[redacted]

PROJECT PAPER

JORDAN: CREDIT FOR JORDAN VALLEY FARMERS ASSOCIATION

LOAN 278-K-025

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACESHEET

1. TRANSACTION CODE: A (A = ADD, C = CHANGE, D = DELETE)

PP

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4. DOCUMENT REVISION NUMBER:

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7. PROJECT TITLE (Maximum 40 characters): Credit for Jordan Valley Farmers Assoc.

8. ESTIMATED FY OF PROJECT COMPLETION: FY 81

9. ESTIMATED DATE OF OBLIGATION: A. INITIAL FY 78; B. QUARTER 4 (Enter 1, 2, 3, or 4); C. FINAL FY 78

10. ESTIMATED COSTS ($000 OR EQUIVALENT $1 –)

A. FUNDING SOURCE	FIRST FY 1978 B. FX	C. L/C	D. TOTAL	LIFE OF PROJECT E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL		1,500	1,500		1,500	1,500
(GRANT)	( )	( )	( )	( )	( )	( )
(LOAN)	( )	(1,500)	(1,500)	( )	(1,500)	(1,500)
OTHER U.S. 1.						
OTHER U.S. 2.						
HOST COUNTRY		761	761		1,974	1,974
OTHER DONOR(S)	255		255	255		255
TOTALS	255		2,516	255	3,474	3,729

11. PROPOSED BUDGET APPROPRIATED FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE C. GRANT	D. LOAN	E. 1ST FY 78 F. GRANT	G. LOAN	H. 2ND FY ___ I. GRANT	J. LOAN	K. 3RD FY ___ L. GRANT	M. LOAN
(1) SA	133 B		040		1,500				
(2)									
(3)									
(4)									
TOTALS									

A. APPROPRIATION	N. 4TH FY ___ O. GRANT	P. LOAN	Q. 5TH FY ___ R. GRANT	S. LOAN	LIFE OF PROJECT T. GRANT	U. LOAN
(1) SA						1,500
(2)						
(3)						
(4)						
TOTALS						

12. IN-DEPTH EVALUATION SCHEDULED: MM 12 YY 79

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA, BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

No (1 = NO, 2 = YES)

14. ORIGINATING OFFICE CLEARANCE

SIGNATURE: [signature]

TITLE: D/Director, USAID/Jordan

DATE SIGNED: MM 07 DD 05 YY 78

15. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

AID 1330-4 (3-76)

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ABBREVIATIONS

ACC	Agricultural Credit Corporation
AID	Agency for International Development
AMO	Agricultural Marketing Organization
FAO	Food and Agriculture Organization
GOJ	Government of Jordan
JCO	Jordan Cooperative Organization
JVA	Jordan Valley Authority
JVFA	Jordan Valley Farmers Association
MOA	Ministry of Agriculture
NPC	National Planning Council
PID	Project Identification Document
PP	Project Paper
UN	United Nations
USAID	United States Agency for International Development/Amman.

CREDIT FOR JORDAN VALLEY FARMERS ASSOCIATION

I. SUMMARY AND RECOMMENDATION

A. Borrower: The Hashemite Kingdom of Jordan (GOJ) through the Jordan Valley Authority (JVA).

B. Implementing Agency: Jordan Valley Farmers Association (JVFA).

C. Loan Amount: Not to exceed one million and five hundred thousand U.S. Dollars (U.S.$1,500,000).

D. Loan Terms: Forty years including ten year grace, two percent during grace period and three percent thereafter.

E. Project Purpose: To assist Jordan Valley farmers, particularly small farmers, in obtaining equitable seasonal production credits.

F. Project Description: This project provides a $1.5 million loan to the GOJ, through the JVA, for the JVFA. The JVFA will use the sum for making supervised seasonal loans to its farmer members in order to increase crop production on small irrigated farms (4.0 ha. or less) in the Jordan Valley. The AID-Loan will augment the proceeds generated from the sale of fertilizer donated by FAO and other donors to Jordan and JD 576,000 to be provided by the GOJ which will all be used for making similar loans under the project. Initially, it is expected that loans of approximately JD 800 and averaging nine months will be made to approximately 500 farmers.

The AID loan proceeds and rollover funds will be relent under identical conditions with the bulk of lending directed to the smaller sized category of borrowers. It is projected that 80 percent of loans and 58 percent of amounts lent will go to tenants, sharecroppers and owner-operators of farms 4.0 ha. in size or less. USAID will make reimbursement, from the AID Loan, of 100 percent of the loan volume (Jordan Dinar Amount) for tenants, sharecroppers and owner-operators who farm 4.0 ha. or less.

No direct off-shore procurement is planned, but rather the dollar loan proceeds will finance production supplies some of which will be made available in-kind from the JVFA Supply Department stocks and from farmers purchases from local suppliers.

An integrated package approach will be employed whereby farm management guidance, production supply, credit and marketing services are made available to Association members to enable them to improve their incomes through increased production and marketing of higher quality produce. Through the period ending December 31, 1981 (AID Life of Project), approximately 1,900 small farmers should receive loans utilizing the AID loan and subsequent revolutions.

G. Summary Findings: USAID and GOJ consider this project to be technically and economically sound. This project is an important element of the overall development of the resources of the Jordan Valley for the benefit of Jordanian farmers, particularly small farmers. This loan will enable the JVFA to provide expeditious and equitable seasonal production credit to its members and will facilitate the introduction of new technology to small farmers. No other lending institution offers this package approach. JVFA's credit program is to be an integral part of its effort to provide members with the technical guidance, farm supply and marketing services which are necessary if land, water and labor are to be used more efficiently and the multi million dollar Jordan Valley irrigation infrastructure investment are to pay off. Primary beneficiaries will be small owner-operators and tenant farmers in the Jordan Valley. It is largely because of AID's intervention in the development of this project that JVFA has focussed on the specific problems of the small farmers.

H. Recommendation: USAID recommends that a loan be authorized in an amount not to exceed U.S.$ 1.5 million.

I. Issues:

During the course of project development, USAID held frequent, in-depth and intense discussions with senior JVA/JVFA officials on project-related issues. A synopsis on each of the major issues identified is given hereunder and is followed by a statement on how the issue has been addressed. These issues are dealt with in more detail in Annex G.

USAID/Jordan Project Committee

Chairman - F. Qushair, Project Manager
Members - T. McMahon, Controller
F. Herder, Program Officer
C. Jenkins, Agr. Dev. Officer
J. Hyslop, Agr. Economist
T. Pearson, C.D. Officer

1. Beneficiary/equity: JVFA is aware of AID's concerns over the question of providing equity to the small farmer and assuring that his credit requirements are met, particularly in view of the fact that all Jordan Valley farmers, including tenants, are eligible for JVFA membership.

   This issue has been addressed by:

   (a) The lending procedures which will be applied by JVFA with minimum red-tape and which accept several forms of security, not necessarily land, as well as, (b) the disbursement procedures which USAID will employ. The lending and disbursement procedures will be the mechanisms which will insure that the small farmers will be treated equitably and be the prime beneficiaries of the AID loan proceeds and subsequent rollover funds. The agreed upon loan eligibility criteria allows for 100 percent reimbursement of the loan volume (JD amount) for tenants, sharecroppers and owner-operators who farm 4.0 ha. or less. Loans for borrowers farming in excess of 4.0 ha. will be reimbursed on a decreasing scale depending on the portion of cumulative Dinar volume for loans to small farmers. JVFA projections indicate that 58 percent of the loan volume will be directed to the least advantaged farmers, while USAID reimbursement procedures will ensure that at least 60 percent of AID-source funds and rollovers therefrom will reach that category of borrower (See Section II. B. "Detailed Description").

2. Sub-Loan Interest Rate and Maintenance of Value (MOV) of Credit Funds: AID concern is that the seven percent (raised to eight percent for loans not paid on or ahead of schedule) interest rate will be grossly inadequate to sustain the purchasing power of credit funds when operating costs, losses and double digit inflation are considered. The low interest rate will not enable JVFA to generate deposit funds and utilize them profitably.

   GOJ fiscal policy and policies relating to the subsidization of development preclude a higher rate of interest. GOJ law does not permit charging in excess of nine percent interest by

institutional lenders including commercial banks. Further, interest on loans is directly tied-in with Islamic law and tradition, a highly pervasive force in Jordanian society. Also the loan agreements signed recently with the British and West Germans for agricultural credit have accepted the present interest rate structure. JVFA intends to maintain the purchasing power of the credit fund through the transfer of a portion of profits to be derived from its farm supply and agricultural produce marketing operations -- an approach somewhat similar to the current system being used by some Islamic banks. Mission does not believe this loan is vehicle to change interest rate structures in Jordan.

Present indications are that the double digit inflation which has plagued Jordan in recent years and reached a peak in 1976 began to moderate in 1978.

Prices of fertilizer and agricultural chemicals fluctuate wildly, with little correlation to inflation rates. It is these which will have the greatest impact on the value of JVFA's loanable funds in any year.

3. Rollover funds: AID concern is whether rollover funds will be subject to the same beneficiary criteria as established for the original sub-loans.

   Rollover funds generated from the collection of members' loans will be allocated in the same manner as the original AID loan funds, that is, at least 60% of the loan volume will be for borrowers who operate 4.0 hectares or less. This requirement will remain in force for one year following the final disbursement of the AID loan or through end of project on December 31, 1981.

4. Timing: AID has questioned JVFA ability to make loans based on farm plans sufficiently in advance of fall crop season for farmers to purchase inputs and whether marketing facilities will be firmly in place by harvest time.

   USAID believes that adequate analysis has been done to support implementing this project in FY 1978 and that denying the proposed loan, or delaying it to FY 1979, will seriously affect the ability of the Farmers' Association to get on with its job and will jeapordize timely implementation of the marketing centers being financed

by the British and Dutch. The marketing center at El Arda is expected to be completed by April, 1979. USAID also believes the AID loan to be extremely important to support the effort being made to get lands in production which are being redistributed in the recently completed irrigation projects and to provide mechanisms for AID to assist in organization to effectively provide credit to operators on these lands.

5. Institutional Aspects: USAID is concerned over the likelihood that JVFA Credit Department will be adequately staffed and supported to implement effectively an expanded supervised seasonal credit program for members by late 1979. Also, the question has been raised as to why it is necessary to establish a new organization to get credit needs when JCO and ACC facilities are available.

From its inception a credit dispensing role had been envisioned for JVFA to enable it to employ an integrated package approach whereby farm management guidance, production supply, credit and marketing services would be made available to Jordan Valley farmers which the existing lending institutions are not ready to supply. Pursuant to the law under which it was established, JVFA has been franchised to provide credit services to its members. This role has been reinforced by an advance from the GOJ of JD 236,000 (part of JD 500,000) approved in June, 1978 for JVFA to start its farm supply and credit operations.

On staffing, JVFA now has 19 employees and the number will increase to 28 by December, 1978. JVFA has agreed to a CP requiring it to recruit the personnel needed for implementing its credit program planned for 1978, and, based upon its lending activity, to increase the number of its staff in later years. Experienced staff of the ACC will be seconded to JVFA Credit Department to enable it become a viable Department. A highly experienced credit officer will be appointed to the position of Director of the Credit Department in July, 1978.

6. Resolution of Issues:
Following AID/W review several covenants and CPs were added or emphasized in the Project Agreement. During review the project was viewed and discussed in terms of it being a pilot Small Farmer Credit project. Technical assistance, through credit advisors, are currently assisting JVFA in establishing a viable program. The Project Agreement provides for reports on operation of the program for the purpose of assessing its success in reaching all small farmers and delivering an integrated package of small farmer services with appropriate, adequate JVFA management and operational staff.

II. PROJECT BACKGROUND AND DETAILED DESCRIPTION

A. BACKGROUND

Although Law No. 19, "THE JORDAN VALLEY FARMERS ASSOCIATION LAW" which provided for the establishment of the JVFA was enacted in 1974, the JVFA did not effectively come into being until Dr. Sami Sunna was appointed Director General in June, 1977. The interim period between 1974 and 1977 was occupied with conceptualization and planning activities. USAID contributed to this conceptualization when it provided the services of Dr. Job Savage from Agricultural Cooperative Development International as a consultant to the Jordan Valley Commission (predecessor to the JVA) for three months ending in December, 1976. Building on the recommendations generated by the Savage consultancy and a subsequent May, 1977 short term consultancy by Wallace J. Maddock, AID approved a $961,000 FY'77 project grant (Jordan Valley Farmers Association/ 278-0186) for the following purpose: "Assist Jordan Valley Farmers Association establish policies and procedures and develop viable systems of management/planning, farm management guidance and information, and credit." JVFA, with USAID concurrence, entered into a host country contract with the US firm of Fredericksen Kamine and Associate, Inc., on June 28, 1978, and the credit and farm management advisor are to arrive in Jordan during August, 1978. In the meantime, prior to the arrival of the long-term agricultural credit advisor, Dr. Maurice V. Sorenson, a short-term consultant assisted the JVFA with the formulation of credit policies and interim lending procedures which will enable the Credit Department to initiate limited seasonal lending activities in time for the important fall planting season beginning in August, 1978 (See Annex E).

The JVFA has identified a highly experienced credit officer who will be officially appointed to the position of Director of the Credit Department in July, 1978.

This project is consistent with and constitutes an integral part of USAID's country development strategy for Jordan which recognizes that tenant farmers in the Jordan Valley and farmers without controlled irrigation water are among the least well off in terms of services and incomes.

Capital projects underway and planned in the Valley are intended to expand the irrigation system, giving farmers in the project areas access to controlled and assured supplies of irrigation water. Concurrently with the expansion of the irrigation system, a land distribution program is creating a whole new class of small irrigated farms in the Valley.

The full exploitation of the capital investment being made will not be possible without increased use of improved technologies and without adequate credit for the purchase of off-farm inputs in which new technologies are embodied.

Farms in the Jordan Valley average 40 dunums (4.0 hectares). Those in the north and south average approximately 42 dunums, while farms in the middle region are smaller and average 34 dunums. About 60 percent of the farms are operated by tenants and sharecroppers under a variety of unwritten arrangements. Rental on crop shares accounts for about 95 percent of all tenant operated farms.

Incomes on irrigated farms in the Valley average about JD 500 per hectare. An owner-operated, 4 hectare farm will yield about JD 2000. A sharecropper will receive about one-half that amount under the typical 50-50 share rental arrangement.

The Valley's sharecroppers are tied to an informal system of credit, input supplies, and marketing in which a commission agent (who may be his landlord) performs all three functions. He has no access to an independent market news services and few alternative marketing outlets for his produce. The combination of credit and input supplies through the commission agent results in an effective interest rate of 20-25 percent.

In keeping with USAID's country development strategy, the Jordan Valley Farmers Association was concluded to be the key institutional entity through which USAID assistance to private farm development would be funneled. This credit project will augment the assistance initiated under (278-0186), Jordan Valley Farmers Association, and provide partial funding of the Association's important seasonal production loan initiative, complementing the package of farm management guidance, production supplies, and marketing services JVFA will be providing. USAID is contemplating the possibility of providing further technical assistance to the JVFA in a second project as a follow-on to the activities being funded under (278-0186)

For further details relating to the project background, refer to the following report prepared by Dr. Maurice V. Sorenson dated June, 1978: "A Review and Evaluation of the Jordan Valley Farmers' Association Agricultural Credit Plan." (Contract No. AID/NE-C-1512)

B. Detailed Description

Under this project, approximately JD 1,120 thousand (of which AID loan is JD 465 thousand or $1.5 million) will be made available to establish a revolving seasonal credit program by JVFA's Credit Department.

The AID funds, to be disbursed over a 28 month period in fiscal years 1978, 1979 and 1980, will be additive to the JD 79,000 from donated fertilizer now available for lending in-kind and the JD 576 thousand to be advanced by the Government of Jordan over the next four years. (See the Cash Flow Statement shown in Section III, B, Financial Analysis.)

The beneficiaries of this program will be creditworthy farmer-members of the Association. Currently, JVFA has 3,655 members, and this number is expected to increase to approximately 6,000 as JVFA growth and Jordan Valley development proceed. Loans will be based on farm plans which demonstrate a potential for increased production and income in addition to character and financial status.

Extension agents of the Ministry of Agriculture, who will be secretaries to the 33 Development Area Councils (DAC), will play important roles in the lending process. They will assist farmers with the preparation of farm plans and the completion of loan applications. The extension agent, in his capacity as secretary of the DAC, submits applications with DAC recommendations to the Credit Department. The Director of the Credit Department has authority to approve loans not exceeding JD 500. Loans ranging in size between JD 501 and JD 2000 will be acted upon by a Central Credit Committee composed of JVFA department heads. In the event that applications for larger loans are received, the Central Credit Committee will make recommendations, and approval authority will rest with the Director General or the Board of Directors depending on the sum involved.

JVFA estimates that the average seasonal loan will be JD 800 in the first year of lending, and this will grow to JD 1,500 in the fourth year (See Annexes D and E). It is projected that the major share of lending activity -- 80 percent of loans granted and 58 percent of amounts lent -- will go to owner-operators, tenants and sharecroppers of farms no larger than 40 dunums. (Annex E).

In the course of negotiations JVFA has agreed to a procedure by which the bulk of AID-supplied funds, and the rollovers therefrom, will also be directed to the small borrower category. Following the satisfaction of all conditions precedent, the JVA may draw on the AID loan and transmit funds to the JVFA in tranches the amounts of which will be determined as follows:

The first tranche to be disbursed will be in an amount which will provide for the reimbursement of eligible loans granted by the JVFA during the interim period between August 1, 1978 and the date of the reimbursement request. In addition, the first tranche will include an advance in an amount estimated to be the volume of eligible loans to be made during the remainder of the calendar year quarter and the estimated eligible loan volume for the next calendar year quarter. Thereafter, quarterly disbursements will be based on the estimated amount of eligible loans expected to be made in the following quarter (determined in accordance with the instructions which follows). The amount of the advance thus determined will be decreased (increased) by the amount that the previous advance exceeds (is exceeded by) the volume of eligible loans made during the quarter to which the previous advance applied.

