

PD-ARW-790

23216

JORDAN ACTION PLAN
March 1988

JORDAN

FY 1989 ACTION PLAN

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SECTION I - EXECUTIVE SUMMARY

I am very pleased with the progress the Mission has made in implementing the CDSS we submitted in April, 1986. Although the lower levels of FY 1988, compared to those during the \$250 million Supplemental, have forced us to stretch out our project design obligation and implementation, the central theme of a comprehensive approach to private sector development in Jordan remains intact and gaining strength. Now that implementation on the projects authorized in FY 1986 and FY 1987 is forcefully underway and benefits are beginning to be seen, USAID's position as the forthmost partner with the Government and people of Jordan is emerging from the shadows of our necessary, but bureaucratic, routines. This position is beginning to be recognized by the general Jordanian public in numerous mentions in the media, at seminars and conferences and in social discourse. We have, in two short years, moved the interest in the private sector as an engine of development from the rhetorical to the practical. As the UNDP Resident Representative said last week, "UNDP/New York has told us to put helping the private sector into our portfolio and everywhere we turn for ideas, USAID is active."

Much has been accomplished, much remains to be done. We have new projects to design, authorize and implement, Government policies need study and change. Old attitudes in the society need to be examined and modified. USAID needs to sharpen our focus in monitoring and evaluation. Beneficiaries need to be studied and benefits quantified. Mortgages and pipelines need to be carefully watched and controlled. But the basics are there and with a gifted staff of Jordanians and Americans we think the job can be done.

L. P. Reade, Mission Director
USAID/Jordan

SECTION II Action Plan Narrative

A. Private Sector Approach and Changes in Country Environment

Developments in the Jordanian economy in 1987 reconfirm the validity of USAID/Jordan's private sector-focussed development strategy. World oil prices are depressed and likely to remain so for the medium-term. As a consequence, the recession in the Middle East region is likely to continue over the near term. Jordan is bound to the fortunes of the region as the area provides a source of employment for emigrant workers, a market for Jordanian agriculture and light manufacturing, and a source of grant aid.

In light of the continued recession in the Middle East, the Jordanian economy cannot base its hopes for future economic development on a resurgence in growth in the region; in the interim, providing counter-cyclical boosts to aggregate demand through government deficit spending. Instead, Jordanian industry and agriculture must become more competitive and thereby increase sales and income; in the domestic market, replacing local products for imported commodities, and in export markets finding new niches and products.

As outlined in last year's Action Plan, the Mission's policy dialogue and projects target three objectives:

1. Improving productivity and marketing;
2. Increasing private sector investment in productive sectors; and
3. as a result of these activities, increasing employment.

Productivity improvements are essential for Jordan to reduce production costs of manufactured goods, agricultural products, and business services, thereby becoming more competitive in domestic and export markets. Raising productivity and cost recovery in key government services used by business (e.g. water and sewer, electricity, and transportation services) will reduce the fiscal drag on Jordan's economy and reduce costs to the productive sectors. Better merchandizing and improved export marketing efforts are needed to bolster the revenue performance of domestic enterprises and increase export sales. Improved productivity and better marketing will enable productive enterprises to pay better wages, thereby raising income.

The Mission is moving forward with a comprehensive private sector program, which includes:

-- development of business skills among Jordanians through participant training;

-- strengthening business management and industrial engineering training institutions;

- expanding or establishing private sector organizations and associations supportive of growth in the manufacturing and services industries, broadening the standards and certification functions of these associations, and strengthening their capabilities to initiate policy dialogue with the government on issues pertinent to development of their respective industries;
- establishing experimental lending mechanisms for small and medium scale enterprises;
- strengthening business service industries to provide technical assistance to improve local manufacturing, developing a local market for such services partly through the formation of model service firms, and exploring potential regional markets for the export of these services;
- facilitating joint ventures and other teaming arrangements between U.S. and Jordanian firms and sponsoring information and technology transfer through staff exchange programs, seminars, and other means.

The individual projects and activities are coming together to create a matrix of support for the growth of business, industry, trade and investment. A policy environment that enables businesses to use this support most effectively is the complementary goal and focus of our policy dialogue.

We firmly believe the private sector strategy continues to have more impact than an alternative approach, such as a program based exclusively on buying policy reform. That is to say, policy reform is a necessary but not sufficient condition to effect the transition required for full-scale growth with equity. Our approach includes emphasis on program interventions that are required to help improve Jordan's economic structure. We realize that with our currently limited resources we cannot finance comprehensive programs to revamp entirely the financial sector, but we can show the way to useful reforms. In so doing, our project assistance complements and reinforces our policy dialogue.

