTC in 7/86. Feasibility study for privatization now underway.	Consultants from CFP will complete feasibility study by 12/20/86. Need to follow-on work to be determined.
		Alia: The Royal Jordanian Airline: CFP completed initial survey in 7/86. Detailed analysis of Alia's operations and finances now underway.	Alia: CFP expected to complete report by 12/31/86. CFP consultants expected to visit Amman in early 1988 for follow-on work.
			Ministry of Supply: AID will meet Minister by 1/15/87 to discuss possibility of privatizing certain Ministry of Supply functions.
	Dialogue on roles of Public and Private Sectors.		Next CIP economic consultations to be held by 1/15/87 to focus on role of Public Sector in energizing private sector development.
			AID will approach various local institutions by 2/1/87 (e.g. University Jordan, or Arab Thought Forum) to interest in sponsoring seminar on roles of the private and public sectors in Jordanian development.

PRIORITIES	ACTIVITIES	STATUS	NEXT STEPS
1.3 De-regulation of Agricultural Produce Marketing.	<p data-bbox="685 65 1018 98">Agribusiness assessment and seminar.</p> <p data-bbox="685 243 1056 322">Privatization assistance for Government owned and operated processing and marketing facilities such as ANPCO, AMD.</p> <p data-bbox="685 375 952 401">Ag. marketing Project Paper.</p>	<p data-bbox="1123 72 1389 98">Scope of work developed 12/1.</p> <p data-bbox="1123 250 1408 302">Initial meetings held with MDA, ANPCO, AMD.</p>	<p data-bbox="1551 78 1827 125">In team for assessment to arrive 3/1/87 for two months.</p> <p data-bbox="1551 177 1827 203">Symposium planned for 6/13/87.</p> <p data-bbox="1551 256 1875 282">Follow-up meetings to be scheduled.</p> <p data-bbox="1551 381 1875 460">PID due 5/1/87; FP to follow agribusiness symposium and resulting dialogue with government.</p>
1.4 Cost-recovery in Water Tariffs.	<p data-bbox="685 473 875 500">Water Tariff Study.</p>	<p data-bbox="1123 480 1428 532">Black and Veatch Team in country. Inception report reviewed.</p>	<p data-bbox="1551 486 1865 539">Meet to discuss progress/problems with USAID Director by 12/18.</p> <p data-bbox="1551 585 1884 611">Draft final report due February 1987.</p>
1.5 Population policy and provision of family planning services.	<p data-bbox="685 631 1047 684">Training in family planning for health care providers, public and private.</p> <p data-bbox="685 1046 990 1098">Dialogue with GOJ on population policy and 5-Year Plan.</p>		<p data-bbox="1551 638 1884 717">Ronco (central contractor) workshop; FP training needs of government health workers to be held 12/15 - 24, 1986.</p> <p data-bbox="1551 769 1884 848">Contraceptive Social Marketing (CSM) assessment to be conducted by SOMAI consultant by 1/15/87.</p> <p data-bbox="1551 901 1884 1000">Margaret Sanger Center to direct practical training for clinical staff private family planning association (JFPPA) by 2/1/87.</p> <p data-bbox="1551 1052 1884 1230">Meeting by USAID Director with Min. of Planning by 12/31/86 on:  a. Possible projects to implement statements of 5-Year Plan.  b. Use of outstanding USAID grant (\$100k) to MOLS in support of National Population Commission.</p>