At the end of each calendar year quarter (December 31, March 31, June 30 and September 30) the JVFA shall prepare a Quarterly Loan Activity Report and Reimbursement Request containing, in a tabular form, information for each new loan made during the quarter. The following is a specimen form indicating the information required.

Quarterly Loan Activity and Reimbursement Request - Quarter Ended _____.

Loan No.	Borrower Status (Check one)				Farm Size (Dunums)		Loan Amount Disbursed by JVFA. (J.D.'s)	
	Tenant	Share-Cropper	Owner-Operator	Combination	40 du. or less	40 du. & more	40 du. or less	40 du. & more
TOTALS								

	Jordan Dinar Loan Disbursements.	
	Farms 40 dunums or less. Col (1).	Farms 40 dunums or more. Col (2).
Total This Quarter		
Cumulative Previous Quarters		
Cumulative To-Date		
Percentage of Cumulative To-Date (Col 1 +(Col 1 + Col 2) =		

Estimated Volume of New Loan Activity for Next Quarter _____ JD

CERTIFIED CORRECT _____ DATE _____

TITLE Director, Credit Department, JVFA.

USAID will reimburse JVFA (first tranche only) for the principal sums of eligible loans itemized in the criteria contained in the following table:

PORTION OF CUMULATIVE LOAN VOLUME TO BORROWERS OPERATING 40 DUNUMS OR LESS	REIMBURSEMENT PORTION FOR LOANS TO BORROWERS OPERATING 40 DUNUMS AND LESS.		PORTION OF INDIVIDUAL LOAN VOLUMES ITEMIZED IN REIMBURSEMENT REQUEST FOR FARMS LARGER THAN 40 DU.
PERCENT	PERCENT	PLUS	PERCENT
More than 60	100	+	100
More than 50, Equal or less than 60	100	+	75
More than 40, Equal or less than 50	100	+	50
More than 30, Equal or less than 40	100	+	25
Equal or less than 30	100	+	0

Each subsequent tranche (advance) will be adjusted by an amount equal to the difference between the amount of the previous advance and the volume of loans eligible for reimbursement, according to the above criteria, during the quarter to which the previous advance applies.

Examples: (1) As long as at least 60 percent of the cumulative loan volume (JD amount) is to borrowers who operate 40 dunums and less, all loans will be eligible for reimbursement even though individual borrower may operate more than 40 dunums; (2) if 45 percent of the cumulative loan volume is to farmers who operate 40 dunums and less, the reimbursement eligibility will be 100 percent of the volume of loans to borrower operating 40 dunums and less plus 50 percent of the volume of loans to farmers who operate more than 40 dunums.

Note: Although loan volume percentages are to be computed on a cumulative life of project basis, reimbursement will be for the individual quarterly reimbursement request and will not be retroactive in the event that the reimbursement category (Col. 1) changes.

Credit extended from rollovers of the reimbursements will be subject to the same criteria. It has been agreed that these criteria on rollovers will remain in force for at least one year following the final disbursement of the AID loan or through December 31, 1981.
Farmers loan repayments will be tied to the timing of the sale of the crop(s) financed. Following the implementation of JVFA marketing services, it is anticipated that the bulk of repayments will be collected through the withholding of crop sales proceeds at the time of sale. In the interim period borrowers will make their loan payments directly to the Credit Department. Most crop loans will be scheduled for repayment within a nine month period from the date of the loan or the beginning of the planting season.

The borrower will be charged seven percent interest. However, if he fails to repay the loan at or before its maturity date he will be made to pay one percent in addition.

Through its combination of credit, farm management services, farm supplies, and produce marketing, JVFA will be providing an innovative, integrated package of services which no other agency, formal or informal, is now offering. In USAID's view this package best ensures the full exploitation of the irrigation capital now being installed in the Valley.

C. Other Donor Involvement

The JD 79,000 of initial capital for the JVFA Credit Department has been derived from the sale of 500 tons of Food and Agriculture Organization source fertilizer made available under the "International Fertilizer Program". Although no special funds are being sought from other donors for the Credit Department, other donors, are involved in supporting a variety of related JVFA development activities which complement this project. The Government of the Netherlands has granted $2.1 million to assist in financing the construction of a wholesale marketing, grading and packing center at El Arda in the middle of the Jordan Valley. The JD 962,000 ($2.9 million) construction contract for this facility, which is expected to be the largest of four planned by JVFA and JVA, was awarded in August, 1977, and completion is scheduled for the spring of 1979. This wholesale market will include sheds for the aggregation and sale of agricultural produce, an auction hall, a packing and grading house and supporting facilities. A Dutch marketing expert is expected to provide assistance beginning in late 1978. The Dutch have also expressed an intention to contribute $600,000 toward the establishment of a box making factory which would make 6,000,000 wooden boxes per year primarily for export market use. The feasibility study was completed in 1977.

The Federal Republic of Germany allocated funds in connection with their financing of Hisban-Kafrein Irrigation Project to assist in building a grading and packing station at south Shuneh. Construction specifications are being prepared. The Government of Denmark is considering the loan financing of a 1,000 tons cold storage facility for the JVFA at El Arda.

The British Government has financed a feasibility study to evaluate Jordan Valley produce production and marketing possibilities. Technical assistance and training needs for marketing were evaluated. The study also identified the need for the establishment of grading and packing centers at Wadi El-Yabis and or North Shuna. The British expect to provide technical and capital assistance in marketing in the near future.

III. PROJECT ANALYSES

A. Technical Analysis

The project is directed to the Jordan Valley farmers (i.e. small owner-operators, tenants and sharecroppers) who are not now able, and/or are unlikely to be able, to adopt income increasing intensive irrigated cropping programs because they lack the cash and/or credit needed to purchase the requisite inputs such as fertilizers, seeds and production supplies.

Current research studies and demonstrations support the premise that, with improve practices and increased production supplies, Jordan Valley farmers have potential for fully exploiting investments in irrigation works and thereby increasing their average per capita incomes from approximately JD 200 to JD 600.

With the assistance of this AID loan, JVFA will be providing another element of an innovative, integrated package of credit, farm supplies, farm management assistance and produce marketing. This package is not now being provided by any other agency, formal or informal, in Jordan. It will enable small farmers in the Valley to adopt intensive production technology and gain the financial rewards that are possible with increased water availability.

The tie-in with JVFA's marketing operations is particularly important in increasing the access of tenants and sharecroppers, without land to pledge as collateral, to seasonal credit funds. The marketing operation will provide an automatic loan repayment facility through collections from the proceeds of produce sales.

Greater risks are often associated with the adoption of higher input cost production technology. Weed and disease problems and commodity price fluctuations may place the farmer in a loss position or reduce the income level to the point at which it becomes impossible to repay on schedule. This risk cannot be eliminated, but it can be reduced with the effective implementation of the package approach.

USAID believes JVFA membership restrictions will not constrain provision of credit tolarge majority of low income farmers. Majority of farmers are sharecroppers and are eligible for one year, renewable membership in JVFA with an agreement covering only one crop season with landowner. Three-year lease restriction applies only to cash renters who constitute estimated 1 or 2 percent of farmers. Thus, we see no problem on this aspect of issue. Currently 15 dunum restriction is written into law in the interest of preventing fragmentation of land into non-economic sized units. Current estimates (by USAID/J and GOJ) are that between 15 and 30 dunums, depending upon crops produced and cropping intensity, is minimum economically viable unit. USAID/J view is that while we must assist small farmers, we cannot encourage, nor should we encourage, unit sizes which will not provide income competitive with alternative employment opportunities. In rapidly changing Jordan with its labor shortages it is not clear that farms below 15 to 30 dunums will survive (with or without credit). Page 57 of PP provides data on return per dunum supporting this view. Moreover number of 15 dunum farms is small and presently outside irrigated project area.

B. Financial Analysis and Plan

The project cost is $1.5 million which would all be local cost reimbursement of JVFA sub-loans to its farmer members. Upon satisfaction of the conditions precedent, disbursal of the AID loan would be made in tranches over a 28 month period, as explained in the Detailed Project Description (Section II. B, above). Farm production inputs to be financed under the sub-loans to farmers are expected to be available through regular commercial and GOJ import channels.

To assist JVFA, GOJ will contribute the services of extension personnel in each of the 33 Development Areas. An agreement on the assignment of these extension agents has been executed between JVFA and MOA. Also, JVFA has obtained a JD 236,000 non-interest advance from the Government of Jordan. This advance will enable JVFA (through its Supply Department) to procure fertilizers and other production inputs for cash and credit sale to members.

Pro-forma cash flow and income statements and a balance sheet for the Credit Department were prepared by JVFA personnel during the course of project analysis. These statements are presented in Annex E. Summaries showing major items are given in tables 1-3 below.

Items of note from these tables are:

1. Lending Activity and Collections

The Credit Department's loan portfolio grows from JD 400 thousand in 1978 to JD 1,120 thousand by the end of 1981 (Table 3). Collections in each year are shown to be 90 percent of the volume of lending in the previous year due to the non-cumulative 10 percent delinquency rate projected (Table 1).

2. Source of Loanable Funds

Due to the conservative assumption made concerning the pace of relending from collections, the growth in the loan portfolio is supported entirely by outside capital -- the AID loan of $1.5 million (JD 465 thousand) and advances from the GOJ which total JD 576 thousand by the end of 1981 (Table 3). Evidence of the availability of these funds from the GOJ will be a condition precedent to disbursement of the AID Loan.

Table 1.

JVFA Credit Department. Summary pro-forma cash flow statement, 1978 - 1981.

	CY 1978 (3 Mo.)	CY 1979	CY 1980	CY 1981
	---------- J.D.'s ----------			
INFLOWS				
Cash and bank balance	79,000	15,930	33,010	55,235
Central Bank advances	200,000	-	106,000	270,000
AID loan	121,000	200,000	144,000	-
Principal collections (Cash)	-	360,000	540,000	765,000
Interest collections	21,000	31,500	44,625	58,800
Other	6,600	11,400	10,020	13,100
Total INFLOWS	427,600	8,830	877,655	1,164,135
OUTFLOWS				
Interest payments	-	2,420	6,420	9,300
New loans granted	400,000	560,000	790,000	1,035,000
Other (including cash expenses from Income Statement)	11,670	25,600	26,000	32,320
Total OUTFLOWS	411,670	585,820	822,420	1,076,620
CASH BALANCE (fwd)	15,930	33,010	55,235	85,515

TABLE 2.

JVFA Credit Department. Summary pro-forma income statement, 1978 - 1981.

	CY 1978 (3 Mo.)	CY 1979	CY 1980	CY 1981
	J.D.'s			
REVENUES				
Interest collected on loans	7,000	31,500	44,625	58,800
Other revenues	600	6,900	9,520	12,600
Total REVENUES	7,600	38,400	54,145	71,400
EXPENSES				
Personnel costs	3,750	16,900	20,150	25,160
Interest expense	605	2,420	6,420	9,300
Other expenses	2,220	5,775	7,000	8,410
Total EXPENSES	6,575	25,095	39,570	42,870
BALANCE	1,025	13,305	14,575	28,530

Table 3.

JVFA Credit Department. Summary pro-forma balance sheet, 1978 - 1981.

	END OF YEAR			
	CY 1978 (3 Mo.)	CY 1979	CY 1980	CY 1981
	J.D.'s			
ASSETS				
Cash and bank balance	15,930	33,010	55,235	85,515
Loan portfolio	400,000	600,000	850,000	1,120,000
Fixed Assets	5,700	8,625	7,475	6,225
Total ASSETS	421,630	641,635	912,710	1,211,740
LIABILITIES & SURPLUS				
AID loan	121,000	321,000	465,000	465,000
Central Bank advances	200,000	200,000	306,000	576,000
JVFA's capital contribution	6,000	10,500	11,000	11,500
Surplus and reserves	94,630	110,135	130,710	139,240
Total LIABILITIES & SURPLUS	421,630	641,635	912,710	1,211,740

3. Profitability and Liquidity

JVFA's Credit Department earns a modest excess of revenues over expenses in each of the years shown, growing from JD 1,025 in the last three months of 1978 to JD 17,250 in 1981 (Table 2). It has a sizeable positive cash flow in each year. (Table 1).

Given the conservative assumption about the pace of relending from collections, the Credit Department's income and cash positions are probably understated somewhat. With the continued backing of the GOJ as is commonly provided public lending institutions, there seems to be reasonable assurance of the Department's financial viability.

C. Social Soundness Analysis

In assessing the social soundness of the proposed project, three fundamental issues must be addressed: (1) is the project compatible with the sociocultural environment of the Jordan Valley? (2) will the credit program being introduced into the Valley be likely to be diffused among other groups within Jordan? and (3) what will be the distribution of benefits and burdens among identifiable groups within the Jordan Valley and within Jordan?

1. Sociocultural Feasibility

The Jordan Valley is an exceptionally well-defined and differentiated sociocultural region. With a few relatively minor exceptions, the population of the Valley may be divided into two broadly homogeneous groups: (1) members of formerly nomadic tribes who gained legal title to the land in the Valley during the British Mandate; and (2) individuals organized along family lines who migrated to the Valley after 1948. Both groups are predominantly Muslims. The first group constitutes mainly landowners, while the second group includes both farmers (tenants and landowners) and commercially active individuals.

The indigenous population of the Valley, which is estimated currently at about 90,000, largely resides in a series of small towns and villages running north-south along the Valley, paralleling the Jordan River and the major north-south road. These towns and villages range in size from a few hundred to over 10,000 in population.

The basic administrative unit in the Valley is the village or town and its elected council and mayor. Villages tend to be organized around kin groups, and social control and politics in the village environment traditionally grew out of the interactions of these groups at the hamula (macro or clan), lazum (intermediate or group), and family (micro) levels.

Villages ordinarily lack nonfamilial institutions strong enough to compete with kin groups for loyalty. As a consequence, loyalty and identity tend to center on a single focus, as does local leadership. Village organization and values, like those of the tribes, emphasize the essential equality of fellow villagers. Traditional stratification distinguished the respected elderly from the subservient young, the admired pious from the mass of

humanity, and elevated the senior kinsman whose wisdom and judgment had stood the test of trial. Economic differences, although present, carried less weight in providing social status.

In the Jordan Valley of today, however, social change has already begun to strain the traditional village structure. The intrusion of in-migrants unrelated to the village families has forced an accomodation to nontraditional customs and values. The expansion and modernization of irrigated agriculture has increasingly raised the importance of economic stratification. The development efforts of the JVA, in particular the land reform and village development projects, are changing the way in which people live and the basis of social identity. In short, the forces of modernization have made serious in-roads already on traditional values, and the projects now being implemented in the Valley will accelerate social change. Nevertheless, the social structure of the Valley remains essentially tribal in form, and kin relations still dominate social control and local policies.

Given the sociocultural setting of the Jordan Valley, the formal structure of the JVFA appears socially sound. The JVFA is organized into 33 development areas, with the members (defined to include all individuals with decision-making authority over agricultural production) in each area electing their own local council. Representatives on the local councils, in turn, elect ten of the fifteen member Board of Directors of the Association. The remaining five members are appointed to represent GOJ interests.

Thus, the JVFA at the local development area level would be expected to be governed along the same lines, and reflect the same social control forces, as exist at the village level. The primary disadvantage of this form of organization is that the socially influential individuals at the community level generally represent the local elites, and are usually, but not always, relatively large landowners. It is unlikely, at least initially, that individuals elected to the local councils will include tenant farmers.

However, the existence of the five prominent public representatives on the JVFA Board should serve to offset, at least in part, the initial dominance of the JVFA by local elites and provide a national perspective. In addition, as the JVFA matures, and as its

activities and services become recognized and accepted, it is likely that participatory politics will become more important in the election of the local council members, and subsequently in the election of JVFA Board members.

The key to obtaining wide participation in the JVFA at the local level will be the success of this new institution in providing an integrated set of services supporting the development and expansion of irrigated agriculture in the Valley. Participation will widen only if the JVFA can demonstrate that it is capable of providing these services.

As stressed elesewhere in this paper, the proposed credit program of the JVFA is an essential element of its overall strategy. The availability of credit is fundamental in breaking the dependence of the farmer, particularly, the small farmer, on the commission agents and large landowners for provision of inputs and marketing of output. Available evidence strongly suggests that the existing public institutions providing credit in the Jordan Valley, in particular the ACC and the member institutions of the JCO, are not meeting the needs of small farmers for seasonal production credit. The only alternative to these farmers is to rely on informal sources of credit.

Access to credit through informal, rather than formal supervised, channels not only increases the cost of credit to excessive levels, but also serves as an obstacle to the modernization of irrigated agriculture in the Valley. As a consequence, unless some means of addressing the credit needs of small farmers is developed, it is likely that the new technologies will be adopted mainly by larger farmers, whose several advantages include greater access to credit.

Dependence of small farmers on informal sources of credit has important social, as well as economic, consequences. It is unlikely that the small farmer in the Valley can be included in the process of social and economic development, unless he can participate in its benefits. Participation in the benefits of development requires an ability to modernize production techniques. Access to credit is an essential prerequisite to the adoption of new techniques, and consequently to the increasing of output and income levels. The inequalities existing in both income and social status in the Valley will be exacerbated unless the small farmer is included in the development process.

2. Diffusion of Innovation

It must be recognized that the innovative aspect of the JVFA credit program is not the extension of credit per se, for Jordan has a relatively long history of credit extension to farmers by specialized credit agencies. Rather, the innovative features of the JVFA credit program are that: (1) it proposes to make supervised loans to tenants on the basis of crop collateral, rather than requiring other forms of collateral or co-signers; and (2) the credit program is a fundamental part of a larger set of agricultural support services to be provided on an integrated and comprehensive basis and administered, in large part, at the local level. **To assure attainment of this objective a Project Agreement CP requires JVFA to present a plan, satisfactory to A.I.D., under which JVFA will provide an integrated package of services to small farmers.**

If the program succeeds in implementing these two features, it will be breaking new ground. The existing formal sources of agricultural credit exclude most small farmers through insistence on types of collateral which small farmers have difficulty in providing. Furthermore, the credit programs tend to operate in isolation from the other elements in the package of inputs and services required for modernization of production.

Successful implementation of the JVFA credit program should result in strengthening involvement of farmers in the Association and in the development of a participatory system of social organization at the community level. As this system evolves, the locus of social control should gradually shift away from traditional kinship ties towards a broader basis of participation tied to other values, including acceptance of innovation, desire for material betterment, and leadership based on personal attributes.