A specific instance is the PETRA project, which is successfully lending on a cash flow basis. The PETRA Committee, composed of senior personnel from Government and banking, is now encouraging "experiments" in cash flow lending in the local banking community.

Recent successes of the private sector program are described in Section C. The private sector program strategy has moved from a mere concept to a point where results are visible. However, what is now in place is not complete or optimal. Additional activities to support the financial sector, export development, trade and small enterprise growth are essential. Specific bilateral and multilateral projects in these areas are needed to complete the matrix of support for the private sector.

We will continue this private sector program emphasis and add a trade and investment orientation. Again, the true success of our private sector activities is demonstrated by the fact that it has

set the foundation and supporting structure for a successful trade and investment initiative. We plan to support in the next 18 months the establishment of an Export Council, the development of an Import Support Facility, a high-level Trade and Investment Mission, and possibly a Commercialization of Technology/Venture Capital Fund. The success of all of these trade and investment activities will rest on the ability of Jordan to make the private sector its engine of sustained economic growth. USAID/Jordan's contribution to this task is proving to be substantial.

Lower levels of economic assistance do not undercut the validity of the strategy but merely reduce the pace and scope that can be undertaken by USAID in implementing the strategy. Following last year's Action Plan review, the Mission has revised its policy dialogue agenda to accommodate reduced assistance availabilities. Unless major political and/or economic changes occur, the Mission sees no need for a strategy revision or update. In the Mission view, a new CDSS prior to the five year requirement would only be necessary if a Middle East peace settlement led to:

- programming of significantly enhanced levels of economic assistance (\$100 million plus per fiscal year), and/or
- integration of the East Bank and West Bank economies.

There has been an important development in Jordanian-Syrian relations which might affect the Mission's current strategy. Jordan and Syria have reached agreement on proceeding with the Maqarin (Unity) Dam. Since the 1950's, the U.S.G. has played an important role in mediating disputes over water rights and utilization in the areas bordering Israel, Syria, and Jordan. With the Maqarin Dam agreement, the U.S. will again serve as mediator with associated financial responsibilities.

A strong case can be made for constructing the Dam; should the U.S. choose to provide assistance, USAID/Jordan would require a slight shift in proposed staff resources to monitor construction. The enhanced level provided by Maqarin Dam funding would also strengthen the U.S. position as a major donor in Jordan, giving greater access to GOJ policy makers.

B. Policy and Program Direction

At last year's Action Plan review USAID agreed to submit by December 1987 an updated list of policy reforms, pegged to an \$11 million program level and stated with as much specificity as possible. USAID/Jordan submitted a revised policy dialogue agenda for AID/W review in July and received AID/W approval for the revised dialogue in November. The policy dialogue agenda items and associated benchmarks are discussed in Section II. The following discussion reports on the general macroeconomic policy environment and on progress and plans in specific policy dialogue areas.

1. Macroeconomic Policy Setting

As approved by AID/W, the revised policy dialogue agenda, does not address issues of macroeconomic policy. Nonetheless, the Mission maintains a continuing concern in this area. As an economic development agency, USAID/Jordan monitors economic policy developments and trends in macroeconomic variables, and, as conditions permit, raises issues of macroeconomic policy change with key decision-makers. In the past year, USAID/Jordan has discussed with the GOJ the unsustainability of current government deficit spending financed by Central Bank advances, the World Bank recommendations for trade policy reform, and the level of the exchange rate.

USAID/Jordan and the Ambassador played a major role in raising the issue of the sustainability of growth led by government deficit spending. In turn, the Government has asked the World Bank to prepare a Country Economic Memorandum to examine specifically the sustainability of high levels of government spending and the efficacy of such a growth path.

Our formal economic policy consultations with the GOJ were held in December and concentrated on a review of the policy recommendations in the World Bank's Policies and Prospects for Small and Medium Scale Manufacturing Industries.

As our reporting cable indicated, Ministry of Planning officials asserted that the GOJ was preparing a series of recommendations to the Cabinet based on the findings of the World Bank's report. However, senior government officials, including the Prime Minister in the budget hearings before Parliament, continue to cite the protection afforded local industry as a positive step towards motivating private sector growth. Based on these positions, prospects for liberalization of Jordan's trade regime seem remote. On the other hand, the GOJ has implemented the World Bank's recommendation that government ministries pay customs duties on imports for their own account. This reduces the bias towards imports in government procurements and against small domestic enterprises.

Based on the movement of the Jordanian Dinar against the SDR and competitor country currencies in regional markets, the Mission suggested that an exchange rate adjustment might be an essential precursor to more dynamic economic growth. In fact, the GOJ has made an important exchange rate adjustment, gradually allowing the Dinar to slip some 16% from its formal peg to the SDR. Since December 1987, the exchange rate has remained stable with the Central Bank reportedly tying the rate to a new currency basket with a far higher dollar content.