PRIORITIES	ACTIVITIES	STATUS	NEXT STEPS
<b>PRIORITY TWO</b>			
2.1 Government regulation of market entry and operation.	Research and Seminar on economic costs of regulation.	Completion of Industrial and Export Development study by Coopers & Lybrand in May 1985.	By Spring 1987, Enterprise Development Advisor to be hired by Private Enterprise Office will complete research the set up in new business in Jordan.
	Assessment of impact of government regulation on small enterprise formation.		Include in consultant Scope of Work for Small Enterprise Development 12/4/86.
	Mini conference on Industrial Development and impact of trade, licensing, etc. policies.		By summer 1987 identify interested sponsoring organization (e.g. Chamber of Industry).
2.2 Economic pricing of energy.	Pfizer economy-energy interactions study.		Scheduled to start January 87.
	Uniform system of accounts for JEA, JEPDC, and JCECO.	Contract awarded.	To start January '87.
	Energy Planning and pricing study.	Request for consultant prequalification advertised.	Short list by late December 86; Approve RFTP.
2.3 Transportation and shipping user charges.	Reconnaissance study.	Study completed.	Discuss study with MDT Director of Planning 12/1.
			Technical assistance package to be explored with MDT and MOP by 1/15.
<b>PRIORITY THREE</b>			
3.1 Tax Policy	Fiscal Policy Planning Project.	Deferred in light of IMF tax assistance loan.	
	ISFS special studies.		Approach MOP regarding possible specialized studies following IMF loan visit, 1/15.
	In design of small enterprise project, assess incidence of tax, incentive,		Define as part of scope of work small enterprise project, 12/4/86.

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PRIORITIES	ACTIVITIES	STATUS	NEXT STEPS
3.2 Food subsidies	Seminar and studies on beneficiaries and efficiency of food subsidies and price controls.	MOP agreed in CIP side letter to such studies.	Scope of work to be developed jointly with MOP by 1/15.
3.3 Competitiveness: Export Promotion, Import Protection, Exchange rate.	Studies of Domestic resource costs, effective rates of protection.	MOP agreed in CIP side letter to such studies; IBRD industrial mission to develop estimates.	Follow up with IBRD Industrial Mission by 12/17 status of studies; explore possibility of borrowing IBRD methodology to apply to additional sectors.
	Mini-conference on industrial development and impact of trade, licensing, etc. policies.		By Summer 1987 identify interested sponsoring organization (e.g. Chamber of Industry).
3.4 Higher Education Finance and subsidies.	Seminar on educational financing.	Draft scope of work developed for assessment team.	Arrange meeting with Minister of Higher Education to discuss implementation by 1/15.

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Appendix D

Operating Circular, Commodity Import Program-Private Sector

OPERATING CIRCULAR

COMMODITY IMPORT PROGRAM - PRIVATE SECTOR

A.I.D. GRANT NO. 27E-K-643

1. The private sector element of the Commodity Import Program, hereafter referred to as the program, provides funds to the private sector in Jordan to import capital goods, intermediate commodities and raw materials from the U.S.A. The rules and procedures set forth in this operating circular shall be valid with respect to all transactions for the private sector financed under the program.
2. Primary implementation responsibility for implementing this program will rest with the participating banks. Allocation of AID funds will be in order of their requests.
3. Jordanian private sector entrepreneurs and firms shall be eligible to participate under this program. This includes public stock companies and joint ventures licensed to conduct business in Jordan.
4. Funds available under this program shall not be used to finance luxury goods, consumer goods, complete projects or goods which are intended for re-export in essentially the same condition as they were imported. USAID/Jordan shall furnish the participating banks with a list of the U.S. commodities which are eligible to be imported under this program. The participating banks shall not open any letters of credit for the importation of goods under this program which do not appear on this list.
5. Private sector importers desiring to use this program shall make application at any one of the participating banks. Alternatively, a potential client may apply through any other commercial bank. In this case the completed application will be forwarded by the client's bank to one of the participating banks. Each application must include:
  - a. A completed transaction form (attachment A).
  - b. Evidence that the importer has followed A.I.D. Regulation 1 negotiated procurement procedures. This will include a reasonable number of offers from U.S. suppliers.
  - c. A summary of offers and the importer's recommendation.

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For transactions in excess of U.S. \$1 million, USAID/Jordan may require that AID Regulation 1 formal procurement procedures be followed. Participating banks should consult USAID/Jordan as far in advance as possible on these transactions. If formal tender procedures are required USAID/Jordan will provide guidance to importers and the participating bank.