If a participatory form of social control can be developed for agriculture in the Jordan Valley, it can serve as a model for other areas of the country and other types of endeavor. Indeed, the development of experience with participatory politics could make a significant contribution to achieving the broader social and economic development goals of the Kingdom.

3. Benefit Incidence

The target beneficiaries of the proposed JVFA credit program include all farmers in the Jordan Valley. However, it is recognized by the JVFA that the need for credit exists primarily

at the level of the small farmer, and, in particular, the tenant farmer. Today, these farmers can obtain credit only from informal sources which serve to link the farmer into a system of obtaining inputs and selling output that is not conducive to increasing the productivity of irrigated agriculture in the Jordan Valley.

The JVFA has agreed to channel a substantial number and amount of its loans to tenant farmers and to farmers owning less than 40 dunums (the approximate average size of farm holdings in the Jordan Valley). Thus, more than half the funds provided by the proposed project will go to farmers who have difficulty qualifying for credit from existing public institutions.

As might be expected with a new institution, in its initial years of operation, the JVFA credit program will provide only a portion of the short-term or seasonal credit needs of Valley farmers. It is to be expected that existing organizations, e.g. the JCO and the ACC, will continue to provide credit to Valley farmers, and that private sources of credit, e.g. commission agents, landowners, and relatives or friends, will continue to be available to meet some credit needs. However, the increased availability of credit due to the operations of the JVFA, and its targeting toward the needs of small farmers, should serve to exert a downward pressure on the interest rates charged by these private sources of credit. The small farmer and tenant will for the first time have a publicly supervised option for obtaining production credit on the basis of crop collateral.

The JVFA credit program not only increases the access of small farmers in the Valley to credit at reasonable cost, but it also links directly to an integrated set of agricultural support services which should serve to increase farm incomes. Intensified irrigated agriculture in the Jordan Valley requires much more planning and physical inputs than have existed in the past. The entree to encouraging the farmer to adopt modern farm plans and physical inputs is the possibility of obtaining credit. In addition, the comprehensive marketing program of the JVFA, which is essential for increasing farm income and reducing produce prices, provides the basis of security for the JVFA to make loans to small farmers and tenants on the basis of crop collateral. Without its credit program, the JVFA would have difficulty in motivating the farmer to participate in its other activities and services.

Of course, if the JVFA achieves its expressed aims, the economic position of the large landowner and commission agent will decline. These individuals are not unaware of the potential impact of the

program, and not surprisingly they have reacted by participating in the initial formation of the JVFA. Thus, these individuals are broadly represented on the initially elected local councils and Association Board. If the JVFA is to achieve its objectives, it will be necessary for the five public representatives on the Association Board to offset the influence of these local elites, and for participation at the local level to be broadened to include small farmers and tenants. This task will be easier, once the JVFA is in a position to demonstrate its capacity to carry out its service function.

Some concern has been expressed that the JVFA will replace the local cooperatives which have been expanding in the Valley. There is nothing in the JVFA structure which would preclude the continued existence of local cooperatives in the Valley. However, if the JVFA replaces the JCO as the parent organization for the local cooperatives in the Valley, the operations of the JCO may be threatened, since the institution receives much of its revenue from the fees it collects from local cooperatives in the Valley. This problem needs to be addressed, and it is one which can best be addressed by the GOJ. A committee has been appointed to work out a solution.

Clearly the viability of the local cooperatives in the Valley in providing agricultural services, i.e. supply of inputs and credit, depend on the relative attractiveness of these institutions vis-a-vis the JVFA. It should be stressed, however, that the local cooperatives in the Valley are not felt to be development oriented, and as presently structured do not provide the full range of support services proposed for the JVFA. The recent growth of the local cooperatives in the Valley has shown, however, that farmers will respond to institutions which offer wider access to services.

Indirectly, all farmers in the Jordan Valley will benefit from the attainment of the objectives of the JVFA. In particular, the improvement of marketing facilities including the introduction of standardization and grading of produce, will increase farm incomes. In addition, consumers should benefit from the increased level of production and more efficient management of the farm enterprise, as well as from the improvement in marketing methods and facilities.

4. Conclusion

It would be a mistake to view the proposed program of credit provision of the JVFA in isolation and in terms of its immediate benefits only. The program, in and of itself, is relatively small in relation to total credit needs, and addresses only one of the major obstacles to improving agricultural productivity, income, and living standards in the Jordan Valley.

The motivation behind the JVFA is socially sound. If it is given the financial resources and technical assistance required to achieve its objectives, it should lead not only to an improvement in agricultural productivity, incomes, and living standards, but also to a broader basis of participation by the small farmer in the development process. This will be an evolutionary development, however, and it can not commence until the JVFA has the capacity to provide basic support services. With provision of services should come broader participation by small farmers and tenants in the Association. Participation, in turn, should result in a more equitable distribution of income and an improvement in living standards for all farmers in the Jordan Valley.

For further details relating to beneficiaries and the social soundness analysis, refer to the following report prepared by Dr. Jared E. Hazelton dated June 10, 1978: "Social Soundness Analysis of the Jordan Valley Farmers Association Credit Program." (Contract no. AID/NE-C-1512)

D. Economic Analysis

This credit project is a means to an end and not an end in itself. The credit project payoff must be derived through the increased farm productivity which will be made possible when the operators of small irrigated Jordan Valley farms obtain incremental seasonal crop production inputs, thus enabling them to increase the intensity of production per unit of land, water and labor. Increased yields and improved quality are attainable under surface irrigation and the new sprinkler systems which are to be installed on 9,310 ha. of land under AID Loan 278-K-018. In addition, innovative farmers are using drip irrigation and/or plastic tunnels and green houses. Indications point to a rapid spread of these technologies in the future. With access to improved production technology, required production inputs (via cash purchase and/or dependable credit), and more adequate marketing services (for both foreign and domestic markets) Jordan will accrue positive economic benefits.

For irrigation projects, both planned or operational in the Jordan Valley benefit-cost analyses indicate rates of return ranging from 13 percent (Zarqa Triangle Project) to 17 percent (for the Maqarin Dam-prefeasibility study). The East Ghor Canal Extension Project had a 2:1 benefit-cost ratio at six percent. The January, 1978 feasibility study for the Jordan Valley Irrigation Project Stage II. (Harza Overseas Engineering Co. in association with Al-Handasah Consultants), showed benefit-cost ratio of 2.5:1 for lands being converted to improved irrigation technology and 1.2:1 for new lands with an overall 1.5:1 for the irrigation increment of the project (10 percent). This study showed an indicated 14.0 percent Internal Rate of Return (IRR) for the irrigation increment with a breakdown indicating a probable 25.0 percent IRR for the conversion land area and 11.3 percent for the new land area. In summary, the irrigation infrastructure projects which provide the foundation for the proposed small farmer seasonal lending program are deemed to be economically feasible and provide a firm foundation for the lending program.

At the micro level, farm budget analysis (Annex D) shows significant increases in family income from the adoption of modern irrigation methods and from the increased use of purchased inputs financed by seasonal credit.

This budget was based on that prepared for the feasibility study of Stage II irrigation development in the Jordan Valley*. The family income level shown there is somewhat greater than that estimated by USAID due, primarily to higher crop yields than the averages officially reported for land irrigated from the Main Canal.

For the share-cropper, family income almost triples, from JD 924 in year 1 to JD 2,728 in year 4. This increase results from greater yields, greater use of purchased inputs financed by seasonal credit, and an interest rate on loans from JVFA which is lower than that charged by informal lenders.

The owner-operator's income increases more than 2.5 times, from JD 1,925 in year 1, to JD 5,233 in year 4, due to higher yields and greater use of purchased inputs financed by seasonal credit.

E. Repayment Prospects

Jordan suffers from a chronic balance of trade deficit, with exports of goods offsetting only about 25 percent of commodity imports. Between 1973 and 1976 its basic balance averaged a surplus of $68.8 million, due to grant aid and concessional loans from abroad and rising remittances from Jordanians working abroad. Preliminary estimates for 1977, show a basic balance of $ 176 million, second only to the $197.4 million achieved in 1975.

From 1972 to 1976 the debt service ratio varied from 16 percent in 1973 to five percent in 1975. The 1976 ratio was six percent.

In a recent study, the National Planning Council projected debt service over the 1976-85 period. Merchandise exports and non-factor services were projected to grow by 20 percent from 1976 to 1981 and by 25 percent between 1982 and 1985. The study projected debt service payments as a percentage of exports and non-factor services to peak at 13.8 percent in 1979, declining gradually thereafter.

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* Harza Overseas Engineering Co. Jordan Valley Irrigation Project, Stage II. Appendix G. "Agricultural Development."

In USAID's view this loan will have insignificant impact on Jordan's debt service ratio due to its small size ($1.5 million) and the terms proposed (40 years including a 10 year grace period. Interest at two percent during the grace period and three percent thereafter.)

IV. IMPLEMENTATION ARRANGEMENTS

A. Administrative Arrangements

1. Jordan Valley Authority (JVA).

The JVA, as the borrower, will execute an agreement with the JVFA setting forth the procedures, terms and conditions under which the AID loan will be relent to JVFA. The execution of this agreement will be simultaneous with the signing of the Loan Agreement.

2. JVFA Organization and Management.

The JVFA has been established as the key institutional entity through which Jordan Valley farmers (owner-operators, tenants and sharecroppers) with GOJ collaboration and assistance are, or will be provided with farm management guidance and production supply, credit and marketing services. There are approximately 3,600 farmer members of the Association. Member control is a key principle on which the Association was founded and the formulation of policy is exercised through the farmer members of 33 Development Area Councils. These Councils sitting together as the JVFA General Assembly elect the ten farmer members of the fifteen member Board of Directors. The five remaining Board members are designated by those GOJ agencies most directly concerned with agricultural development in the Jordan Valley. The agencies represented on the Board are the JVA, MOA, ACC, JCO and AMO.

Staffing of the JVFA was initiated in June, 1977, when Dr. Sami Sunna' assumed the position of Director General. Dr. Sunna' concurrently retains his position as Deputy Director General of the ACC with which he has had a long and successful managerial role. The key positions of Deputy Director General, Marketing Director, Farm Management Director, Supply Director have been filled with highly trained and experienced personnel. An individual has been identified and will be officially appointed in July to head the Credit Department. With this core executive staff in place, the JVFA has 19 employees and the number is expected to increase to 28 by the end of CY 1978. USAID is confident that the JVFA has the leadership and staff capability required to carry out its growth objectives and that it will be able to provide needed services for its members. During the

summer of 1978, JVFA's executives will be augmented by the services of a U.S. advisory team provided under a host country contract funded under (278-0186). The long-term personnel being made available under that contract include a General Management Advisor (24 p.m), a Farm Management/Ag. Credit Advisor Planning Advisor (21 p.m). The services of this team will be supplemented as necessary with up to nineteen months of short-term consultant services. Two person years of short-term participant training have scheduled for Association personnel.

3. Credit Related Functions

The JVFA Credit Department is the implementing arm of the JVFA which makes, services and collects seasonal production loans to members. It will carry out its activities in close coordination with the Farm Management, Farm Supply and Marketing Departments. The Farm Management Department will assist Ministry of Agriculture extension agents and Credit Department personnel with the farm management planning and guidance to farmer members which will be vital pre-requisites on which JVFA loans will be based.

The Farm Management Department will collect and evaluate farm data on an ongoing basis in order to strengthen the information resource base on which farm planning assistance and guidance will be founded. The Department will also estimate members' farm machinery requirements and may provide specialized equipment services such as crop spraying when requirements exceed the capabilities of small farmers and adequate services are not available from other sources.

The Farm Supply Department will engage in the acquisition of farm production supplies such as fertilizers and seeds. These supplies will be available for cash purchase or by credit in which case chits will be issued by the Credit Department.

The Marketing Department will provide facilities for the aggregation of members crops and the sale of crops via auction or otherarrangements designed to increase the returns to members for their produce. The Department is expected to play an important role in collecting loans to members made by the Credit Department through the withholding of crop sales proceeds. This collection service to be rendered by the Marketing Department is viewed as an important device facilitating loans to

members without the impediment of stringent land security requirements which could effectively preclude sharecroppers, tenants and many small farmers from access to seasonal production loans from the Credit Department.

The Credit Department will be organized as a separate entity within the JVFA. It will maintain separate accounts and its own bank account. Its balance sheets will be separate but will be combined into a consolidated balance sheet for the JVFA. The Director of the Credit Department is responsible to the JVFA Director General.

To assure full staffing of JVFA's operational and program management functions, CPs have been included in the project agreement. To insure that the JVFA goal of providing a package of integrated services to the small farmer is achieved, a CP requiring A.I.D. review of the JVFA plan has also been included in project agreement.

B. Implementation Plan

1. Schedule

Date	Action	Action Agency
07/12/78	PP submitted to AID/W	USAID
07/15/78	Appointment of Credit Dept. Director	JVFA
08/01/78	Limited pilot lending activity initiated with JVFA's own fund.	JVFA
08/11/78	PP approved	AID/W
08/15/78	Agreement between JVA & JVFA executed	JVA, JVFA
08/31/78	Loan authorized and Agreement signed	GOJ, USAID
09/15/78	Arrival of L/T Agricultural Credit Advisor (278-0186)	JVFA, USIAD & AID/W.
09/15/78	Arrival of L/T Farm Management Advisor (278-0186)	JVFA, USAID & AID/W.
10/1/78	Preliminary Credit Dept. staffing completed.	JVFA/ACC
10/15/78	Planning for expanded credit and farm management operations completed.	JVFA
11/01/78	Credit procedures manual and forms completed.	JVFA
11/15/78	Conditions Precedent met.	JVA/JVFA
11/15/78	Preliminary orientation/training of MOA extension agents and Credit Dept. personnel completed.	JVFA/MOA
12/01/78	First tranche of AID loan disbursed	USAID, AID/W
12/01/78	Lending to farmer members accelerated	JVFA
08/01/79	Plans for new crop season lending completed.	JVFA
12/31/79	Project evaluation in conjunction with (278-0186) evaluation.	JVFA, JVA & USAID.
12/31/80	Final disbursement of AID funds.	USAID
12/31/81	Completion of project.	JVA, JVFA & USAID
12/31/81	Final project evaluation	JVA, JVFA, USAID & AID/W.

C. Evaluation Plan

This project is closely linked to project 278-0186, Jordan Valley Farmers Association, and it is important that the two be evaluated together. The Mission Evaluation Plan submitted with the FY 1980 ABS calls for submission of evaluation reports in November, 1979 (278-0186) and December, 1979 (278-0207). These dates lie approximately one year from the actual start of project activities. By this time all major activities of JVFA, including its important small farmer credit program, will be well into their implementation stages, thus facilitating analyses of the project's effects on the targeted small farmer beneficiaries.

The Implementation Letter to be issued by USAID will require that each evaluation of the project include: (a) Credit Department cash flow and income statements and balance sheet for the coming year and (b) an examination of the loan activity of the Credit Department and its performance. To be examined are the number of borrowers, loan volume, repayments and delinquencies by each size and tenure category of loan recipient. To the extent possible, the evaluation will attempt to measure the effects of the project on small farmers' productivity and incomes, although these will be confounded by other development activities in the Jordan Valley. Participating in the evaluation will be USAID, JVFA, and JVA, augmented by outside assistance from AID/W and/or consultants.

Informal evaluations, prior to those in late 1979, will examine the planning and organizational activities called for in JVFA project number 278-0186, and required in meeting the conditions precedent to this project.

The final evaluation of this project is planned to coincide with the December, 1980 final evaluation of the JVFA project, which is to be conducted by USAID, JVFA and JVA. In the event that AID extends the JVFA project or authorizes additional assistance under the proposed JVFA II project (278-0217), then additional evaluations will be done which will focus on, among other topics, the activities and performance of the Credit Department.

D. Conditions, Covenants, and Negotiating Status

NOTE: The following paragraphs represent the preliminary disposition of A.I.D.'s concerns and resolution of issues. Following AID/W review, issues noted on page 2, Summary and Recommendations, and Annex G, page 74 were discussed in detail and refined and expanded for inclusion in Project Agreement CPs and covenants. The final authorization, page 97 reflects the resolution of issues and preliminary negotiations with the GOJ.

1. Conditions Precedent

Prior to the first disbursement under the loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. An opinion of the Minister of Justice of the Hashemite Kingdom of Jordan that the Loan Agreement has been duly authorized or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms and that the person signing the Agreement on behalf of the Borrower has the authority to act as the representative of the Borrower in all matters pertaining to this Loan and Agreement, including the authority to designate additional representation by written notice.

b. A statement of the names of the persons holding or acting in the office of the Borrower, in this instance the JVA and a specimen signature of each.

c. Evidence that the Credit Department personnel specified for 1978 in Annex E are officially appointed and that, based upon anticipated lending activity, recruitment of additional staff is underway.

d. A manual which describes in detail the lending procedures to be employed in making, servicing and collecting loans to JVFA members in accordance with the eligibility criteria for the categories of sub-borrowers specified in the AID Loan Agreement.

e. An executed contract between the GOJ and a U.S. contractor for technical services as provided in the Grant Agreement (278-0186).

f. Evidence that the JVFA has established a bank account for this AID Loan and the Revolving Fund which is separate and distinct from other JVFA bank accounts and assurance that AID loan source funds and rollovers therefrom will not be commingled with other JVFA funds.

g. Evidence that the interest free advance of JD 576,000 will be made available to the JVFA by the GOJ for the life of the project.

2. Covenants

The AID Loan is aimed at small farmers (tenants, sharecroppers and owner-operators of 40 dunums or less) in the Jordan Valley; and in signing the Loan Agreement, the JVA covenants that the Jordan Valley Farmers Association will:

a. Readily make available the services of the JVFA Credit Department to creditworthy small farmers with these services being an integral part of a comprehensive package approach.

b. Plan and budget for the continuation and expansion of JVFA credit services to its members.

c. Use the rollover of AID source loan funds for the purposes specified in the Loan Agreement, i.e. direct seasonal production loans to members in accordance with the established loan eligibility criteria through December 31, 1981.

d. Cooperate with AID in an on-going monitoring and evaluation effort which will provide the basis for prompt adjustments, if such are deemed necessary by both parties, in lending policies and procedures in order to more adequately insure that tenants, sharecroppers, and owner-operators of farms of 40 dunums or less will be the real beneficiaries of the lending program supported by AID-source funds.