2. Impediments to Business Establishment & Investment

With support from PRE's PEDS Project, the Mission is examining Jordan's investment climate in comparison to competitor countries in the region. A survey of impediments to business establishment is also about to be undertaken by the Jordanian Royal Scientific Society financed by USAID resources. With Jordan planning trade and investment missions to Japan and the United States in April and May respectively, there is keen interest in learning how Jordan can best sell itself as a place to invest by improving its investment climate.

We plan on designing a loan guaranty project this year, a component of which will be to institutionalize research on policy problems facing small business. As a pre-implementation step, we will explore the possibility of undertaking some studies of benefit to small enterprises either through the Chamber of Industry and the Industrial Development Project or through the research fund established at the University of Jordan Business School under the Management Development Project. One option is a study of government tender and procurement practices and whether changes in these could improve opportunities for small business to supply government needs.

3. Financial Market Liberalization

The Central Bank has begun developing a secondary market for treasury bills and government bonds. The Central Bank no longer offers rediscount facilities for government bills and bonds, and to meet liquidity needs banks are expected to sell holdings of such government instruments. Banks with excess liquidity are expected to find the new secondary market a profitable way to invest excess resources. The Central Bank publishes a yield curve which is to serve as a guide to buyers and sellers; however, the Central Bank will not intervene to defend published yields. As experience in trading in government bills and bonds deepens, the Central Bank expects a secondary market will also become active for corporate bonds.

To help mobilize support within the financial community for further liberalization, we are planning an expert seminar on financial market liberalization, drawing on international

financial and banking experts. The seminar would serve as a kick-off for the design of an FY 90 Trade and Investment Project.

Concerning government guarantees for syndicated loans to large enterprises, it should be noted that the amount which commercial banks could rediscount at the Central Bank had been reduced in 1985 from a maximum of 25% to the current 15%. Thus, there has been some revision downward of the greater returns to government guaranteed instruments as against commercial risk capital.

As part of our dialogue on liberalizing financial markets, we have been encouraging banks to "experiment" with cash flow lending to complement or replace high collateral loans (often 150% of lending). Part of the problem is the government ceiling on the interest rates which makes it impossible for the banks to cover the additional risk often associated with uncollateralized lending. However, there is also a serious structural problem in the banking community in that only collateralized loans are considered secure.

Under the PETRA Project, we have lent to small and medium businesses based on a cash flow analysis. This lending is demonstrating to bankers that good projects that generate income are reasonable risks, even if collateral is unavailable. Flowing from these positive experiences, we are redirecting our Small Enterprise Project to become a Loan Guaranty Program for small enterprises. With TA and training, participating banks will lend their own funds, backed in part by the project's guarantee, to small enterprises which are generating an adequate cash flow to service the loan. Through its demonstration effect, the project should significantly contribute to modernizing bank loan policies.

4. Reducing the Role of Government in the Economy

Our privatization efforts are underway and progressing. Royal Jordanian Airline will hire an investment banker to assist in making private placements of their equity; we will be assisting in the process. The Government, and in particular the Minister of Finance, has indicated that the privatization of the Telecommunications Corporation should take place as rapidly and inexpensively as possible. A Center for Privatization team will prepare a complete implementation plan by the end of March. A recent change of the Minister of Transportation has slowed actions on the privatization of the Public Transport Company. The new Minister declared his support for the privatization efforts and his intention to proceed as outlined by the USAID consultants; the Mission will pursue the issue with the Minister.

While continuing our dialogue on the Public Transport Company and Telecommunications Corporation privatizations, we have also begun to dialog with the GOJ on selling off some of the government's shares in productive enterprises. USAID has prepared an analysis showing the consolidated holdings in such enterprises by the Ministry of Finance, the Pension Fund, and the Social Security Corporation. The value of these holdings has been computed against their original cost, and holdings suggested for sale are those held directly by the GOJ and on which present value was close to, or exceeded, initial investment costs.

5. Agricultural Marketing

Important progress was made with the completion of an analysis of (a) the economic costs and benefits of the Agricultural Marketing and Processing Company (AMPCO)'s import monopoly, (b) the operation of the Amman wholesale market, (c) the effects on product quality and pricing of the retail reference price system, (d) Jordan's comparative advantage in fruits and vegetables, and (e) the effects and utility of the cropping pattern system.