6. The participating bank will forward all approved transactions to USAID/Jordan for final review. Upon issuance of a USAID concurrence letter, an administrative reservation of funds will be made and a transaction number assigned. The importer shall have 3 months from the date of the concurrence letter to get a letter of credit issued to the named U.S. supplier. Extension of this time limit may be considered on a case-by-case basis provided that the client's written request is forwarded to USAID, through the participating bank, at least 15 days prior to the expiration date.
7. The participating bank may not issue letters of credit to any party other than the one named in the proforma invoice, nor is the bank authorized to amend any letter of credit in a manner contrary to the contents of the proforma invoice. All letters of credit must reference the AID transaction number. Credits opened for the importation of raw materials and intermediate goods shall be valid for a period not to exceed six (6) months, whereas credit opened for the importation of capital goods shall be valid for a period of time not to exceed one (1) year.
8. The minimum transaction size shall be \$10,000, except for spare parts for which there is no minimum, unless USAID/Jordan otherwise agrees in writing.
9. The participating bank shall collect a downpayment in local currency from the importer equal to 10% of the value of the letter of credit. The balance of the letter of credit amount shall be paid by the importer to the bank in local currency as follows:
  - a. during a maximum period of 12 months for raw materials.
  - b. during a maximum period of 18 months for intermediate goods.
  - c. during a maximum period of 5 years for capital goods.The local currency amount of all repayments for a specific transaction shall be calculated at the highest JD/\$ exchange rate prevailing and declared by the competent authorities in Jordan, on the day the letter of credit is opened.
10. The participating bank shall charge interest on the outstanding balance of each letter of credit calculated from the date of the bill of lading. The interest rate charged shall be determined by the participating bank within the following constraints:

minimum: Central Bank Discount Rate, currently 6.25%  
maximum: Central Bank ceiling for commercial bank lending, currently 10.5%.

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The participating bank shall be entitled to collect normal fees and commissions, i.e., letter of credit fees, on transactions financed under this program.

11. The participating bank shall be indebted to the Central Bank of Jordan for the local currency equivalent of the face amount of each Letter of Credit opened under this program calculated at the highest JD/\$ rate of exchange prevailing and declared by the competent authorities of Jordan on the date the letter of credit was issued.

The participating banks shall pay into the special account at the Central Bank of Jordan all payments of principal, actually collected or due, for transactions financed under this program on a quarterly basis on the following dates:

- a. January 1
- a. April 1
- b. July 1
- c. October 1

In addition, the bank shall pay into the special account on the same dates 80% of all interest payments actually collected or due with respect to transactions financed under this program. The remaining 20% of the interest amount collected shall be retained by the participating banks as an administrative fee for implementing the program.

12. USAID/Jordan will furnish to the Ministry of Planning or its designee on a monthly basis a report showing all proposed private sector transactions concurred in by U.S.A.I.D. The report will be prepared not later than the 10th of the following month.
13. All participating banks shall meet the following reporting requirements:
  - i. A copy of all Letters of Credit issued under the program shall be forwarded to USAID/Jordan and the Central Bank of Jordan.
  - b. A copy of all amendments to Letters of Credit issued under the program, i.e., those that deal with value, quantity, terms etc., shall be forwarded to USAID/Jordan and the Central Bank of Jordan.
  - c. A detailed monthly statement showing all new Letters of Credit opened or new amendments issued during the month shall be submitted to the Ministry of Planning, and to the Central Bank of Jordan with a copy to USAID/Jordan, not later than the 15th day of the following month.
  - d. A quarterly statement showing all principal and interest collected or due for each transaction financed under the program shall be submitted to the Central Bank of Jordan in conjunction with deposits made in the Special Account. Copies shall be sent to the Ministry of Planning and USAID/Jordan.

14. The participating bank which opens credits under this program shall be responsible for executing the rules and regulations contained in this operating circular. In the event of a violation of any of the rules of the circular, or applicable A.I.D. regulations, on the part of the importer, the Central Bank and USAID/Jordan may jointly agree to:
- a. Prohibit the importer from participating under the program for a specified period of time, and/or
  - b. Require the importer to reimburse AID in U.S. dollars for the amount of funds advanced under the program.