3. Negotiating Status

The National Planning Council, on behalf of the GOJ, has made a formal request to USAID (Annex J) for an AID Loan of $1.5 million for seasonal production loans to creditworthy farmer members of the JVFA. In the request the GOJ indicated that the majority of the beneficiaries from the AID Loan will be tenants, sharecroppers and owner-operators of small irrigated farms (4.0 ha. or less) in the Jordan Valley.

Since this project will finance a revolving fund to enable the JVFA Credit Department to provide seasonal production credit to its members and builds on, and is integral to, the activities of the Association negotiated in conjunction with grant project number (278-0186), Jordan Valley Farmers Association, the JVFA and JVA senior officials and mid-level personnel have been actively involved in project development.

Following extensive discussions, the JVA, JVFA and USAID have agreed upon the provisions to be incorporated in the Loan Agreement and which are contained in this PP. Particular emphasis was placed on the small farmer and his needs for credit and other services. The JVA will be prepared to sign the Agreement as soon as the project is approved and an agreement authorized. The Loan Agreement will provide for JVA to be the GOJ agent through which the loan funds will be funneled to the JVFA on the same terms as the AID loan (i.e.: 40 years including a 10 year grace period, two percent interest during the grace period and three percent thereafter.)

4. Loan Disbursement Procedures

Following the satisfaction of all conditions precedent, the JVA may draw on the AID loan and transmit funds to the JVFA in tranches, the amounts of which will be determined by the procedure outlined in the Detailed Project Description (Section II, B.)

THRESHOLD DECISION BASED ON INITIAL ENVIRONMENTAL EXAMINATION

Project Location: Jordan Valley

Project Title: Credit for Jordan Valley Farmers Association (JVFA)

Funding (Fiscal Year and Amount): FY 1978, (US$ 1.5 million)

Life of Project: 30 months ending March 31, 1981

IEE Prepared by: Fuad R. Qushair Date: April 19, 1978

Environmental Action Recommended:
(Environmental Assessment, Negative Determination, etc.)

Negative Determination. See Page 7 of this Annex.

For Mission:

A/Director

Bureau for Near East Decision:
(Approval/Disapproval of Environmental Action Recommended in the IEE)

Approved:

Disapproved:

Date: 9-7-78

Clearances:

GC/NE, J. Miller Date 9/5/78

IMPACT IDENTIFICATION AND EVALUATION FORM

Impact Areas and Sub-Areas[1/]	Impact Identification & Evaluation[2/]
A. LAND USE	
1. Changing the character of the land through:	
a. Increasing the population	N
b. Extracting natural resources	N
c. Land clearing	N
d. Changing soil character	M
2. Altering natural defenses	N
3. Foreclosing important uses	N
4. Jeopardizing man of his works	N
5. Other factors	
	N
B. WATER QUALITY	
1. Physical state of water	N
2. Chemical and biological states	L
3. Ecological balance	N
4. Other factors	
	N

1/ See Explanatory Notes for this form.

2/ Use the following symbols:
N - No environmental impact
L - Little environmental impact
M - Moderate environmental impact
H - High environmental impact
U - Unknown environmental impact

IMPACT IDENTIFICATION AND EVALUATION FORM - 2

C. ATMOSPHERIC

1. Air additives ---------- N
2. Air pollution ---------- N
3. Noise pollution ---------- N
4. Other factors

_____ N

_____ _____

D. NATURAL RESOURCES

1. Diversion, altered use of water ---------- N
2. Irreversible, inefficient commitments ---------- N
3. Other factors

_____ N

_____ _____

E. CULTURAL

1. Altering physical symbols ---------- N
2. Dilution of cultural traditions ---------- L
3. Other factors

_____ N

_____ _____

F. SOCIO ECONOMIC

1. Changes in economic/employment patterns ---------- H
2. Changes in population ---------- N
3. Changes in cultural patterns ---------- N
4. Other factors

_____ N

_____ _____

IMPACT IDENTIFICATION AND EVALUATION FORM

G. HEALTH

1. Changing a natural environment	N
2. Eliminating an ecosystem element	N
3. Other factors	
	N

H. GENERAL

1. International impacts	N
2. Controversial impacts	N
3. Larger program impacts	H
4. Other factors	
	N

I. OTHER POSSIBLE IMPACTS (not listed above)

	U

See attached Discussion of Impacts.

I. Examination of Nature, Scope, and Magnitude of Environmental Impacts

Description of Project

The project involves the granting of a $1.5 million loan over the life of project to the Government of Jordan (GOJ) which will on-lend the full amount to the Jordan Valley Farmers Association (JVFA). Funds to be made available by this loan will be allocated to the JVFA Credit Department and will provide a nucleus of funds to be revolved for the making of seasonal crop production loans to JVFA members. The principal aims of this project are: (a) to provide Jordan Valley farmers with access to supervised production credit loans which are not otherwise available to them from existing credit sources; and (b) to help extricate the small farmer from the informal unsupervised lending sources he must now rely on because of his inadequate collateral for loans from existing institutional lenders.

The JVFA is the umbrella organization, established by law, through which Jordan Valley farmers are expected to become full participants in establishing and implementing policies for institutional systems which will enable them to gain a larger share of the potential economic benefits attainable as the result of major capital investments in the Valley irrigation infrastructure. Increased agricultural production and farm incomes are expected to improve the level of living and quality of life of Jordan Valley farmers and their families and Jordan's balance of payments. Access to adequate seasonal production credit is determined to be a key factor in the equation designed to improve the equity potential for the small farmers (both land-owners and tenants) who reside in the Valley. Provision of credit will be an important factor in building up stronger relationships between farmers and the JVFA which are crucial to the success of JVFA. It is the clear intent of the Farmers Association Law that every bonafide farmer in the Valley, whether owner-operator or tenant, should be a member. Currently the Association's membership stands at 3600 members.

In extending loans, emphasis will be placed on the new beneficiaries who will be the small farmers who do not have access to supervised credit.

While project loan funds will not be used for the direct financing of pesticides, the Credit Department of the JVFA will be providing cash loans which will not constrain the borrower from purchasing all required agricultural inputs including pesticides. The environmental concerns

that can be addressed at this time are those which relate to commodities that will be directly financed with project loan funds including, but not limited to, fertilizers, seeds and farm machinery services. On this basis the environmental impact of this project is expected to be minimal. The JVFA, through its collaborative departmental approach will, inter-alia, provide farm management and pesticide application services. These services will focus on a supervised, Valley-wide, integrated pest management approach to pest control. If and when specific pesticides to be provided under the project are identified, the specific risk/benefit analysis required by AID regulation will be implemented.

Identification and Evaluation of Environmental Impacts

A. LAND USE

1. Changing the character of the land through:

d. Changing soil character: Increased availability of credit to a broader spectrum of farmers in the Jordan Valley will have moderate impact on the character of the soil. This project will provide funding for fertilizers and custom farm machinery services which will contribute to the increased intensity of cultivation. Extension of credit will be contingent upon farm plans which will be prepared with the assistance of and approved by the JVFA Farm Management Department. These farm plans will prescribe the management practices to be followed and define the inputs to be used on the individual farm. While these efforts are directed towards optimizing economic returns, management decisions will be subject to a thorough review of the risk-benefit of any given cultural practice.

B. WATER QUALITY

2. Chemical and bilogical states:

Some increases in the level of pollution in groundwater from fertilizer use can be expected as the intensity of agricultural

production increases. Subsurface drainage will flow into the Jordan River whose water is already to saline for irrigation or domestic purposes.

E. CULTURAL

2. Dilution of cultural traditions:

Current JVFA draft lending procedures limit loans to tenant farmers to those borrowers who can present evidence of a formal written lease agreement with the landowner. This would have some diluting effect on the cultural traditions which do not generally include formalized lease agreements.

F. SOCIO-ECONOMIC

1. Changes in economic/employment patterns:

Greater intensity of crop production in the Valley will have a significant impact on the earnings of farmers there.

H. GENERAL

3. Larger program impacts

The anticipated benefits from the capital investment in the irrigation infrastructure in the Jordan Valley can only be realized through an increase in the availability of credit to farmers, particularly small farmers. This project will enhance farmers access to seasonal production credit.

II. Recommendations for Environmental Action

Negative determination is recommended. An environmental assessment is not required at this time as:

1. A portion of the loan project funds will be relent by an intermediate to sub-borrowers as cash loans to purchase a wide variety of agricultural inputs. While the general uses are known and limited to agricultural production costs, the specific use by individuals of these funds is not known.

2. The environmental concerns addressed in the IEE narrative discussion are confined to those which relate to commodities that will be directly financed with project funds, including, but not limited to, fertilizers, seeds and farm machinery services. On this basis the negative environmental impact of this project is expected to be minimal.

3. The JVFA, through its collaborative departmental approach will, inter-alia, provide farm management and pesticide application services. The financing and probable marketing of pesticides does necessitate some further environmental analysis. The extent of that analysis can only be determined after the pesticide or pesticides have been specifically identified. When identified, the type of risk/benefit analysis outlined by AID regulations can be implemented.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 1978 to FY 1980
Total U.S. Funding $1,500,000
Date Prepared June, 1976.

Project Title & Number Credit for Jordan Valley Farmers Association (278-0207)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Program of Sector Goal: The broader objective to which this project contributes: (A-1)	Measures of Goal Achievement: (A-2)	(A-3)	Measures for achieving goal targets: (A-4)
Increase agricultural yields and production; improve farmers' incomes.	Trend of rising crop yields and increasing production.	GOJ reports and records	Government assigns high priority to agricultural development providing appropriate policies incorporating incentives to farmers and supporting institutions serving agriculture. Improvement in marketing facilities and greater availability of credit and inputs will lead to increase in yield and production and to higher incomes for farmers. Major Valley projects of irrigation, village development, land redistribution, etc. proceed as planned, contributing to development of the Jordan Valley as a whole, and to attainment of goals.
	Trend of increasing GDP in Jordan Valley.	GOJ reports and records	
Sub-goal: Create viable, effective Farmers Association providing benefits equitably to Jordan Valley farmers.	All segments of JVFA in operation.	Observation, GOJ reports	
	As equity test, credit operations, inputs, marketing functions, etc. are benefiting small farmers (holders of 40 dunums or tenant farmers.)	Examination of credit records in conjunction with landholding and sharecropping records.	

PROJECT DESIGN SUMMARY

LOGICAL FRAMEWORK

Life of Project:
From FY 1978 to FY 1980
Total U.S. Funding $1,500,000
Date Prepared June, 1978

Project Title & Number Credit for Jordan Valley Farmers Association (278-0207)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Purpose: (B-1)	Conditions that will indicate purpose has been achieved: End-of-project status: (B-2)	(B-3)	Assumptions for achieving purpose: (B-4)
To assist Jordan Valley farmers, particularly small farmers, in obtaining equitable seasonal production credits.	A. Eligible JVFA members are receiving assistance in preparing farm plans. B. Eligible members (especially small farm owners, tenants and sharecroppers) are receiving required production credit in cash and in kind. C. Members are successfully, producing and marketing crops. D. Members are repaying loans as scheduled.	JVFA Credit Department records.	Farmers join the JVFA as projected. That JVFA credit policies, procedures and operations will be adapted and responsiv to the needs of members. That input supply and marketing services will be adequate Extension agents are competen and available to farmers when needed.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 1978 to FY 1980
Total U.S. Funding $1,500,000
Date Prepared June, 1978.

Project Title & Number Credit for Jordan Valley Farmers Association (278-0207)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Outputs: (C-1)	Magnitude of Outputs: (C-2)	(C-3)	Assumptions for Achieving Outputs: (C-4)
The JVFA Credit Dept. processes and manages seasonal production loans to small farmer members totalling $1.5 million and continues to revolve repayments for similar loans.	JD 500,000 worth of seasonal production loans averaging JD 800 and continued roll-over each year.	JVFA Credit Department monthly and annual reports.	Credit Department is operational. Farm Management Department is operational. Supply Department is operational. Marketing is Department is operational.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:
From FY 1978 to FY 1980
Total U.S. Funding $ 1,500,000
Date Prepared June, 1978

Project Title & Number Credit for Jordan Valley Farmers Association (278-0207)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
Project Inputs: (D-1)	Implementation Target (Type and Quantity): (D-2)	(D-3)	Assumptions for providing Inputs:(D-4)
USAID			
Technical assistance (via 278-0186) seasonal loan revolving fund.	Implementation plan detailed in Project Paper.	AID Loan authorization. Loan agreement signed. Credit Department annual reports.	The JVFA is committed to providing seasonal production credit to its small farmer members.
JVFA			
Personnel Facilities & vehicles Administrative & operating funds Seasonal loan revolving funds Production supplies services Marketing services			
MOA			
Extension personnel			

ANNEX C

5C(2) - PROJECT CHECKLIST

Listed below are, first, statutory criteria applicable generally to projects with FAA funds, and then project criteria applicable to individual fund sources: Development Assistance (with a sub-category for criteria applicable only to loans); and Security Supporting Assistance funds.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT.

1. App. Unnumbered; FAA Sec. 653(b); Sec. 671

(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than $1 million over that figure

(a) The Committees will be notified in accordance with normal Agency procedures.
(b) All necessary notifications will be made.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of $100,000, will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

(a) Yes.

(b) Yes.

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislative action is required.

4. FAA Sec. 611(b); App. Sec. 101. If for water or water-related land resource construction, has project met the standards and criteria as per *the Principles and Standards for Planning Water and Related Land Resources dated October 25, 1973*?

This is not a water or water-related land resource construction project.

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed $1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?

Not a capital assistance project.

6. FAA Sec. 209, 619. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multilateral organizations or plans to the maximum extent appropriate?

This project is not susceptible of execution as a regional project, and the project will not necessarily encourage regional development programs.

Jordan is not a newly independent country.

7. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The project increases the volume of agricultural production (particularly fruits and vegetables) and much of this will flow into international trade channels. It will encourage the participation of farmers in the JVFA. It will contribute to a more competitive situation with respect to farmers in doing business with commission agents, merchants and others. It will enable farmers to improve the efficiency of agricultural production. There is no relationship to labor unions.

8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

9. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.

The Project Agreement will so provide.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?

No.

11. *ISA 14. Are any FAA funds for FY 78 being used in this Project to construct, operate, maintain, or supply fuel for, any nuclear powerplant under an agreement for cooperation between the United States and any other country?*

No.

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(c); Sec. 111; Sec. 281a. Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions?

Not applicable since project funded from Security Supporting Assistance funds.

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: [Include only applicable paragraph -- e.g., a, b, etc. -- which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.] N.A.

(1) [103] for agriculture, rural development or nutrition; if so, extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, is full account taken of needs of small farmers; N.A.

(2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor; N.A.

(3) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development; N.A.

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is: N.A.

(a) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations; N.A.

(b) to help alleviate energy problem; N.A.

(c) research into, and evaluation of, economic development processes and techniques; N.A.

(d) reconstruction after natural or manmade disaster; N.A.

(e) for special development problem, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance; N.A.

(f) for programs of urban development, especially small labor-intensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development. N.A.

(5) [107] by grants for coordinated private effort to develop and disseminate intermediate technologies appropriate for developing countries. N.A.

c. FAA Sec. 110(a); Sec. 208(e). Is the recipient country willing to contribute funds to the project, and in what manner has or will it provide assurances that it will provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least-developed" country)? N.A.

d. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, *or is the recipient country "relatively least developed"?* N.A.

e. FAA Sec. 207; Sec. 113. Extent to which assistance reflects appropriate emphasis on; (1) encouraging development of democratic, economic, political, and social institutions; (2) self-help in meeting the country's food needs; (3) improving availability of trained worker-power in the country; (4) programs designed to meet the country's health needs; (5) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and Voluntary Agencies; transportation and communication; planning and public administration; urban development, and modernization of existing laws; or (6) integrating women into the recipient country's national economy. N.A.

f. FAA Sec. 231(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government. N.A.

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g. FAA Sec. 201(b)(2)-(4) and -(8); Sec. 201(e); Sec. 211(a)(1)-(3) and -(8). Does the activity give reasonable promise of contributing to the development: of economic resources, or to the increase of productive capacities and self-sustaining economic growth; or of educational or other institutions directed toward social progress? Is it related to and consistent with other development activities, and will it contribute to realizable long-range objectives? And does project paper provide information and conclusion on an activity's economic and technical soundness? — N.A.

h. FAA Sec. 201(b)(6); Sec. 211(a)(5), (6). Information and conclusion on possible effects of the assistance on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving or safeguarding the U.S. balance-of-payments position. — N.A.

2. Development Assistance Project Criteria (Loans only) — N.A.

a. FAA Sec. 201(b)(1). Information and conclusion on availability of financing from other free-world sources, including private sources within U.S. — N.A.

b. FAA Sec. 201(b)(2); 201(d). Information and conclusion on (1) capacity of the country to repay the loan, including reasonableness of repayment prospects, and (2) reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan. — N.A.

c. FAA Sec. 201(e). If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds $100,000, has country submitted to AID an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner? — N.A.

d. FAA Sec. 201(f). Does project paper describe how project will promote the country's economic development taking into account the country's human and material resources requirements and relationship between ultimate objectives of the project and overall economic development? — N.A.

e. FAA Sec. 202(a). Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources? — N.A.

f. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan? — N.A.

3. Project Criteria Solely for Security Supporting Assistance

a. FAA Sec. 531. How will this assistance support promote economic or political stability? — The project will help to promote agricultural productivity & incomes of small farmers in the Jordan Valley. It will increase the availability of food for both domestic and export markets thus contributing one of the essential elements promoting stability & moderate policies.

b. FAA Sec. 533(c)(1). *Will assistance under the Southern African Special Requirements Fund be used for military, guerrilla, or paramilitary activities?* — No.