Results of these analyses were presented in a high level workshop chaired by the Minister of Agriculture in Aqaba in February which drew senior participants from the principal agencies involved in agricultural production, marketing, and credit. Broad consensus was reached on the need to remove elements of the retail reference price system in order to improve farmer prices and allow product quality differentiation to emerge. Participants also agreed that priority should be given to investigating ways to increase competition within the Amman Wholesale Market; and, to establish for farmers and the market, better domestic and export market information systems on prices, qualities, and quantities sold. The analysis demonstrated that while the economic costs imposed by AMPCO's monopoly on importation of apples, garlic, onions, and potatoes exceeded benefits to the economy, these costs were not significant.

Most participants also agreed that AMPCO plays an important role in establishing initial penetration in new markets for fruits and vegetables. The function and future need of the cropping pattern (which sets limits farmers plant in selected vegetables), was the subject of considerable controversy. It remains an area where substantial efforts in education and analysis will be required if reform is to be achieved. Through the action committees established at the workshop and the resources to be made available under the Agricultural Marketing Development Project, USAID/Jordan is confident that momentum has developed for reform of policies affecting the marketing system.

6. Health/Population

Although Jordan still does not have an official population policy, King Hussein and the Minister of Health have recently made public statements which call attention to Jordan's rapid population growth. In these addresses, Jordan's high population growth rate was related to pressures on natural resources, employment and the quality of life. In speeches noting Jordan's high population growth rate, the Minister of Health has further stated that frequent births represent a clear health hazard to both mothers and children. He has called for active inclusion of birth-spacing services as an integral part of the GOJ's primary health care program and as an important contribution to the GOJ's maternal-child health objectives.

In addition, the GOJ recently participated in a contraceptive technology workshop. This workshop became a forum in which the theme of birth-spacing for better maternal child health was restated. The Ministry of Health (MOH) has also begun training some of its staff in contraceptive service delivery. This training program is the result of a RONCO proposal and is funded by A.I.D. The proposal became acceptable to the MOH once all references to "family planning" were replaced by "birth spacing" and the rationale for the training was tied to the MOH's expanded primary health care efforts and maternal-child health objectives.

Mission staff have discussed the concept for the Marketing of Birth Spacing Project with the Minister of Health as an initiative consistent with existing health policies. He expressed his enthusiastic support for the idea and announced his intention to discuss the Project with the Prime Minister and within the Cabinet to solicit support for the Project. It is clear that with Palace and Cabinet interest in population issues, the opportunity now exists to initiate what would be the first bilateral project in contraceptive service delivery in the history of donor assistance to Jordan.

The Government's recent interest in birth spacing as a preventive care initiative is but one sign of a potential turning toward greater emphasis on primary and preventive health care by the Government and away from tertiary care. In October, a new National Medical Institute was created to combine and manage the three separate Government curative care systems including those run by the Ministry of Health. By stripping the Ministry of Health of a major curative care responsibility, the future role of the Ministry of Health is at issue. Thus, at this juncture, we view this as an important opportunity to help shape a totally new GOJ approach to public health and preventive medicine. We will be providing technical assistance to help the Government and the new Institute sort out respective roles, responsibilities, health care financing arrangements, and preventive care approaches.

7. Cost Recovery in Water Services

The AID financed water and sewer tariff study prepared for the Water Authority of Jordan (WAJ) has been completed and is under review by the Government. WAJ is preparing a program to reduce unaccounted for water through accelerated leak detection and repair, improved meter accuracy and calibration, better billing, collection, and enforcement.

Regarding new investments, WAJ's acting president has initiated a policy that new investments should be confined to those needed to complete and make operational the water and sewer systems already under construction. A Cabinet sub-committee headed by the Deputy Prime Minister has been appointed to review WAJ's budget and finances. The Acting WAJ President asserts that he is prepared to argue WAJ's position that if the GOJ wished to make the Authority financially independent, all the technical and managerial recommendations in the AID financed study would have to be implemented and tariffs raised.

8. Housing/Shelter Policy

During the decade from 1975 to 1985, annual investments in housing construction averaged about 30% of gross fixed capital formation. The current Five Year Plan calls for an annual growth rate of 4% in the construction sector, the generation of 12,300 new jobs on the sector, and an overall housing investment of some JD 518 million during the Plan period.

Recognizing the important role housing plays in the country's overall economy, the GOJ requested A.I.D. to fund the development of a National Housing Strategy. The Strategy is now essentially complete and in the final stages of GOJ review. Because of the relatively good housing conditions throughout the country, the Strategy focuses on greater equity for low income families and increased efficiency in the use public/private resources.

To encourage and build upon this Strategy, the Mission and RHUDO/Tunis are now planning a multi-year, programmatic HG Program that will support the Strategy's recommendations and provide a means to continue broad-based housing policy dialogue with the GOJ. This new program will emphasize the development of policies, institutions, and programs that increase access to affordable housing by low income families. Given Jordan's sophistication and the existence of the Strategy, such a programmatic approach is appropriate and timely to Jordan's housing needs.