Signatures:

_____	Bank
_____	AID
_____	Date

Appendix E

Analysis of Time Taken for Specification Review

Appendix E

ANALYSIS OF TIME TAKEN FOR SPECIFICATION REVIEW  
AS OF MARCH 4, 1986

<u>MONTH FORWARDED TO</u> <u>AID/W</u>	<u>IFB/RFQ/</u> <u>SPEC NO.</u>	<u>MONTH ISSUED</u> <u>OR TO BE ISSUED</u>	<u>TIME LAPSE</u> <u>(IN MONTHS)</u>
March 1986	MOP/MD/1-86	September 1986	6
	NRA/3-86	August 1986	5
	JVA/4-86	August 1986	5
	CAA/6-86	September 1986	6
	MOC/10-86	September 1986	6
	MOA/12-86	September 1986	6
	MOE/13-86	September 1986	6
	PETRA/2-87	October 1986	7
	MOE/1-87	October 1986	7
	MOC/10-87	December 1986	9
	Average		6.3 Months
April 1986	MOE/2-86	August 1986	4
	MOHE/5-86	September 1986	5
	NRA/19-87	February 1987	10
	Average		6.33 Months
May 1986	JEA/7-86	September 1986	4
	MIT/7-86	December 1986	7
	VTLS/7-87	December 1986	7
	MTLS/9-87	December 1986	7
	JTC/5-87	November 1986	6
	JTC/8-87	December 1986	7
	JTC/11-87	December 1986	7
	JTC/12-87	December 1986	7
	JRTC/13-87	December 1986	7
	JTC/15-87	January 1987	8
	MOH/18-87	February 1987	9
	JTC/20-87	February 1987	9
	JTC/25-87	March 1987	10
	Spec No. 15	--	10+
	Spec No. 16	March 1987	10
CSC/27-87	March 1987	10	
MOH/24-87	March 1987	10	
	Average		7.75+ Months

47 tenders issued or scheduled to be issued - Average time for specifications review - 6 months.

11 tenders not yet scheduled for issuance - Average time in AID/W to date - 6 months.

The 11 requirements not yet scheduled for issuance (as of 3/4/87):

<u>REQUIREMENT</u>	<u>ESTIMATED COST</u>
1. PABX system	\$ 24,000
2. Vehicles (JTC)	950,000
3. Computer (DOS)	70,000
4. Wiring	100,000
5. Coastal Radio System	2,625,000
6. Approach Lighting Sys	525,000
7. Radar	6,125,000
8. Autoclave	135,000
9. Cameras & P.A. System	55,000
10. Computer (Parliament)	30,000
11. Telephone System	500,000
TOTAL	\$-----

Appendix F

Analysis of Time Taken for Evaluation of Bids/Quotations

## Appendix F

ANALYSIS OF TIME TAKEN FOR EVALUATION OF BIDS/QUOTATIONS  
AS OF MARCH 4, 1987

<u>IFB/RFQ NO.</u>	<u>DATE OPENED</u>	<u>DATE AWARDED</u>	<u>TIME TAKEN (DAY)</u>
MOP/MD/1-86	Oct 25, '86	Dec 11, '86	46
MOE/2-86	Oct 2, '86	Nov 15, '86	43
NRA/2-86	Oct 10, '86	Feb. 27, '87	146
JVA/4-86	Oct 7, '86	Dec 11, '86	64
MOHE/5-86	Oct 15, '86	Dec 24, '86	69
CAA/6-86	Oct 22, '86	Dec 24, '86	62
JEA/7-86	Nov 8, '86	--	120+
DOS/8-86	Oct 30, '86	Dec 11, '86	42
MOC/10-86	Nov 5, '86	Dec 27, '86	42
MOHE/11-86	Nov 6, '86	Jan 28, '87	82
MOA/12-86	Dec 9, '86	Jan 28, '87	49
MOE/13-86	Nov 30, '86	--	92+
YU/14-86	Nov 19, '86	--	103+
PETRA/2-87	Dec 8, '86	Jan 28, '87	50
MOS/3-86	Oct 21, '86	Oct 23, '86	2
MOE/1-87	Dec 15, '86	--	78+
MOH/9-86	Dec 18, '86	--	75+
DOS/4-87	Jan 3, '87	--	60+
MIT/6/87	Jan 13, '87	--	49
VTLS/7-87	Jan 20, '87	--	42+
MTLS/9-87	Jan 26, '87	--	36+
MOC/10-87	Jan 28, '87	--	34+

Of the tenders that had been awarded, the average time taken for evaluation was 63.18 days.