4. Additional Criteria for Alliance for Progress

[Note: Alliance for Progress projects should add the following two items to a project checklist.] — N.A.

a. FAA Sec. 251(b)(1), -(8). Does assistance take into account principles of the Act of Bogota and the Charter of Punta del Este; and to what extent will the activity contribute to the economic or political integration of Latin America? — N.A.

b. FAA Sec. 251(b)(8); 251(h). For loans, has there been taken into account the effort made by recipient nation to repatriate capital invested in other countries by their own citizens? Is loan consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress (now CIEPCIES, the Permanent Executive Committee of the OAS) in its annual review of national development activities? — N.A.

5C(3) - STANDARD ITEM CHECKLIST

Listed below are statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by exclusion (as where certain uses of funds are permitted, but other uses not).

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed?	Small business will be permitted to participate in accordance with A.I.D. procedures.
2. FAA Sec. 604(a). Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him?	Yes.
3. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed?	Jordan does not discriminate against U.S. marine insurance companies.
4. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?	No procurement of agricultural commodity or product is to be financed.
5. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items?	Yes. However, few instances, if any of utilization of excess property are anticipated.
6. MMA Sec. 901(b). (a) Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.	This requirement will be incorporated into the project agreement.
7. FAA Sec. 621. If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized,	Yes.

are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

3. International Air Transport. Fair Competitive Practices Act, 1974

If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available? — **The loan agreement will so provide.**

B. Construction

1. FAA Sec. 601(d). If a capital (e.g., construction) project, are engineering and professional services of U.S. firms and their affiliates to be used to the maximum extent consistent with the national interest? — **N.A.**

2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? — **N.A.**

3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million? — **N.A.**

C. Other Restrictions

1. FAA Sec. 201(d). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? — **Yes.**

2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? — **N.A.**

3. FAA Sec. 620(h). Do arrangements preclude promoting or assisting the foreign aid projects or activities of Communist-Bloc countries, contrary to the best interests of the U.S.? — **Yes.**

4. FAA Sec. 636(i). Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S. or guaranty of such transaction? — **Yes.**

C

5. Will arrangements preclude use of financing:

a. FAA Sec. 114. to pay for performance of abortions or to motivate or coerce persons to practice abortions, *to pay for performance of involuntary sterilization, or to coerce or provide financial incentive to any person to practice sterilization?*	Yes.
b. FAA Sec. 620(g). to compensate owners for expropriated nationalized property?	Yes.
c. FAA Sec. 660. to finance police training or other law enforcement assistance, except for narcotics programs?	Yes.
d. FAA Sec. 662. for CIA activities?	Yes.
e. App. Sec. 103. to pay pensions, etc., for military personnel?	Yes.
f. App. Sec. 105. to pay U.N. assessments?	Yes.
g. App. Sec. 106. to carry out provisions of FAA Sections 209(d) and 251(h)? (transfer to multilateral organization for lending).	Yes.
h. App. Sec. 112. *to finance the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?*	Yes.
i. App. Sec. 501. to be used for publicity or propaganda purposes within U.S. not authorized by Congress?	No.

SAMPLE FARM BUDGET

A farm budget, based on that prepared by the Harza Overseas Engineering Co. in Jordan Valley Irrigation Project, Stage II, Annex G. "Agricultural Development" shows the growth of income from the adoption of sprinkler irrigation and the greater use of purchased inputs financed by seasonal credit.

The table below was prepared for a sharecropper operated, 40 dunums farm to be converted from surface to sprinkler irrigation. The division of costs and returns are typical of those found on such farms in the Valley. The landlord is assumed to buy and pay for the sprinkler equipment.

The income level shown for the farm in year 1, is somewhat greater than that estimated by USAID due, primarily, to higher crop yields, found by Harza, than those reported officially as averages for the land irrigated by the Main Canal.

For the share-tenant, family income almost triples from JD 924 in year 1, to JD 2,728 in year 4. The source of this increase is increased productivity and a reduction in the interest rate he pays on seasonal loans.

The landlord's income increases more than 2.5 times over this period from increased farm productivity. His benefit from the project in this period is less than the sharecropper's due to his payments for sprinkler equipment.

An owner-operated farm would show results identical to those in the totals column except that his year 1, interest cost would be only JD 42 as a result of his ability to borrow from ACC or JCO at seven percent. The owner-operator's family income thus increases more than 2.5 times over the period, from JD1,925 in year 1, to JD5,233 in year 4.

The estimated costs of inputs, to be purchased with seasonal credit increases from year 1 to year 4 as follows:

Year	Seasonal Credit Required
1	JD 799
2	JD 1,054
3	JD 1,263
4	JD 1,534

SAMPLE FARM BUDGET OF 40 DUNUMS GENERAL FARM

Item	Year 1, (Surface Irrigation)			Year 2			Year 3			Year 4		
	Landlord's Share 1/ (JD)	Tenant's Share 1/ (JD)	Total (JD)	Landlord's Share (JD)	Tenant's Share (JD)	Total (JD)	Landlord's Share (JD)	Tenant's Share (JD)	Total (JD)	Landlord's Share (JD)	Tenant's Share (JD)	Total (JD)
Value of Production	1,383	1,383	2,766	2,081	2,081	4,162	2,794	2,794	5,588	3,478	3,477	6,955
Less: Hired Labor	-	141	141	-	141	141	-	141	141	-	141	141
Water Charge 2/	141	-	141	188	-	188	188	-	188	250	-	250
Materials & Machinery Expenses	259	258	517	363	362	725	467	467	934	572	571	1,143
Total Expenses	400	399	799	551	503	1,054	655	608	1,263	822	712	1,534
Net Return from Production	983	984	1,967	1,530	1,578	3,108	2,139	2,186	4,325	2,656	2,765	5,421
Less: Interest on Production expenses 3/	21	60	81	29	26	55	34	32	66	43	37	80
Payment for Sprinkler Equipment	-	-	-	108	-	108	108	-	108	108	-	108
Net Family Income	962	924	1,886	1,393	1,552	2,945	1,997	2,154	4,151	2,505	2,728	5,233

1/ For farms operated by sharecroppers, the typical arrangement calls for the tenant to pay for hired labor and the landlord to pay for irrigation water. All other costs and all returns are shared equally.

2/ Water charge is 3 fils/cu.m. on 46,900 cu.m. with surface irrigation water use is reduced to 31,267 cu.m. with sprinklers, but rate risen to 6 fils/cu.m. in years 2 and 3 and to 8 fils/cu.m. in year 4.

3/ Without project Landlord pays 7% per year on loan from ACC, or JCO, and tenant pays 20%, or more, on loans from commission agents. With project, each is able to borrow at 7% per year. Assumed life of all loans is 9 months.

TABLE 1.

PROFORMA STAFFING PLAN
CREDIT DEPARTMENT - J.V.F.A.

Position	Number of Required Staff			
	CY 1978	CY 1979	CY 1980	CY 1981
Manager	1*	1*	1	1
Credit Supervisor	1	2	2	2
Accountant	1*	1*	2	2
Cashier	1*	1*	1	1
Clerk	1	1	1	2
Typist	-	1	1	1
Driver	1	2	2	2
Collector	-	1	1	2
Total	6	10	11	13

	Salaries and Fringe Benefits (JD's)			
	CY 1978**	CY 1979	CY 1980	CY 1981
Manager	1,200	3,840	4,080	4,320
Credit Supervisor	520	3,360	3,600	4,840
Accountant	600	1,920	4,080	4,320
Cashier	440	1,380	1,440	1,500
Clerk	320	1,020	1,080	2,280
Typist	-	1,020	1,080	1,140
Driver	320	2,040	2,160	2,280
Collector	-	1,020	1,080	2,280
Total	3,400	15,600	18,600	22,960

* Seconded by ACC but fully paid by JVFA.

** In 1978, Salaries are paid to the staff for (4) months only.

TABLE 2.

PRO-FORMA SEASONAL PRODUCTION LOAN ACTIVITY
CREDIT DEPARTMENT - J.V.F.A.

	CY 1978	CY 1979	CY 1980	CY 1981.
	J.D.'s			
No. of borrowers	500	600	708	746
Gross amount of loans	400,000	600,000	850,000	1,120,000
Average loan per borrower	800	1,000	1,200	1,500
Loan to Owner-Operators (LtO/O)				
Number of loans	275	330	390	410
Gross amount of loans	280,000	420,000	595,000	784,000
Average loans per Owner-Operator	1,018	1,273	1,526	1,912
Number of LtO/O having 20 du. & less	50	60	71	75
Gross amount of LtO/O having 20 du. & less	25,000	37,000	53,120	70,000
Average size of LtO/O having 20 du. & less	500	625	748	933
Number of LtO/O having 21 to 40 du.	125	150	178	187
Gross amount of LtO/O having 21 to 40 du.	87,500	131,250	185,940	245,000
Average size of LtO/O having 21 to 40 du.	700	875	1,045	1,310
Number of LtO/O having 41 to 60 du.	50	60	71	75
Gross amount of LtO/O having 41 to 60 du.	50,000	75,000	106,250	140,000
Average size of LtO/O having 41 to 60 du.	1,000	1,250	1,496	1,867
Number of LtO/O having 61 to 80 du.	25	30	35	37
Gross amount of LtO/O having 61 to 80 du.	37,500	56,250	79,690	105,000
Average size of LtO/O having 61 to 80 du.	1,500	1,875	2,277	2,838
Number of LtO/O having 81 & more du.	25	30	35	36
Gross amount of LtO/O having 81 & more du.	80,000	120,000	170,000	224,000
Average size of LtO/O having 81 & more du.	3,200	4,000	4,857	6,222
Loans to Tenants				
Number of loans	75	90	106	112
Gross amount of loans	30,000	45,000	63,600	83,800
Average loan per tenant	400	500	600	748
Loans to Sharecroppers				
Number of loans	150	180	212	224
Gross amount of loans	90,000	135,000	191,[illegible]00	252,200
Average loan for sharecroppers	600	750	903	1,126

TABLE 2. (Cont'd)

PERCENTAGE DISTRIBUTION OF LENDING ACTIVITY

	1 9 7 8		1 9 7 9		1 9 8 0		1 9 8 1	
	No. of Loans	Loan Volume	No. of Loans	Loan Volume	No. of Loans	Loan Volume	No. of Loans	Loan Volume
1. Owner-Operators								
a. 40 du. & less	35	28	35	28	35	28	35	28
b. More than 40 du.	20	42	20	42	20	42	20	42
2. Tenants	15	8	15	8	15	8	15	8
3. Share-Croppers	30	22	30	22	30	22	30	22
TOTAL	100	100	100	100	100	100	100	100

TABLE 3.

PRO-FORMA CASH FLOW STATEMENTS
CREDIT DEPARTMENT - J.V.F.A.

	CY 1978*	CY 1979	CY 1980	CY 1981.
	J.D.'s			
INFLOWS				
Cash and Bank Balance	79,000 1/	15,930	33,010	55,235
G. O. J. Advance, interest free	200,000	-	-	-
G. O. J. Advance, interest bearing	-	-	106,000	270,000
A.I.D. Loan 2/	121,000	200,000	144,000	-
Principal Collections (Cash)	-	360,000	540,000	765,000
Principal Collections (Rescheduling)	-	40,000	60,000	85,000
Interest Collections 3/	21,000	31,500	44,625	58,800
Fees	400	900	1,020	1,400
JVFA Contribution to Dept. Capital	6,000	4,500	500	500
Other Revenues	200	6,000	8,500	11,200
Total INFLOWS	427,600	658,830	937,655	1,247,135
OUTFLOWS				
Interest Payments 4/	-	2,420	6,420	9,300
New Loans Granted 5/	400,000	560,000	790,000	1,035,000
Rescheduled Loans 5/	-	40,000	60,000	85,000
Other Income Statement Cash Expenses	5,670	21,100	25,500	31,820
Capital Expenditures	6,000	4,500	500	500
Total OUTFLOWS	411,670	625,920	822,420	1,161,620
Cash Balance (fwd)	15,930	33,010	55,235	85,515

* Three months under 1978 only.

1/ Proceeds of sale to members of FAO and Federal Republic of Germany donated fertilizers.
2/ AID loan of $1.5 million converted at $1.00 = JD 0.310.
3/ Interest on farmer's loans collected in advance at 7% per year. Average duration of loans is nine months.
4/ Interest on AID loan is 2% during 10 year grace period.

5/ New and rescheduled loans are based on a projected non-cumulative delinquency rate of 10% on loans due. Loans are assumed to be made 3 months after loanable funds become available.

TABLE 4.

PRO-FORMA INCOME STATEMENT
CREDIT DEPARTMENT - J.V.F.A.

	CY 1978*	CY 1979	CY 1980	CY 1981
	J.D.'s			
INCOME				
Interest Earned	7,000	31,500	44,625	58,800
Fees	400	900	1,020	1,400
Other Revenues	200	6,000	8,500	11,200
Total INCOME (Received/Accrued)	7,600	38,400	54,145	71,400
EXPENSES				
Wages and Salaries	3,400	15,600	18,600	22,960
Employee Benefits	350	1,300	1,550	2,200
Interest Expense	605	2,420	6,420	9,300
Travel & Transportation	600	1,450	1,680	1,920
Office Supplies	200	500	720	840
Insurance and bonding	50	100	300	400
Utilities	20	100	150	200
Meeting Expense	400	700	1,000	1,500
Audit	50	150	200	300
Depreciation	300	1,575	1,650	1,750
Provision for Losses	500	1,000	1,000	1,000
Other Administrative Costs	100	200	300	500
Total EXPENSES	6,575	25,095	39,570	42,870
PROFIT (LOSS)	1,025	13,305	14,575	28,530

* Three months under 1978 only.

TABLE 5.

PRO-FORMA BALANCE SHEETS
CREDIT DEPARTMENT - J.V.F.A.

	End of Year			
	CY 1978*	CY 1979	CY 1980	CY 1981
	J.D.'s			
ASSETS				
Cash Bank Balance	15,930	33,010	55,235	85,515
Loan Portfolio	400,000	600,000	850,000	1,120,000
Other Accounts Receivable	-	-	-	-
Investments	-	-	-	-
Fixed Assets (Depreciated Value)	5,200	8,625	7,475	6,225
Total ASSETS	421,630	641,635	912,710	1,211,740
LIABILITIES & SURPLUS				
Accounts Payable	-	-	-	-
AID Loan	121,000	321,000	465,000	465,000
G. O. J. Advances	200,000	200,000	306,000	576,000
JVFA's Capital Contribution	6,000	10,500	11,000	11,500
Surpluses and Reserves	94,630	110,135	130,710	159,240
Total LIABILITIES & SURPLUS	421,630	641,635	912,710	1,211,740

* Three months under 1978 only.

LENDING RULES AND PROCEDURES
JORDAN VALLEY FARMERS ASSOCIATION

SECTION 1. Agricultural Projects which the Association Finances.

A. JVFA loans are at present limited to the financing of seasonal production loans to farmers in the Ghor area who are registered as members in the Association and who have paid their membership fees. These loans are for inputs necessary in plant and livestock production and include the following:-

1) seed
2) chemical and organic fertilizer
3) pesticides, weed killers, and small sprayers
4) farm machinery operating and maintenance expenses
5) any labor wages or rental of machinery needed by agricultural projects
6) purchase of feed for livestock projects. This include poultry, livestock, bee and fisheries projects
7) purchase of chicks for breeding
8) purchase of boxes for packing fruits and vegetables
9) any other agricultural expenses required in the implementation of the project which are considered as production inputs.

B. Ordinary consumer expenses for the farmer may be financed provided that the amount of the loan granted to any farmer does not exceed JD 250 for this purpose and that these expenses are part of an integrated agricultural loan.

C. New additional objectives, or revision of these objectives, may be made by decision of the Board of Directors of JVFA at the recommendation of the Director General.

SECTION 2. Loan Duration

Seasonal loan duration must match the production period and should not exceed 12 months as a maximum. The production period of the project and the seasons of production will be taken into consideration in a manner fulfilling the interests of the borrower and the JVFA.

SECTION 3. Securities

One or more of the following forms of security will be accepted:-

1) Immoveable property

This includes real estate and does not include any tools or machines or supplies. In this connection, the amount of the loan should not exceed 80% of the value of inmoveable property offered as security and registered at the Jordan Valley Authority in addition to the value of any improvement on the land.

2) Stocks

Eighty percent of the nominal value of shares of authorized banks and companies and any other bonds issued or guaranteed by concerned authorities.

3) Personal and Financial Guarantee

A. Personal guarantee may be accepted from a member who has not been able to offer securities in real estate provided that his loan does not exceed JD 750 and, in this case, the loan applicant will offer two financial guarantors who are members in the Association and who are acceptable to the Director of Credit provided that one of them owns fixed real estate. This same individual cannot be the guarantor in more than two transactions. Also this guarantor must not be indebted with debts that are not attached to securities of inmoveable properties.

B. The salary of a retired person or classified employee may be accepted as security provided that the amount of the loan does not exceed 80% of the total amount offered to be withheld from the salary for a period of one year and also provided that one guarantor of the same category is offered.

SECTION 4. Service Charge

1) The Association will collect a service charge of 7% of the loan amount, however, the Association will at the time the loan is disbursed collect a service charge of 8% of the loan amount but will pay back 1% of the charge to farmers

who repay their loans on time. In the case of defaulters 8% will continue to be charged on due loans that have not been repaid.

2) In case a borrower repays a portion of his due loan, the service charge due will be collected first with the balance deducted from the principal due.

SECTION 5. Qualifications of a Loan Applicant

Loan applications are accepted from any person or a group of persons or a cooperative society who have the following qualifications:-

1) Must be a member registered in the Farmers Association who has paid all his financial obligations.

2) Must have paid back all his loans due to the Association or who must have presented an acceptable settlement for loan repayment.

3) That his project be for the purpose of agricultural production and within the Jordan Valley area.

4) Must be a Jordanian citizen, sane, and not less than 18 years of age at the time of making his loan application.

SECTION 6. Documents Required for Presentation when Making Loan

1) An identity card and a membership card testifying that he is a member of the Association.

2) Land registration deed of the land on which the project will be implemented and any other documents which are offered as security.

3) Lease agreement or share-cropping agreement in the case of tenants and sharecroppers.