C. Summary Impact Assessment

1. Commodity Import Program

After two full years of sustained operation, Jordan's \$165.5 million CIP has had measureable impact on the Jordan economy in general, and on private sector growth in particular.

As a source of much needed foreign exchange, the CIP has provided Jordan with foreign exchange savings of some \$50 million per year over the last two years. This savings will continue at a varying rate until the last letter of credit is opened under the program in the fall of 1988.

CIP assistance has resulted in additional U.S. product imports to Jordan than would otherwise have occurred. Of \$79 million allocated to the private/mixed sector, \$65 million in Letters of Credit have been issued. Of \$86.5 million allocated to public sector, 100% is committed either in Letters of Credit issued or orders in process. While a lesser percentage of these imports would have occurred anyway, they would not have been purchased as early as they were under the CIP. The CIP markedly improved Jordan's status as an export market for U.S. suppliers in some commodity areas (i.e., material handling equipment, agricultural machinery, and vehicles for the public sector) who began claiming a greater portion of the market previously held by non-U.S. exporters to Jordan.

The CIP has financed imports from the U.S. in the following major equipment areas:

Million	
\$19.5	Mining equipment
\$10.5	Computers
\$15.5	Commercial aircraft spares
\$ 7.0	Agriculture equipment
\$16.5	Agricultural products
\$16.0	Telecommunication equipment
\$ 7.5	Petroleum exploration equipment
\$29.0	Port and airport equipment
\$ 5.0	Medical and hospital equipment

Under the CIP, local commercial banks have engaged in more than 260 long-term (3 to 5 year) credit guarantees. This has improved the cash flow of private importers enabling them to make more productive use of their available capital.

2. Private Sector

In less than two years since its inception, the USAID/Jordan private sector program has already had an impressive impact on private sector businesses, a number of Jordanian institutions that support the sector, and government and the private sector perceptions of

their respective roles in the Jordanian economy. USAID has directly assisted the private sector in the following ways:

Provided \$40 million in capital goods and equipment through our private sector Commodity Import Program at maturities which have forced bankers to rethink the way they do business.

Made possible the creation of 35 new enterprises by providing venture capital through PETRA.

Provided specialized business expertise to 30 enterprises through the International Executive Service Corps.

Trained close to 1500 private business managers through support to the Jordan Institute of Management and our own private sector "window" of the Development Administration IV Project.

Assembled a group of business leaders who will participate in a trade and investment mission to Atlanta and Pittsburgh headed by Prince Hassan in May of 1988.

As an integral part of its strategy, USAID has helped to establish or strengthen an impressive array of institutions to support the growth and development of the sector. These institutional development efforts are helping to ensure that the program reaches the widest possible audience, and that its effects will continue for many years to come. Among the institutions are the following:

Jordan Institute of Management: Since 1984, the year in which AID's Management Development Project was obligated, JIM has trained over 3000 business managers, about half of whom come from businesses that are majority owned by private interests.

Industrial Engineering Department at the University of Jordan: Assisted through the Industrial Development Project the Department has already admitted some 60 graduate and undergraduate students in the Fall of 1987.

Jordan Trade Council: With the assistance of PETRA a group of private manufacturers have banded together to share information and ideas in an effort to improve trade links with non-traditional markets.

Manufacturing and Marketing Improvement Section of JIM: Set to open its doors for business on March 5, 1988, MMIS will provide expert advice to private manufacturers, capitalizing on the strengths of existing local expertise.

In addition, in the near future other private sector institutions will either be strengthened or assisted by AID funds. These include: a BIRD type foundation to provide venture capital for the development of new technologies, the Amman Chamber of Industry, and the Accountants Association.

Perhaps as important as the direct assistance and institutional efforts enumerated above is the change in attitudes that have been brought about by the current business recession and USAID efforts. Both government and business leaders talk about the need for the private sector to take a lead role in resolving the current economic problems. Government privatization efforts, assisted by AID, are a reflection of these changing attitudes. These changes, we believe, are due in no small way to AID's aggressive stand on private sector issues.

3. Health

The CDSS health sector goal is to assist the GOJ to strengthen its primary health care program. Considerable progress toward this goal has been achieved. In the Primary Health Care Nursing Development (PHCND) Project, John Short Associates fielded a four-person technical assistance team and the MOH succeeded in expediting the establishment of the nursing training institution designed to upgrade the primary-health care skills of nurses and para-medical personnel.