Of the tenders that had not been awarded and were beyond the 45 day stipulated limit, the average time taken was 82.42 days.

Three tenders had not been awarded but had not yet exceeded the 45 day limit.

Appendix G

Letters of Credit Issued in Private/Mixed Sector by Month

Appendix G

LETTERS OF CREDIT ISSUED IN PRIVATE/MIXED SECTOR  
BY MONTH

<u>1985</u>	DEC	1
1986	JAN	6
	FEB	2
	MAR	5
	APR	3
	MAY	11
	JUN	7
	JUL	10
	AUG	6
	SEP	15
	OCT	22
	NOV	12
	DEC	12
1987	JAN	10
	FEB	11

AVERAGE PER MONTH

DEC/85 - APR/86 - 3.8

MAY/86 - FEB/87 - 11.6

Appendices H & G  
Schedules of Evaluators

Appendix H

Schedule of Meetings (Paul R. Golding)

Monday, February 9

Ziad Bakhit, CIP Coordinator , Ministry of Planning  
Ismail Adjani, Commercial Officer, U.S. Embassy  
Perry Ball, Economic Officer, U.S. Embassy

Wednesday, February 11

Marwan Awad, Controller General of the Foreign Banking Dept., Centr  
Bank of Jordan  
Samis Haddad, Finance and Credit Corporation  
Zubyr I. Soomro, Vice President, Citibank

Thursday, February 12

Issa S. Khoury, Credit Manager, Petra Bank  
Mousa I. Ghozlani, President, Ghozlani & Co.  
Adeeb Haddad, Executive Director, Central Bank of Jordan  
Ghiath M. Sukhtian, Munir Sukhtian, Co.

Monday, February 16

Hani Massanat, Arab Potash Co.  
Miqdad Annab, General Manager, Arab Supply and Trading Co.  
Raouf Kharouba, Director, Trocon Engineering

Tuesday, February 17

Jawad El Hadid, Arab-Jordan Finance Co.  
Ata Ali, President, Ata Ali Food Supply Co.

Wednesday, February 18

Abdul Rahman, Office of the Budget, Ministry of Finance  
Abdelraouf Akour, Director of technical Provisions, Jordan  
Civil Aviation Authority  
Ghassan R. Mufleh, Central Computers and Electronics

Thursday, February 19

Mohammad Shehadeh, Financing Director, Ministry of Finance

Sunday, February 22

William S. Jolitz, Director of Operations, International  
Executive Service Corps

Monday, February 23

Maher Shukri, Deputy Governor, Central Bank of Jordan

Tuesday, February 24

Fayiz Tarwaneh, economic adviser to the Prime Minister  
Ahmed Mango, economic adviser to the Crown Prince

Wednesday, February 25

Riad Hamarm, Director of Supplies, Ministry of Health

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Appendix IInterviews Conducted (Robert Van Horn)Private Sector

Grindlay's Bank Nabil Msseiss	Norma F. Nassar Letter of Credit Department	Account Manager
Finance and Credit Dept. Corp. Dept. Bilal Inshassy	Shamir Haddad Hani Qaqish Letter of Credit Dept.	Manager, Finance Manager, Banking
The National Financial Manager Investment Co. Dept.	George Dallal Nadeel Khalaf	Deputy General Letter of Credit
Ata Ali Food & Ice Cream Factory	Ata Ali Abdullatif Issa Zureikat	Owner Foreign Dept.
Sukhtian Company	Ghayyath Sukhtian	Partner

Public Sector

Ministry of Planning Ziad Bakhit	Nabil Sweiss Undersecretary CIP Manager	Assistant to the
Central Bank of Jordan Dept.	Marwan Awad	Foreign Banking
Natural Resources Authority Dept. Mahmoud Ramadan	Kamal Jreisat Kays El-Kaysi Advisor	Director General Head, Geophisics
Telecommunications General Corporation Suhir Amirah Jamil Ganin Subhi Salim	Waleed Dweik Samir Azzoga Planning Section Area Engineer Area Engineer	Asst. Director Supply Section
General Supply General Department Division	Izuab Mujali Mahmoud Hiyari	Asst. Director Chief, Studies