SECTION 7. Loans' Application Forms & Its' Attachments

1) Application form will consist of one page which includes information related to borrower's status, loan's security offered and project's needs according to the proposed farm plan.

2) Financial statement, which shows assets and liabilities of the applicant farmer.

3) Project inspection report. This report includes information related to the appraisal (valuation) of real estate mortgage offered as loan security, and any other necessary information about the proposed project and the applicant's status. This report must be made for all farmer applicants.

4) Financial return study of the project. This study must show operating costs of source of the loan as well as total income and net return.

5) A special form to be used for recommendations and proposals concerned with project financing. On this form will be listed decisions taken at the different levels, except those decisions taken by the Board of Directors.

SECTION 8. Preparation of Loans' Forms and Terms of Its Acceptance.

1) Loan applications will be accepted only from those farmers who are members of JVFA, whether they are owner-operators, sharecroppers or tenants.

2) A loan applicant, or his legal agent, should contact the secretary of his development area.

3) The development area secretary (DAS) provides the farmers in his area with application forms without any charge (free).

4) Application forms must be filled by the applicant, assisted by the DAS.

5) The applicant must answer all questions in the application form correctly.

6) In case of real estate security, the application form will be transferred by the DAS to the concerned branch manager of lands and survey to confirm the necessary information in the appropriate space in the form.

7) The DAS will make necessary arrangements regarding the project inspection, preparation of inspection report. He will submit the report with the application and its attachments to the development area council. The council reviews

the loan documents and submits it with its recommendations to the Credit Manager at JVFA.

SECTION 9. First Inspection Committees

1) First inspection on the project is made by the concerned DAS, who prepares a detailed report about the project and submits it to his development area council within a period of one week from the application date. This report will include the necessary information about the kind and appraisal of security offered, purposes of the loan, cost of the project, financial status of the applicant and any other necessary information related to the project.

2) In case of real estate mortgage other than agricultural lands, the branch manager of lands and surveys will participate with the DAS in appraising such securities.

SECTION 10. Authorization of Loans' Issuance

1) The Credit Manager at JVFA is authorized to approve loans up to JD 500, provided that the purposes of these loans are consistent with those which JVFA finances.

2) Loans ranging between JD 500 and JD 2000 will be approved by the Central Credit Committee which is composed of the Directors of the different departments of JVFA. This committee is chaired by the Deputy Director General and takes its decisions by majority vote.

3) Loans ranging between JD 2000 up to JD 10,000 will be approved by the Director General, based upon the recommendations by the Central Credit Committee.

4) In case of loans exceed JD 10,000, recommendations will be submitted by the Director General to the Board of Directors for the appropriate decisions.

5) In all cases loan applications must be routed through the concerned DAS, who submits a detailed report about the project to the development council (this council is composed of the chairman of the development area council and other two members elected by the council members). This development council reviews the application and its attachments and makes its recommendations to the JVFA Credit Director. The Credit Director studies the loan documents and submits them to the concerned bodies for final approval. In approving these loans, none of these levels can be disregarded.

SECTION 11. Inspection Fees and Credit Committee Allowances

1) Loan applicants must pay the following inspection fees based on the amount of the approved loans, and for one time only.

Amount of loan (JD).	Fees (JD)
1,000 and less	2
1,001 - 4,000	3
4,001 - 10,000	5
10,000 - 20,000	10
Over 20,000	20

2) Inspection fees are to be paid after approval of the loan, and before the preparation of the loan note (contract) at the Credit Department in the JVFA Head Office. These fees should be recorded in a seperate financial account.

3) Each member of the first inspection committee will be paid one dinar for his participation in the said committee. No fees will be paid to any member for his participation in consequent inspections of the same project. These fees are to be paid by the Credit Department at monthly basis.

4) Allowances for credit committees will be determined by the Board of Directors at the recommendation of the Director General.

SECTION 12. Disbursement of Loans

1) After the final approval of the loan, the Credit Department at the Head Office will prepare the loan note (contract) and make other necessary arrangements. At this stage 50% of the cash needs for the project will be disbursed to the borrower.

2) The balance of operating costs which will be paid in cash will be disbursed to the borrower, after it has been determined that the first payment had been spent for the purposes stated in the loan contract.

3) Completion of the financed project will be established by an inspection report by the DAS, or by any means recognized by the Credit Department Director.

4) In exceptional cases, and upon the approval of the Director General, the whole amount of the loan may be paid to the borrower in one instalment, provided that this is in the interests of the project, and does not result in any effects on JVFA funds.

5) Any amount of the loan allocated for the purchase of farm supply will be paid directly to the selling agency and after delivery of supplies to, and acknowledgement of the borrower.

6) Any amount of the loan allocated for living expenses, will be paid directly to the borrower at his request.

7) If the borrower did not spend the first instalment he had received from the loan according to the project purposes agreed upon, or if his membership at JVFA has been suspended legal actions will be taken against him to force him to repay the disbursed instalment with the due interest. In this case the rest of the loan will be cancelled.

SECTION 13. Real Estate Mortgage

1) JVFA requires a first degree pledge on real estate as security for its loans.

2) Consequent degrees of pledge may be accepted by JVFA, provided 70% of the assessed value of the real estate covers the previous and present loans.

3) Borrower's crops or his farm produce will be mortgaged to the order of JVFA, as long as he is indebted to the Association. In this case JVFA has the full right to deduct its dues from the proceeds of its borrowers' produce without their previous consent.

SECTION 14. Collection of Loans

1) The Director of the Credit Department prepares the notice to all borrowers whose loans, or part thereof, are due. These notices must be delivered to the borrowers one month prior to the due date stated in the loan note.

2) The concerned DAS is assigned to deliver the notices to the borrowers in his area. He is also responsible to explain the information written in these notices to the borrowers, and to encourage them to repay the dues in time.

3) The Marketing Department will be provided with lists including the names of borrowers and dues. These dues are to be deducted from the borrowers' sales by the said Department.

4) Collection of dues, not collected by the Marketing Department, is the responsibility of the Credit Department collectors, in cooperation with the development area councils and the secretaries of these areas.

SECTION 15. Postponement of Dues.

1) Dues may be postponed under certain circumstances where the project has been subjected to disasters or conditions outside the control of the borrower.

2) Interest dues are not allowed to be postponed whatever the reasons are.

3) Postponement authority is vested in the Director of the Credit Department, provided the due amount is not more than JD 500. If it exceeds this amount, then the Credit Director submits his recommendation to the Central Credit Committee to take the appropriate decision.

4) When the postponement of dues is approved, a new loan note prepared in the same amount of dues. This new note will be endorsed to repay the due loan.

5) The period of postponement should consider the circumstances of borrower, expected date of his projects' production, provided this period does not exceed twelve months from the new note date.

6) Services fees previously paid by the borrower are not repayable to him if his dues were postponed for any reason

SECTION 16. Miscellaneous

1) The Credit Division of the Credit Department carries out the function of supervision, follow-up and the execution of rules and principles related to the lending process through its different stages.

2) JVFA loans may provide the borrower with the required loan, which covers the whole production cost. In this regard no ceiling is set as to JVFA participation in the financing of the project.

3) The Director of the Credit Department has the right to reject applications submitted by farmers who have bad records with JVFA.

4) No body has the right to interfere in making loans to members, or to postpone their dues in a way that conflicts with these rules.

ISSUES, COMMENTS AND FINDINGS

In evaluating JVFA credit operations, the following issues were raised and the findings are shown.

1. The law creating JVFA has been in existence for four years and while many services have been promised, few if any have been provided and many farmers in the Valley question whether it will be able to function effectively.

   Finding: The first Director of the Association was not appointed until June, 1977. Since then a skeletal organization has been established and training commenced, plans for providing services developed and the construction of needed facilities undertaken. The organization is gearing up to provide the package of services for which it was established and expects within the next two years to be providing all of them. JVFA management believes they can operate effectively and when operations begin they will prove it. Explanations have been made to farmers about the services they plan to offer but none have been promised that haven't been provided.

2. There appears to be little grass roots support for JVFA among the small farmers in the Valley. The elected Board of Directors consists of socially prominent and affluent members who have evidenced little concern for the tenant farmers in the Valley.

   Finding: Five members of the Board are heads of Government organizations involved in the development of agriculture in the Jordan Valley who are appointed by the Council of Ministers and ten are elected by members of the Association. It is true the ten elected members are socially prominent and well known but not necessarily affluent, one is a small farmer. The elected members were community or tribal leaders who the people in the area normally contacted for help to solve problems and to meet needs involving contact with the government. There has not been any experience yet to prove they have little concern for tenant farmers and if they don't, there are enough tenant farmers in the Valley to elect Board members who can do somethin about it.

3. JVFA was organized from the top down and will be managed by government bureaucrats. Membership in the organization is compulsory for all farm owners and tenants in the Valley who must pay a JD 2 membership fee and JD 3 yearly dues. The dues may be collected involuntarily from the sale proceeds of the farmers crop which must be sold through the Association. Farmers are not eligible for any services from JVFA unless their membership fee and dues are paid up.

Finding: JVFA is not a government organization, it is a peoples organization and over 80 percent of the elected members participated in the last general assembly of the organization. It was believed that such an organization would be the most effective way to get action on the farmers behalf and to represent them in getting help from the government. It is true the Government was instrumental in organizing it because they saw the many problems involved in the agricultural development of the Valley and believed an organization like JVFA offered the best way to collectively deal with these problems. The dues and membership fee should be viewed in the same light as a tax. The farmers should be willing to pay something for services performed in behalf of all.

4. Farmers are required by law to market their crops through the marketing centers being established by JVFA. No produce grown in the Valley for sale may leave the VAlley without JVFA permission and to enforce this law consideration is being given to establishing check points on each of the four roads leading out of the Valley.

   Finding: Farmers do have the right to market their crops without going through the Association providing permission is obtained from the Association. This will be granted if the following conditions are met: (1) the Association is unable to market the products or the member can get a better price by not going through the Association; (2) the member is not indebted to the Association or to any other Government organization for whom the Association has agreed to collect debts; and (3) the member has graded, arranged and prepared his products in accordance with required conditions and specifications. It is expected there will still be competition for the produce and that commission buyers will make purchase both in and out of the marketing facilities established by JVFA. It will eliminate the need of a farmer to deal directly with a commission agent and it is expected he will get a greater return from his crop proceeds. Requirements on grading and packing are required to maintain export markets. Check points will be established only if there are serious violations.

5. JVFA has the right to serve as a debt collector for ACC, JVA, Natural Resources Authority and any other Government organizations to whom a member may become indebted.

Finding: JVFA may agree to collect debts for other Government organizations for a fee. They see this role as being similar to a bank teller acting as a collector for a power company bill. If enforcement of a ban is involved, it would be the responsibility of the organization to whom its borrower was indebted. JVFA would not make involuntary offsets of amounts due from crops sold at the marketing centers.

6. Very few tenant farmers, who constitute an estimated 59% of the farm operators in the Valley, will be able to qualify for credit which can only be extended to members of JVFA because:

a) Tenant farmers cannot be JVFA members unless they have at least a three year written lease. Most landlords are reported to be unwilling to give written leases because of a fear that it might affect them adversely if there is further land reform at some future time. Moreover, a 1975 report of the Royal Scientific Society showed that about 65 percent of the tenants didn't want more than a one year lease.

b) Tenant farmers need a statement from their landlord certifying they have the farm management responsibility on the farm. This is something landlords are reluctant to supply. Again this is because of landlords fear it might adversely affect them if there is further land reform. Furthermore, during the 1978 crop year JVFA will not be operating the marketing centers and will not be able to make loans based on crop security. The only acceptable securities, which tenant farmers may find difficult to furnish, are:

(1) A first mortgage on real estate.

(2) A lein on negotiable securities.

(3) The signature of two guarantors, one of which must be the owner of land with enough equity to cover the loan and who is not the guarantor for more than two other tenants.

Finding: It isn't felt that restrictions imposed on membership by the requirement that tenant farmers have a three year written lease and a statement from the landlord certifying the tenant will have management responsibility

on the farm will continue to be a problem because a survey is currently underway in the Valley identifying each tenant operated farm. There has been some easing of the three year lease requirement where neither the landlord or tenant want it. It is a requirement under the by-laws of the Jordan Valley Authority but it isn't vigorously enforced. There is greater pressure on landlords than ever before to provide fair and equitable leases because of a real shortage of capable farm managers who can usually find other farms if their present landlords will not treat them fairly. Some farmers are highly specialized in their farming capabilities and grow only one specialized crop like tomatoes which they don't like to produce on the same ground each year and for that reason they don't want the longer term lease.

The inability of tenant farmers to meet the 1978 loan security requirements for a seasonal loan is unlikely to be a serious constraint because funds from the AID loan are expected to be available for only a short period in 1978 and the marketing operations of JVFA and the liens it will take on crops will permit tenants to obtain loans early next year.

Furthermore, the new distribution of land under the land reform law which gives preference to resident operators of farms is expected to decrease the number of tenant farmers in the Valley as many will become owner operators of farms.

7. A large number of landowners in the Valley are absentee landlords who live in Amman and other urban areas and who work for the Government or in private enterprise. The land reform that has taken place divided ownership into units of 3 to 4 hectares but this was not very meaningful because individuals could purchase additional units in the name of family members and some have accumulated sizeable holdings of 30 to 40 hectares. Likewise, a landowner who had sizeable holdings before land reform could be using names of family members retain under his management large areas depending on the size of the family.

Finding: Some of the land reform abuses noted above may have occured when Valley land was redistributed during initial construction of the East Ghor Canal. This was at a time when only a few Valley residents were interested in farming.

The Jordan Valley Authority is now implementing land redistribution in strict compliance with Jordan Valley Development Law Number 18 for the year 1977 and in the priority defined in Article 24 (i) of that Law.

8. It is planned that the seasonal credit program during 1978 will be carried out under the direction of experienced ACC credit personnel who will be seconded to JVFA. No special prior training for them or the Extension personnel stationed in the development areas who will take loan applications and prepare farm plans is contemplated.

Finding: ACC personnel are experienced in making loans of this kind and with some reorientation and with limited training for Extension personnel, it is believed that the lending program for 1978 can be adequately handled. Plans have been made for lending to start this summer using funds (JD 236,000) which JVFA already secured from the Government of Jordan. There are plans for more intensive training by the USAID credit and farm management advisors that are scheduled to arrive in Jordan within the next few months. The training they are expected to provide should assure the availability of adequately trained personnel for the following crop season.

9. The institutional capability of JVFA to perform all its contemplated services is not proven nor there is strong evidence of long-term planning by JVFA, particularly with regard to sources of future loan capital to agument capital. Qualified staff, even some key positions, like the Director of the Credit Division, have not been appointed yet nor has a well defined program needed for middle or lower staff positions been developed.

   Finding: It is unrealistic to expect a new institution to have the capabilities for the full scale operations of all planned activities at the outset. It is for this reason JVFA is planning on limited services at the beginning. When it has built up a competent, well-trained staff and the information base needed for intelligent planning and decision-making, it will gradually undertake the comprehensive full scale operations contemplated for it. In the meantime, further staff recruitment will take place among experienced ACC and JCO personnel. It is expected the USAID advisory personnel coming to Jordan on two year assignment will help develop comprehensive pre-training and on-the-job training programs for JVFA personnel; needed training for personnel is a major reason for their presence before the loan program is started. A qualified individual to head the Credit Division has been identified and will be officially appointed in July, 1978, on a permanent basis.

   On the question of obtaining additional loan capital, JVFA expects such capital to come from earnings derived from the sale of farm inputs and crop marketing, government grants/advances, foreign donor loans and other sources that are being explored and considered. Also, plans have and are being made for obtaining needed facilities, equipment, transportation and other related needs. Some of it will become available through the USAID technical assistance project and JVFA has about 100,000 JD of its own capital which it can use if all their needs are not met from expected donors. Each of the Directors of the six operating divisions in JVFA will be working closely together to see that activities are coordinated and that the particular needs of his division are met. As previsouly mentioned growth and expansion will be gradual in line with institutional capabilities.

10. There are no definite plans for mobilizing local capital because it would be difficult to pay a rate of interest, 5½%, which would be competitive with commercial banks and other thrift institutions and profitably use the money at the proposed interest rate of 7% on loans to farmers. JVFA recognizes it will have a negative return because of present double digit inflation in Jordan thus the purchasing power of the prevailing loan fund could be quickly depleted.

Finding: As a matter of policy JVFA will try to find a way to mobilize local capital. It has been studying a thrift plan similar to that of the Housing Bank which encourages savings by holding a lottery once a month and giving prizes. Tickets for the lottery are given free, the number depending on the amount and regularity of savings but structured to favor smaller depositors. JVFA recognizes the danger of the purchasing power depletion of the loan fund because of inflation but a higher interest rate would be contrary to Central Government policy which uses this way of subsidizing agriculture. The planned interest charge of 8% (reduced to 7% if paid on or ahead of date loan is due) is the same as the ACC and JCO charge. This is in keeping with GOJ law which limits interest charged by institutional lenders, including commercial banks to no more than 9%. The Islamic Bank is making non-interest loans which is possible because they obtain a participating equity in the enterprises they finance. JVFA expects to augment its loan capital and maintain the purchasing power of its revolving seasonal loan fund through the transfer of a portion of its anticipated profits to be derived from its sale of crop production inputs, marketing operations, possible grants from the Central Government and low interest loans from foreign donors. Present indications are that the double digit inflation which has plagued Jordan in recent years and reached a peak in 1976, began to moderate in 1977, and likely will continue to moderate in 1978.

Funds from this loan will be used by JVFA to provide credit, (mostly in-kind) to finance the cost of production inputs for Jordan Valley farmers. It is estimated that 95% of these inputs are not indigenous to Jordan and therefore, must be purchased on the world market. Fertilizers will constitute about 75% of the inputs to be financed. During the course of the past 10 year AID has provided financing for a number of development projects in which fertilizer was the major component. These

projects provided fixed dollar amounts to fund a fixed project requirement as to the number of tons of fertilizers to be purchased with the dollars provided. A review of these loans shows that with the dramatic and wild fluctuation of world fertilizer prices, almost all estimated of quantities to be purchased with funds to be made available were inaccurate. In some instances loans made to purchase 200,000 tons of fertilizer would only buy 50,000 tons at the time of disbursement, and in other cases funds provided to buy 100,000 tons actually bought 200,000 tons at the time of disbursement. These events occurred during a period of general worldwide inflation.