In the private sector, the Noor Al Hussein Foundation has started implementing the Jordan HEALTHCOM Project which consists of a media program to promote birth-spacing and other health subjects. Mission dialogue with the MOH on the importance of birth-spacing in reducing infant and maternal mortality resulted in the start of an AID funded program to train MOH paramedical personnel in birth-spacing. In addition, the Minister of Health has agreed to initiate a major nationwide birth-spacing program involving both the public and private sectors. If the birth-spacing program succeeds in raising the birth interval to a minimum of 24 months, infant mortality could be reduced by as much as 40% in Jordan. The Mission is now designing the Marketing of Birth Spacing Project (initial obligation) in FY 1988 to support the MOH's initiative. The GOJ is currently reorganizing its curative health care system and redefining the role of the MOH.

A new curative health administration, the National Medical Institute, has been created. This administration is designed to improve the quality of all curative health (primary, secondary and tertiary) and possibly to reorganize public financing of curative health care. The responsibilities of the MOH are being reviewed in the process and it is very likely that greater emphasis will be given to preventive medicine in public health care in the MOH's future program.

The Mission views this development as a bold, positive step by the GOJ -- one which creates a rare and unique policy-dialogue arena for A.I.D. to help shape a new public sector approach to curative care, public health and preventive medicine. The Director of the new National Medical Institute has already requested technical assistance in the new undertaking and the Mission is responding.

4. Population

A.I.D.'s population sector goal is to assist the GOJ to promote a decline in crude birth rate and natural population growth rate through the increased use of contraceptives. Although the GOJ still does not have an official population policy, the Mission is on the verge of embarking upon the first bilateral project in the nationwide delivery of contraceptive services in the history of donor assistance to Jordan.

There has been an increasing acknowledgement within the GOJ that rapid population growth represents a serious development issue. His Majesty King Hussein and the Minister of Health have recently made public statements which call attention to Jordan's rapid population growth. In speeches mentioning this high growth rate, the Minister of Health further stated that frequent births in short intervals represent a potential health hazard to both mothers and children. He called for the active inclusion of birth-spacing services as an integral part of the GOJ's primary health program and as being consistent with existing health policies.

The GOJ is now prepared to proceed with a broad-based contraceptive service delivery program involving the public sector, NGO's and commercial channels for birth-spacing purposes and to achieve MCH objectives. The Mission considers this development a significant breakthrough and is preparing the Marketing of Birth Spacing Project to provide the necessary support to implement the program.

5. Agriculture

Production of fruits and vegetables in the Jordan Valley has increased due largely to the improved overall performance of the extension service. Forty-five fact sheets describing improved cultural practices and new varieties were developed and distributed to farmers; a simple weed control manual was also distributed. Video tapes on pesticide use and cultivation of new crops were also produced; copies were given to extension workers for field showings, and the tapes were also shown on national TV. In the highlands, 25 on-farm demonstrations of improved technological packages for wheat and barley were established. These demonstration sites will be the focus of over 200 field days, farmer meetings and other extension activities.

Needed agricultural diversification has been increasing. In 1984, Jordan imported more than 20,000 mt of potatoes; today the country is self-sufficient in potatoes. The movement into potatoes has also reduced overproduction in other crops, e.g., tomatoes. In the highlands where rainfall is sufficient, on-farm demonstrations stress cultivation of high value fruit trees and vegetables rather than cereals; in low rainfall areas farmers are encouraged to plant barley or forage crops. Extension this year will promote production of onions and garlic, both of which are currently imported (14,000 and 2,000 MT respectively).

Current inefficiencies in marketing are often the result of inappropriate government agricultural policy. Retail price regulation, cropping restrictions and wholesale trade barriers are areas which need major reform. USAID recently organized a policy planning workshop to discuss these problems. High level GOJ officials agreed to include these issues in the policy reform agenda which will be addressed under USAID's FY 88 Agricultural Marketing Development Project. Additional research and studies related to the policy planning workshop's recommendations are being undertaken. The Minister of Agriculture has pledged to take these final recommendations to cabinet for approval and implementation.

The successful Jordan Valley extension program is serving as a model for extension in other areas of the country under USAID's Highland Project, which promotes closer interaction, coordination, and cooperation between extension and research personnel. The introduction of farming systems research methodology (which brings researchers, extension workers, and farmers together at the field level to work on farmers' problems) is also improving the mutual effectiveness of research and extension. The Highlands Project has also conducted two nation-wide training programs in fruit horticulture and pesticides, benefiting over 160 extension personnel. Two other training programs are planned for CY 1988.

6. Water/Wastewater

Potable water management is showing improvement as the Water Authority of Jordan (WAJ) has started to implement recommendations provided by consultants financed by USAID. WAJ was made aware of the magnitude of lost revenues due to faulty water meters. WAJ has embarked on a program of meter testing, repair and replacement. By 1990, WAJ will install 100,000 new water meters. The study of tariff rates and effectiveness of cost recovery is complete. WAJ is evaluating recommendations on billing along with introducing improvements so as to achieve a 90% collection efficiency rate.