Many countries purchased large quantities of fertilizers at extremely high prices, and by the time they reached the country the world price had fallen to less than half of the purchase price, forcing the importer into bankruptsy.

Prices of agricultural chemicals have fluctuated wildly over the past 10 years, without significant trend or direct relationship to inflation rates.

USAID therefore, concludes that the purchasing power of JVFA's loanable funds in any year will be more affected by unprogrammable commodity price fluctuations than by inflation rates.

11. Over time, it is the plan of JVFA to become the sole supplier of institutional credit, crop production inputs and marketing services in Jordan Valley. When and if this happens, it would have a very adverse effect on the Jordan Cooperative Organization. The loans and sales of crop production inputs of the JCO to cooperative societies have been the most profitable part of their business in Jordan and JCO management questions whether they could continue to operate successfully without it. The cooperative societies organized by JCO have about one-third of the farmers in the Valley as members and membership is expected to grow about 10 percent per year for the next few years. Currently the societies have a 100 percent repayment record on seasonal loan maturities which totaled about 750,000 JD in 1977, about half again as much as the proposed USAID loan. The sale of agricultural supplies in 1977, totaled approximately 430,000 JD most of which was made available as loans in-kind. British, German and American advisors working with JCO speak very highly of the cooperative societies which have real grass roots support and see them as already accomplishing many of the objectives of JVFA.

Finding: JVFA would like to see the cooperative societies continue operating and is encouraging JCO to continue its organizational efforts. However, it believes JVFA can supply society members with credit and crop production inputs more efficiently and cheaper than JCO. This, coupled with the additional services it can offer, will in its opinion, enable it to more effectively serve farmers in the Valley. In this connection, JVFA plans to employ an integrated package approach whereby farm management guidance, production supply, credit and marketing services are made available to farmers which neither JCO nor ACC are ready to supply. There is, however, a high level committee appointed by the Prime Minister that is considering the question of how the activities of each can be coordinated and best utilized to help farmers in Jordan and the Valley. A decision on this matter is expected shortly. The salaries of JCO personnel working in the Valley are currently being paid by the Central Government and JVFA thinks under these circumstances it could continue operation elsewhere in the country without profits from loans and farm input sales in the Valley. Neither organization believes both organizations should try to provide loans and crop production input services in the Valley and either one or other must withdraw. A decision will be made after the Prime Minister's Committee reports. However, JVFA is confident that it will retain its legal franchise to be the prime source of seasonal credit services to its members.

12. Projections and decisions, such as credit requirements in the Valley, which are based on available statistics showing number of farm operators, tenancy, hectarage irrigated, cropping intensity, costs of production, crop yields, farm gate prices, development progress and other relevant data are not dependable. The data which comes from different studies and government sources are often conflicting, inaccurate or out of date.

    Finding: It is true presently available data are very unsatisfactory but it is all there's and must be used until better data are developed. JVFA intends to obtain data from the records of borrowers, monthly reports, audits and project evaluations which will provide a sound basis for future planning and policy decisions.

13. Extension has been a very weak link in the services available to farmers in the Valley. Extension workers have not been highly regarded nor called upon very often for farm management assistance. They have been severely handicapped in carrying out their work because: most of them live out of the Valley and

must communicate; they lack the transportation needed to visit farmers; there is an absence of on-the-farm demonstration plots to prove the validity of their advice on improved cropping technology and thus a creditibility gap exists and the high rate of illiteracy among farmers in the Valley makes communications with them difficult. JVFA plans to make these Ministry of Agriculture employees, who have little or no agricultural credit experience or training, responsible for taking loan applications and preparing the farm plans on which loan approval decision will be based. This might prove to be a very weak link in the credit program.

Finding: The JVFA responsibilities given to extension workers will add to their prestige in the Valley and improve their working relationship with farmers. Housing is being constructed by the Government and will be assigned to Extension workers thus eliminating the need to commute and the time lost in doing so. Improvements in transportation are being arranged and a training program for them has been planned. JVFA is consideri some kind of incentive plan for them that will be based on performance and this is expected to make them more responsive to JVFA needs and requests. A recent study, by a high level four men team of USDA experts, identified extension problems and suggested possible solutions to them, there will be a follow-up on this by JVFA who was represented on the counterpart committee working with this team.

14. There is a dearth of market intelligence available to the farmers of Jordan Valley which handicaps them in making crop production plans and in bargaining at the time of crop sales. Likewise, JVFA will need the best available market intelligence to effectively run its marketing centers and extend its farm management advice.

Finding: The Marketing Department of JVFA is cognizant of this problem and is planning to correct it with assistance from Dutch and British advisors who will be working with them. Also the services and facilities of the Agricultural Marketing Organization will be available to JVFA for this purpose. Studies have been undertaken in the major market outlets to identify future demand, competition, grading and packing requirements, price premiums for quality, storage needs and similar relevant information which will subsequently be communicated to Association members.

15. If JVFA can only supply 25% of its estimated loan needs in the Valley, how will the remaining credit need be met and what assurance is there that JVFA loans will be made available to meet the credit requirements of the most needy.

Finding: It is contemplated that at the start of the credit program that JCO and ACC will continue their credit operations. Likewise, it is anticipated that for the present landlords, relatives, the farmers own savings, supplies furnished by merchants and some commission agents will help supply credit needs. Only after JVFA has demonstrated its capabilities and advantages as a credit source and after its loan funds have been supplemented will it attempt to become the sole source of institutional credit for farmers in the Valley. It will be the policy of JVFA to make a major part of their loans to small farmers,and USAID disbursement procedures will ensure this target group will be the main beneficiaries from the AID loan funds.

16. Why is it necessary for JVFA to get into the agricultural credit business when two other government sponsored organizations, ACC and JCO, are already in it and making leans to the farmers in the Valley.

Finding: The Government of Jordan assigned JVFA the responsibility for extending agricultural credit in the Valley when Law 19 was approved. It was thought that the special farm development needs of the Valley required a coordinated packaged approach to credit extension which existing organizations were not ready to supply. The ACC credit program was designed primarily to help farm owners requiring medium-term loans and with very few exceptions real estate security was required. The JCO program was designed to only help members of cooperative societies. These societies were organized primarily on the basis of family or tribal affiliations and did not reach a large segment of the farming population, especially the tenant farmers. The control of JVFA would have over the marketing of crops would make possible loans to any bonafide farm owner or tenant in the Valley with priority attention to tenants. The Extension Service, Agricultural Research Service, Jordan Valley Authority, Agricultural Credit Croporation, Agricultural Marketing Organization, Jordan Cooperative Organization and other Government Organizations all promised to assist JVFA carry out its responsibilities and meetings were held to coordinate the effort. It was a

couple of years subsequent to the assignment of the credit extension responsibility to JVFA that JCO became real active in organizing cooperative societies and servicing them and it was following a successful effort on its part that it decided it wanted to retain this business. A letter to this effect to the Prime Minister prompted the establishment of a committee by him to study the problem and make a decision on who and how this important service should be provided. A decision on this question is expected when the appointed committee submits its recommendations.

17. Considering the net income, of farmers in the Valley, what is the basis for projected size of sub-loans?

Finding: The Jordan Valley Irrigation Project - Stage II Feasibility Study prepared by Harza Overseas Engineering Co estimated the net farm income for owner-operators in the irrigated areas at JD 523 per hectare, or just over JD 2000 per family operating an average size farm of 4.0 ha.

The average projected sub-loan size of JD 800 is based on the above data given in the Harza feasibility study, Appendix G, pages G-131 and G-140. See Annex D for details on average loan size by year of project.

CREDIT POLICY STATEMENTS
JORDAN VALLEY FARMERS ASSOCIATION
(JVFA)

1. The JVFA credit program is based on the premise that a successful agricultural credit program requires borrowers be furnished a coordinated and integrated package of inputs. It is designed to assure the availability of:

a. Adequate land, capital goods resources and crop production supplies when and where needed at reasonable cost. JVFA will require that borrowers be either landowners or tenants with an equitable lease and with sufficient land under their management to support an economic sized operation; a careful analysis will be made of farm machinery, livestock, and other capital goods needs. If these items are needed, loans will be made to purchase essential requirements or, alternatively, JVFA expects to establish a custom farm machinery service wherein adapted equipment will be rented or services performed with it at a nominal cost. This will be especially helpful to small farmers whose small operations and limited use would not provide an economic basis for purchase. Fertilizers, pesticides, seeds and seedlings will be procured by JVFA and made available to association members for purchase or through loans in kind. Large bulk purchases will permit sales at nominal prices and information on how to most effectively use them will be supplied by Extension Workers. New soil testing equipment is being made available in the Valley and JVFA will encourage members to test their soils and obtain prescription blended compounds mixed to meet specific soil and crop needs. It is also encouraging private enterprise to buy bulk blending equipment to more economically meet fertilizer needs of farmers in the Valley.

b. A profitable market outlet for the crops of each member of the Association. JVFA will have the exclusive right to establish, administer and operate wholesale markets

for crops grown in the Jordan Valley. Grading, packing, storage and transport services will be offered. The farmers need to deal through a commission agent will be ended. The establishment of grading and packing standards for exports will help to maintain and expand this market. JVFA "in-kind" loans will help assure the use of the best adapted varieties and make possible a more uniform standardized product. JVFA will use its influence to organize the crop production of members to more profitably meet market demand by supplying farmers with preplanting projections of marketing demand and through the Agricultural Marketing Organization contracting for some crops. This will help reduce the periodic prevalence of excessive poor quality supplies and deficits of exportable quality produce. In addition, it will help reduce the related large price fluctuations in these products. It will also make sales of surplus supplies of some vegetables to the government sponsored canning factory in Amman which will help maintain a reasonably good price for this produce.

c. The availability of the best adapted farming technology. An extension worker will be available to provide advice in each development area. The Farm Management Division of JVFA in cooperation with agricultural research and crop specialists from the Ministry of Agriculture will prepare farm management manual outlining the best adapted farming and irrigation practices, current costs of production, price, yield, and other relevant information. Each of the assigned extension workers in the 33 development areas will be provided with one of these manuals to assist him in the preparation of farm plans and in advising farmers. JVFA will use its influence to get the Ministry of Agriculture to establish demonstration plots in the development areas to show the economic advantages of using adapted technology and introducing new crops. A farm plan will be prepared

showing the entire credit needs and repayment ability of the borrowers. It will show what new improved farming practices the farmer has agreed to carry out and when implementation will take place. The extension worker will follow-up at the prescribed time to provide any needed technical assistance and see the practices are implemented.

2. There will be quick and timely loan disbursement with a minimum of red tape. The loan making process will be designed so an applicant can make his application and farm plan, obtain his loan funds and input supplies and repay his loan in the development area where he resides. It is anticipated his necessary contacts with the loan office usually will be about three times during the entire crop season, i.e. when he makes his loan application, when he receives his money and when he repays his loan. One additional trip may be necessary if his loan is disbursed in installments. Direct and indirect costs of obtaining a loan will be minimal; forms will be furnished free and security appraisal costs which are graduated depending on loan size will range between 2 and 5 JDs. It is anticipated that loans less than 500 JDs can be disbursed within 10 days after the loan application is filed. Loans between 500 and 2000 JDs which require Central Credit Committee approval within 15 days and those over 2000 JDs within 20 days. Interest costs on seasonal loans will be 8 percent but one percent will be forgiven if the borrower pays his loan on time.

3. A fair but firm loan collection policy will be followed. Timely collections will be made when crops are marketed. An understanding will be reached with borrowers before the loan is made about the need for prompt payment of any installments due when crops are sold whether the installment is due

or not and the consequences if payment isn't made, loan renewals will be made only in case of natural disasters or conditions beyond the control of the borrower. Lists of JVFA borrowers will be made available to other credit institutions operating in the area so they will be advised of the prior claim JVFA will have on the borrowers crop proceeds and to eliminate possible duplication of credit extension.

4. JVFA plans to develop a program of rural capital mobilization. The successful savings program of the Housing Bank which encourages regular savings by giving lottery prizes will be carefully evaluated and emulated if it appears that it may work.

5. JVFA will take the initiative in sponsoring an innovative crop insurance program that will help reimburse members for losses which occur because of natural disaster or conditions beyond his control such as a frost. It proposes, when production is normal, to deduct a small percentage of the sale proceeds from each box of produce sold at the marketing centers and with matching funds which it hopes to get from the Central Government, create a fund that can be used to help farmers when unexpected crop losses occur.

6. JVFA will make loans to small tenant farmers who are currently unable to obtain credit from other institutional sources because of their inability to meet loan security requirements. Because of its control of crop marketing, JVFA can make set offs from crop proceeds and take crop mortgages to secure loans.

7. Underprivileged tenant farmers will receive priority attention for loans that will be based on need and repayment ability rather than the security offered.

8. It will be the policy of JVFA to finance all the legitimate credit needs of an applicant. This will be determined by discussions with him, visits to his farm, and based on a realistically prepared farm plan which among other things will show all the families' expected seasonal and longer-term expenses, debt repayment requirements and incomes. Special encouragement will be given to those farmers agreeing to use new, adapted technology designed to increase farm production and income.

9. JVFA will encourage active participation of small farmers and urge them to seek election to Development Area Council Committees and the Board of Directors of the Association.

10. JVFA management will recommend a change in the Association by-laws which disqualifies a tenant farmer operating less than 15 dunums from membership, if the tenant expects to follow an intensive type of agriculture such as plastic tunnels or drip irrigation. It will also use its influence to overcome problems of obtaining satisfactory written leases and certifications regarding management responsibilities which prevent tenants from becoming members of the Association and eligible for loan assistance.

11. JVFA will arrange for setting up appropriate files on each borrower, regular monthly progress reports, yearly audit and for evaluations which will provide needed information to determine progress, identify problems and to determine appropriate policy and procedure changes.

12. Provision will be made for training and orientation of all personnel involved in the loan making,

servicing and collection process before implementation of the credit project and for budget for follow-up on the job training.

13. JVFA will have warehouses and distribution facilities for crop production inputs, loan offices and meeting facilities for groups in 24 different locations in the Valley to facilitate service to members.

14. JVFA will use its influence to obtain needed health, education, potable water, home management and other services and facilities from other government organizations responsible for social services and infrastructure development.

15. Through the availability of borrower records and monthly reports, JVFA will develop up-to-date information on crop yields, costs of production, farm gate prices, cropping intensity and other pertinent information needed for planning credit needs and preparing farm plans realistically.

16. A personnel policy will be developed covering Development Area Councils, Credit Committees, Board of Directors, Inspection Committees, Staff Members and all other personnel receiving compensation from JVFA. It will describe qualifications for the position, job description, terms of office, responsibilities, rates of pay, causes for dismissal and other matters related to the position.

17. Procedures for implementing the different JVFA policies, functions and services offered in the credit program will be prepared with legal advice and with help from USAID advisors on credit and farm management. This will include a step by step description of how each step will be taken and how each form will be used in making loan applications, preparing farm plans, making security appraisals,

documenting and processing loans, disbursing funds and loans in kind, making loan collection, preparing receipts, setting up and maintaining files, accounting and bookkeeping practices, preparing reports and evaluations and all other actions and documentation involved in making, processing, servicing, disbursing and collecting loans as well as reporting loan activities.

18. The activities of the six operating Departments of JVFA will be closely coordinated so the actions of each will supplement and support the activities of the other and to prevent any duplications or overlapping of activities.

19. The primary objective of the JVFA credit program, in concert with the other activities, will be to develop agriculture in the Valley in a manner that will enable farmers to participate in formulating and implementing agricultural policy and programs in the Valley, to insure equitable earning for them, to increase food production and to optimize the use of arable land and water resources in the Valley.

20. An information, public relations and educational program will be developed which will assure that there is an informed and active membership in the Association.

21. Sufficient information will be developed and documented before the approval of any loan to reflect:

a. The applicant is a person of honesty, integrity, a hard worker, cooperative and will be responsive to supervision.

b. The family will have adequate land resources on reasonable terms, needed capital goods, crop production inputs at the time and place needed and other resources required for a successful operation.

c. That an agreement was reached with the farmer regarding the farm practices he will use and a schedule of visits set up by the Extension Worker to provide any needed assistance in introducing new technology or improved farming practices.

d. Plans for crop marketing have been discussed with the farmer and an undertaking reached that his loan will be repaid from crop proceeds.

e. Adequate plans have been made for meeting all essential farming and family living expenses and that the loan is based on need and repayment ability.

f. Proper consideration has been given to long-term development needs on the farm.

g. Consideration has been given to the families' social, environmental, health, education, sanitary, housing and other needs that affect quality of life and any action needed from cooperating government agencies arranged with proper follow-up.