Water sector infrastructure projects are approaching the final stage of completion. These new systems will add over 460 miles of sewer lines, 210 miles of potable water lines, 10 wastewater treatment plants (capable of processing 12 million gal./day), and five water storage reservoirs with a combined capacity of 4 million gallons.

The importance of infrastructure operation and maintenance needs are being recognized as the training phase of these projects is implemented. WAJ is taking necessary actions to assign personnel to the newly constructed infrastructure for on-the-job training. In the last quarter of FY 87, implementation began for WAJ's training center for wastewater treatment plant operators, maintenance personnel and administrative staff. This phase of the contract includes review of WAJ's organization, staff functions, responsibility, procedures and decision-making processes.

Technical assistance provided to the Jordan Valley Authority (JVA) has resulted in the training of three staff members in dam safety, operation and maintenance. Studies were also underway to evaluate the six side wadis on the east of the Jordan Valley to determine the economies of increasing storage capacity for utilization as pumped storage reservoirs.

Progress is being made in financial management of water tariff rate adjustment. WAJ has set an agenda that calls for establishing a task force to review and insure that baseline data on water losses is collected and that actions are taken to reduce losses to an acceptable level. Following that, billing and collections are to be monitored. To insure efficiency in collection, service disconnects will be enforced. Once these administrative systems become operational and cost revenues are accurately accounted, WAJ will review of the tariff structure and present recommendations to the agencies concerned (Ministry of Finance, Banking, etc.). After obtaining approval on recommendations for rates and schedules, WAJ will make appropriate changes in tariff rates.

7. Human Resources

The current USAID objective in the human resources sector is to increase the supply of skilled workers needed by the private and public sectors. The number of public and private sector training participants has increased. During FY 87, 154 participants completed their programs and returned to Jordan - an increase of 47% over FY 86. The private sector training program, initiated in FY 87, is progressing satisfactorily - 43 applications have been processed to date.

Overall, A.I.D. projects and technical assistance are helping develop new curricula and faculties at Jordan's higher educational institutions. An MBA program was initiated at the University of Jordan, Faculty of Economics and Administrative Sciences (125 MBA candidates are currently enrolled). A resolution was adopted creating the Industrial Engineering Department offering programs at the Bachelor, Diploma and Masters levels. The Jordan Institute of Management (JIM) has given six short term courses, with the assistance of A.I.D. contractors, and trained 108 managers mostly from the private sector. This brings the total trained by JIM during the life of the Development Administration Training (DAT) project to 2982 managers, representing approximately 88% of those targeted for training.

Excellent results were obtained by School Construction III. Forty contracts for the construction of compulsory level schools were awarded and construction is progressing according to schedule. The goal of replacing 12% of rented compulsory level schools by 1990 will be exceeded. Due to reduced contracting costs, the Mission expects that a total of 45 compulsory level schools will be constructed, replacing approximately 14% of the rented schools.

8. Housing

The existing housing situation in Jordan is relatively good. Economic prosperity and a high level of housing activity in the recent past has produced a relatively new housing stock of high overall quality. A.I.D.'s major objectives lie in promoting and financing the provision of low cost housing through the private sector. Its major involvements in the housing sector include administering an HG Program under which \$50 million has been authorized to support mortgage lending by the Jordan Housing Bank and work with the Ministry of Planning to develop a National Housing Strategy.

The draft National Housing Strategy has been completed and thoroughly reviewed by the GOJ. It has provided the first opportunity in Jordan to review and discuss a strategy for the housing sector and a wide spectrum of housing policies. Major policy changes are now being considered that will increase equity and housing opportunities for low income families, encourage more efficient use of existing resources and investments, and enable the housing delivery system to operate more efficiently.

Under the HG Program, the Housing Bank has approved a large number of loans eligible for HG financing, covering more than the \$15 million in HG funds to date. A second borrowing of more than \$10 million, based on the number of eligible loans already made by the Housing Bank, is anticipated in the near future. At the same time, the Housing Bank is increasing its efforts in encouraging private developers to produce low income housing and is also looking into changes in its Individual Loan Program that will increase the accessibility of housing finance for low income families. A mortgage lending program of \$15 million for the West Bank/Gaza is now underway.

D. Special Considerations

1. Donor Coordination

USAID/Jordan plays a lead role in the area of donor coordination consulting with the donors on development activities of mutual interest. USAID pays careful attention to other donor activities. Frequently, the Mission initiates exchanges of information with the donor community which often increases levels of complementarity and support for USAID activities.