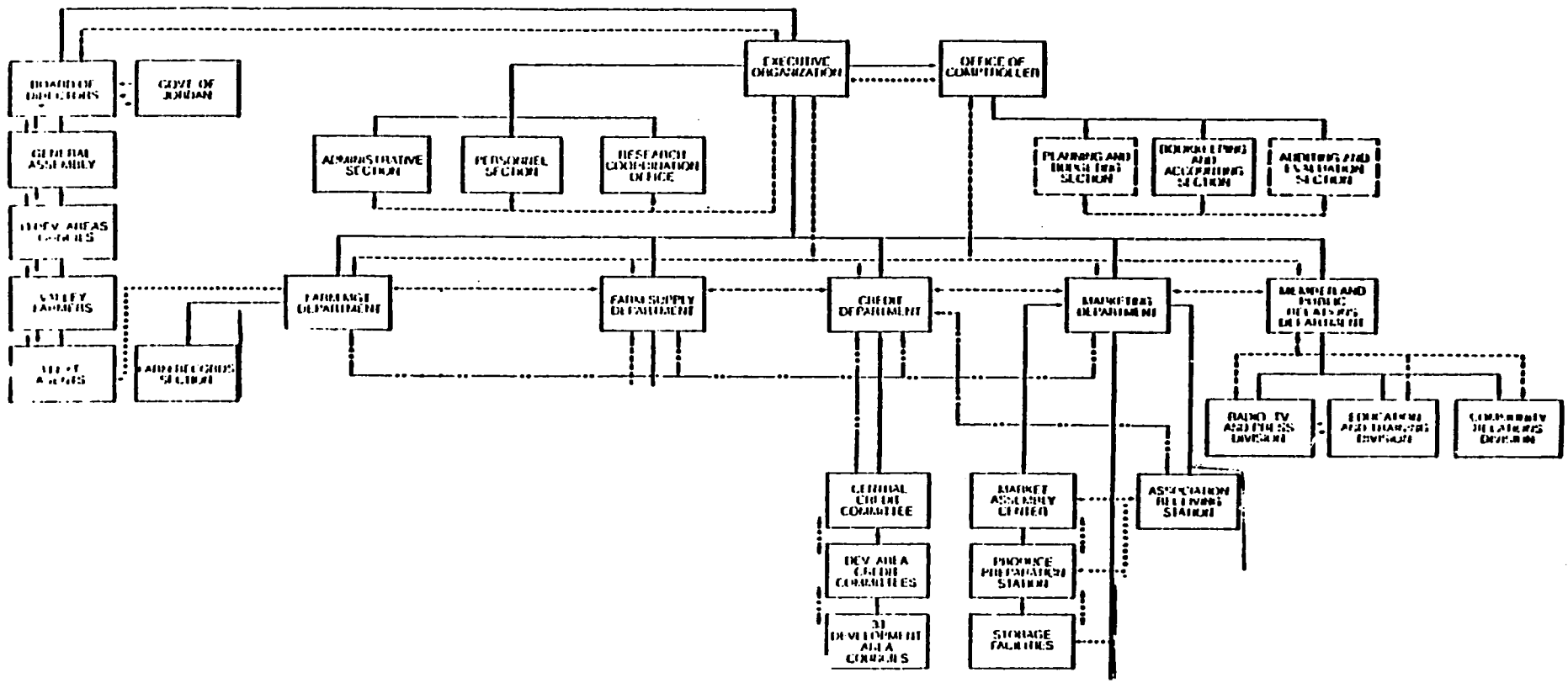
h. An analysis of the farm plan shows sufficient income will be generated to pay farm operating and family living expenses, maintain capital goods, provide for the orderly retirement of any indebtness including the proposed loan and leave a reasonable reserve for emergencies.

Only when the loan approving official believes the loan will enable the farmer to increase his production, income and quality life will it be approved.

22. JVFA is aware of possible environmental damage arising from the use of pesticides, water and wind

erosion, poor drainage and lack of sanitation and will use its influence to prevent damage. It will also take the initiative in encouraging tree planting on public lands and in farms in the Valley to improve environmental quality.

Chart 1 FUNCTIONS AND ORGANIZATIONAL STRUCTURE OF JVFA



FLOW OF AUTHORITY

FLOW OF COMMUNICATIONS

FLOW OF COORDINATION

ANNEX J

THE HASHEMITE KINGDOM
OF JORDAN
NATIONAL PLANNING
COUNCIL
AMMAN
Tel. 44466 — 44470
P. O. B. 555
Teleg. NPC — Amman

بسم الله الرحمن الرحيم

المملكة الأردنية الهاشمية
المجلس القومي للتخطيط
عمان

No. 2115/1912
Date 20/6/1978
Ref.

JUN 21 1978

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USAID	ACTION	INFO	Initial
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الرقم
التاريخ
المرافق

Mr. Christopher Russell,
Director,
USAID/Jordan
American Embassy
Amman

Subject : Request for an AID Loan for Seasonal Production Credit.

Dear Mr. Russell,

The National Planning Council, on behalf of the Government of Jordan, hereby makes request for an AID Loan of $ 1.5 million which will be relent to the Jordan Valley Farmers Association (JVFA).

Loan Funds will be utilized by the JVFA Credit Department for a seasonal crop production loan revolving fund for lending to creditworthy farmer members of the Association on an equitable basis. The majority of borrowers will be tenants, sharecroppers and owner-operators of small irrigated farms (4.0 ha. or less) in the Jordan Valley.

Loans to farmers will be based on farm plans, be supervised and be repaid at the end of the crop season.

I would greatly appreciate it if you would take the necessary steps in connection with the proposed loan and make arrangements for its early implementation.

BEST AVAILABLE COPY

[illegible],

cc.: [illegible]
cc.: [illegible]
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CREDIT REQUIREMENTS AND PROJECTED DEMAND

Several estimates of seasonal credit needs have been made previously by different government organizations and as might be expected, considering the wide variability of baseline data, the estimates vary widely, ranging from 3 to 10 million JD. JVFA credit demand estimates have been based on ACC credit experience and projections with cost of production estimates of 250 JD per hectare for vegetables. Currently available, unpublished data developed by the Agricultural Economics Department of Jordan University with the assistance of a Ford Foundation Grant, suggest these previous estimates were conservative. Based on cost of production data developed in this 1978 study, it is estimated that next year's seasonal credit need will be about 15 million JD. This is an order of magnitude estimate using some crop hectarage and cropping intensity estimates that are dated and inconsistent with data from other sources.

A. Assumptions

1. The irrigated area currently being cropped is 26,000 ha. This number of irrigated hectares cultivated was provided by JVA. It is believed that at the present time this may be high because some of the contemplated development is not completed. To the extent this is high, the estimates of credit needs will be high.
2. The cropping intensity is 1.06 as shown in Table 4.
3. The intensity of production on vegetable crops is 1.15 and it is 1.00 on cereals, fruit, and fodder.
4. The costs of production are those shown in Table 5, which does not take into account this year's increase in costs due to inflation.
5. More than half of the vegetable production is in high cost crops like tomatoes and eggplant which will make the average cost of production about 500 JD per hectare.
6. Seasonal costs of production for citrus, bananas, cereals and fodder

crops which are not shown in Table 5, have been estimated to be 100, 200, 5, and 20 JD respectively. Costs on cereals are low because traditional methods are used in producing them; some farmers even retain their own seed.

B. Calculations

1. 26,000 x 1.06 cropping intensity equals 275,560 ha, the area in crops.
2. 26,000 ha x 56.2% the area in vegetables x 500 JD per hectare, cost of production equals 7,306,000 JD, the credit need for vegetables.
3. 26,000 ha x 4.8% the area in bananas x 2,000 Jd per hectare cost of production equals 2,496,000 JD, the credit need for bananas.
4. 26,000 ha x 9% the area in citrus x 1,000 JD per hectare cost of production equals 2,340,000 JD the credit need for citrus.
5. 26,000 ha x 19% the area in cereals x 50 JD per hectare cost of production equals 247,000 JD, the credit need for cereals.
6. 26,000 ha x 30.2% the area in fodder x 200 JD per hectare cost of production equals 1,570,000 JD, the credit nead for fodder.
7. The sum of the calculated credit needs shown above is 14,259,000 JD or nearly one-third higher than pervious high estimates.

Observations in the Valley suggest the above estimates for fodder production are too high and those for vegetables too low, thus the credit need is probably somewhat higher than that which has been calculated; this is especially true if allowances are made for family living expenses which were not included in the above calculations. Nor has any estimate been made for medium and long-term needs.

C. Credit Demand

The current seasonal demand for credit will be significantly less than the calculated need because:

TABLE 4: CROPPING INTENSITIES

CROPS	PERCENT
TOMATOES	21.7
EGGPLANT	9.7
CABBAGE AND CAULIFLOWER	5.2
ONIONS	2.6
POTATOES	3.2
SQUASH AND CUCUMBER	4.6
BEANS	7.0
SWEET PEPPER	2.2
WATERMELONS	-
OTHER VEGETABLES	-
TOTAL VEGETABLES	56.2
BANANAS	4.8
CITRUS	9.0
OTHER FRUIT	-
TOTAL FRUIT	13.8
WHEAT AND BARLEY	7.5
COARSE GRAINS (MAIZE)	11.5
SESAME	-
TOTAL CEREALS	18.9
ALFALFA	13.2
BERSEEM	8.2
FODDER MAIZE	8.8
TOTAL FODDER	30.8

SOURCE: CONSENSUS, MADE BY JORDAN VALLEY AUTHORITY, BASED ON INFORMATION FURNISHED BY NINE DIFFERENT GROUPS OF CONSULTANTS - JORDAN VALLEY DEVELOPMENT PLAN, NOVEMBER 1975.

TABLE 5: COSTS OF PRODUCTION IN EAST JORDAN VALLEY (1976-1977 PRICES)

CROPS	COSTS OF PRODUCTION JD PER HECTARE
TOMATOES	645
EGGPLANT	603
POTATOES	563
PEPPERS	514
GREEN BEANS	417
BROAD BEANS	251
CAULIFLOWER	340
CABBAGE	340
SQUASH	382
CUCUMBER	450
ONION	320
WATERMELON	156

SOURCE: UNPUBLISHED DATA: DEPARTMENT OF AGRICULTURAL ECONOMICS, UNIVERSITY OF JORDAN, JUNE, 1978

1. A number of larger farmers have sufficient capital resources to finance their own crop production needs.
2. Many farmers have the resources to meet family living costs and part of the farm operating costs.
3. Working members of a family or relatives can finance the credit need on some farms.
4. Some landlords and merchants are willing to furnish supplies without payment until crops are harvested.
5. Some farmers in the Valley go without needed inputs rather than borrow money from institutional sources because it is against their religious principles to pay interest.

Taking into consideration the above factors, current credit demand is estimated to be about 5 million JD or about one-third of the estimated need.

D. Future Credit Demand

Within the next five years, credit needs and demand is expected to increase very rapidly, probably more than 300%, for the following reasons:

1. The hectarage irrigated will increase from 26,000 hectares to at least 36,000 hectares.
2. The intensity of crop production is expected to increase from an estimated 1.06% to 1.31% or more.
3. There will be large capital investments in sprinkler and drip irrigation, plastic greenhouses, land development, farm machinery and farm buildings. In view of the shortage and high cost of farm labor there will be a substitution of capital for labor largely in the way of mechanization.
4. Many more farmers will adopt modern farm technology and use more fertilizer, pesticides, high-yielding varieties of seeds, and other crop production inputs.

5. It is expected that agriculture in the Valley will become more diversified; more fodder crop will be grown and more livestock produced, which will require additional capital.
6. The upward rate of inflation will decrease purchasing power and increase credit demand.

E. Meeting Credit Demands

JVFA will only be able to meet a small part of the credit demand in the Valley at the beginning of its operations. It was suggested they limit credit extension to small farmers unable to get adequate financing on reasonable terms from existing credit sources. However, JVFA feels it must not discriminate against any association member and that in its loan program it should serve equally all large and small association members on a first come, first serve basis. More than 50% of the farmers in the Valley will be classified as small, under a proposed definition which defines a small farmer as a farm operator in the Valley operating 4 ha or less of irrigable land. In view of this, JVFA expects to make at least 50% of its loans to small farmers and it expects to give priority attention to meeting their needs.

It is expected that until JVFA can obtain more adequate loan funds, that ACC, JCO, and others, who are currently supplying credit in the Valley, will continue making credit available.

ANNEX L

14 SEP 1978

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, NEAR EAST BUREAU

FROM : NE/PD, Selig A. Taubenblatt

SUBJECT: Jordan - Credit for Jordan Valley Farmers Association - FY 78 Loan of $1.5 Million

Purpose: Your approval is required to authorize a $1.5 million FY 78 loan to the Government of Jordan to assist in providing financial resources to the Jordan Valley Farmers Association (JVFA) for extending credit to small farmers in the Jordan Valley.

Discussion: The Jordan Valley Farmers Association was established by law in 1974 but did not effectively come into being until June 1977 with the appointment of a Director General. AID contributed to the conceptualization of JVFA with technical assistance services in 1976. In FY 1977 grant funds also were approved to assist the JVFA in establishing policies and procedures and developing viable systems of management/planning, farm management guidance, information and credit.

The proposed $1.5 million loan with $2.2 million from GOJ and other sources will provide about $3.7 million to establish a revolving seasonal credit program by JVFA's Credit Department.

A Project Paper was prepared and reviewed by the NEAC on August 3, 1978. Several issues were raised and communicated to the Mission. Appropriate CP's and covenants have been added to the project agreement to reconcile the issues raised. The discussion and disposition of issues is set forth in the attached memorandum dated September 6, 1978.

As regards Human Rights under Section 502 B of the FAA of 1961, as amended, the appropriate AID Human Rights Officer advises that there are no recent developments which adversely affect Jordan's respect for Human Rights. Advice to Congress for the project was not required.

Recommendation: That you approve a $1.5 million FY 78 loan to the Government of Jordan for subsequent reloaning to the Jordan Valley Farmers Association to establish a revolving credit fund for small Jordan Valley farmers.

Clearance:

NE/DP:BLangmaid _____ Date 9/11

NE/JLS:BRichardson _____ Date 9-8-78

GC/NE:JMiller _____ Date 9-8-78

AA/IAA:SCollins _____ Date 9-8-78

DAA/NE:ADWhite _____ Date 9-10-78

NE/PD:DJBrennan _____ Date 9/11/78

Drafted by NE/PD:RFFedel:acw:09/07/78:X21830

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS PART I

1. TRANSACTION CODE: A (A = ADD, C = CHANGE, D = DELETE)

PAF

2. DOCUMENT CODE: 5

3. COUNTRY/ENTITY: Jordan

4. DOCUMENT REVISION NUMBER:

5. PROJECT NUMBER (7 digits): 278-0207

6. BUREAU/OFFICE: A. SYMBOL: B. CODE: 3

7. PROJECT TITLE (Maximum 40 characters): Credit for Jordan Valley Farmers Asso

8. PROJECT APPROVAL DECISION — ACTION TAKEN: A (A = APPROVED, D = DISAPPROVED, DE = DEAUTHORIZED)

9. EST. PERIOD OF IMPLEMENTATION: YRS. 3 QTRS. 0

10. APPROVED BUDGET AID APPROPRIATED FUNDS ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE C. GRANT	PRIMARY TECH. CODE D. LOAN	E. 1ST FY ___ F. GRANT	E. 1ST FY ___ G. LOAN	H. 2ND FY ___ I. GRANT	H. 2ND FY ___ J. LOAN	K. 3RD FY ___ L. GRANT	K. 3RD FY ___ M. LOAN
(1) SA	133B		040		1,500				
(2)									
(3)									
(4)									
TOTALS					1,500				

A. APPROPRIATION	N. 4TH FY ___ O. GRANT	N. 4TH FY ___ P. LOAN	Q. 5TH FY ___ R. GRANT	Q. 5TH FY ___ S. LOAN	LIFE OF PROJECT T. GRANT	LIFE OF PROJECT U. LOAN
(1) SA						1,500
(2)						
(3)						
(4)						
TOTALS						1,500

11. PROJECT FUNDING AUTHORIZED (ENTER APPROPRIATE CODE(S)) 1 = LIFE OF PROJECT, 2 = INCREMENTAL LIFE OF PROJECT: A. GRANT: ; B. LOAN: 1

C. PROJECT FUNDING AUTHORIZED THRU FY: 78

12. INITIAL PROJECT FUNDING ALLOTMENT REQUESTED ($000)

A. APPROPRIATION	B. ALLOTMENT REQUEST NO. ___ C. GRANT	D. LOAN
(1) SA		1,500
(2)		
(3)		
(4)		
TOTALS		1,500

13. FUNDS RESERVED FOR ALLOTMENT

TYPED NAME (Chief, NRR/FM/FND)

SIGNATURE

DATE

14. SOURCE/ORIGIN OF GOODS AND SERVICES: [X] 000 [X] 941 [X] LOCAL [ ] OTHER ___

15. FOR AMENDMENTS, NATURE OF CHANGE PROPOSED

FOR SEC/BIAS USE ONLY	16. AUTHORIZING OFFICE SYMBOL	17. ACTION DATE MM DD YY	18. ACTION REFERENCE (Optional)	ACTION REFERENCE DATE MM DD YY

AID 1330-4 (7-78)

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

ASSISTANT
ADMINISTRATOR

PROJECT AUTHORIZATION
AND REQUEST FOR ALLOTMENT OF FUNDS

PART II

Name of Country: Jordan

Name of Project: Credit for Jordan Valley Farmers Association

Number of Project: 278-0207

Pursuant to Part II, Chapter 4, Section 532 of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Loan to Jordan (the "Cooperating Country") of not to exceed One Million Five Hundred Thousand United States Dollars ($1,500,000) (the "Authorized Amount") to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described in the following paragraph.

The project consists of assisting the Jordan Valley Farmers Association ("JVFA") in making supervised seasonal loans to farmers in the Jordan Valley.

The entire amount of the A.I.D. financing herein authorized for the project will be obligated when the Project Agreement is executed.

I hereby authorize negotiation and execution of the Project Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority subject to the following essential terms and covenants and major conditions; together with such other terms and conditions as A.I.D. may deem appropriate.

a. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to A.I.D. in United States Dollars within forty (40) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in United States Dollars interest from the date of first disbursement of the Loan at the rate of (a) two percent (2%) per annum during the first ten (10) years, and (b) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods and Services

Goods and services financed by A.I.D. under the project shall have their source and origin in the Cooperating Country or in countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing.

c. Initial Conditions Precedent

Prior to any disbursement, or the issuance of any commitment documents under the Project Agreement, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish in form and substance satisfactory to A.I.D.:

1. An executed copy of the Reloan Agreement between the Cooperating Country and the JVFA making available the proceeds of the Loan to the JVFA for the project.

2. A plan by which the JVFA will provide an integrated package of services to small farmers.

3. Evidence that the JVFA has hired for 1978, and is recruiting for subsequent years, sufficient personnel to carry out the project.

d. Covenants

The Cooperating Country shall covenant:

1. To provide by December 31, 1979 a report on the first year's operating experience of JVFA to serve as a basis for discussions between A.I.D. and the Cooperating Country for making the necessary adjustments or changes in operating procedures to improve services and operations.

2. To provide by December 31, 1980 a report on JVFA's operating experience over the first two years. It will discuss and identify credit advanced or denied farmers, tenants and sharecroppers in the Jordan Valley and explore the means for making such credit more readily available to those farmers not participating.

Joseph C. Wheeler
Bureau for Near East

September 14, 1978
Date