UNDP usually has the lead in this area but has not taken an active role in donor coordination in Jordan. Therefore, the Mission has taken the initiative to assure that our project activities are closely interfaced with other donors. USAID has one full-time FSNDH in the Program Office, one of whose main responsibilities is to keep the Program Office and the Mission informed of other donor activities. He regularly consults with counterparts at resident bilateral and multilateral donor organizations and advises the Mission when meetings with visiting teams from other donor agencies would be useful.

During the past year USAID has held meetings with all Western external bilateral donors represented in Jordan, the UNDP and other UN specialized agencies. The purpose of these meetings has been to inform other donors of USAID activities, especially our private sector program. These meetings also lead to an exchange of views on the economic situation in Jordan and the West Bank, a better understanding of current and planned other donors activities, and in general, better coordination of economic development efforts.

Consistent with the above efforts, USAID has reported on all substantive meetings with other donors in an attempt to keep the Bureau and AID/W Office of Donor Coordination informed of the development priorities being addressed by other donors and progress of their programs. USAID has both commented, and helped draft Embassy reports, on the UN development system and in the past six months paid special attention to increased levels of Japanese economic assistance to Jordan.

As part of USAID's effort to coordinate and support other donor activities at the GOJ's request, we have explored the possibility of funding local costs of other donor projects with CIP local currency generations. Discussions were held with UNDP, the Federal Republic of Germany, France, Italy, Sweden, Japan and the UK. While these contacts did not result in specific local currency programming during FY 87, USAID will maintain contact with other donors on this issue. However, initial programming of local currency supports IBRD activities

in water and sewerage, health education and training. USAID and the GOJ have agreed to assess progress of IBRD activities in these areas during reviews of the disbursement of local currency generations. The impact of support for other donor projects will be assessed in future Action Plans as disbursements under the new local currency program are reviewed and revised with the Government of Jordan.

Other Donor Assistance to Jordan By Country (JD 000)

A. <u>Loans (1986-1988)</u>	<u>1986</u>	<u>1987</u>	<u>Estimated</u> <u>1988</u>
1. Kuwaiti Fund Loans for Arab Econ. Dev.	4,890	6,232	4,583
2. Iraqi Fund Loans	7,000	5,000	4,000
3. Saudi Fund Loans	5,470	6,008	10,706
4. Arab Fund Loans for Socioeconomic Development	3,990	7,095	13,553
5. German Development Loan Bank	4,796	6,363	3,633
6. Government of U.K. Loans	1,911	2,100	500
7. World Bank Loans	21,212	29,191	31,050
8. Government of Japan Loans	10,524	3,500	4,000
9. Government of France Loans	33	0	1,500
10. EEC Loans/Europe Investment Bank	1,668	3,000	1,892
11. Agricultural Development Loans (INT Fund)	855	600	900
12. Islamic Bank Loans	2,441	500	4,020
13. Government of Italy Loans	6,960	600	1,000
14. Government of China Loans	0	500	1,400
15. U.S. Export/Import Bank	0	0	4,293
16. Canada Export Guarantee Program	600	0	1,595
17. U.K. Export Guarantee Program	0	0	2,760
18. Other Loans	449	10,385	10,000
TOTAL	<u>72,199</u>	<u>81,074</u>	<u>101,385</u>

Source: Government of Jordan Budget Law for 1988

B. <u>Grants (1987)</u>	<u>(JD 000)</u>
1. German Technical Aid	7,762
2. Italian Technical Aid	394
3. Japan Technical Aid	12,322
4. Canadian Technical Aid	633
5. EEC Technical Aid	<u>2,643</u>
TOTAL	<u>23,754</u>

Source: Ministry of Planning

Note: Amounts shown represent commitments and not necessarily disbursements during CY 1987.

2. Resource Requirements

USAID/Jordan continues to maximize use of all available resources to supplement our current OYB of \$11 million for the East Bank. While the core of the program is financed through Economic Support Funds, we have signed in the past fiscal year authorizations under the Housing Guaranty Program for \$35 million, \$15 million of which has already been borrowed. Wherever possible, the Mission uses buy-ins or other mechanisms to access central and regional funds. We have obtained approximately \$5.6 million over the past three years to complement our OYB.

To maximize available resources within all current USAID projects (even though they are ESF financed and there is no Section 110, FAA requirement), we have negotiated substantial GOJ contributions for USAID supported activities. These contributions are not only in-kind, but financing for local costs. The Mission will explore all avenues to augment its current and planned OYBs and to maximize use of these resources.

One of the more innovative ways that the Mission has maximized available resources for the program is through obtaining local currency generations from our public and private sector CIP program. In FY 1988 a formal consulting mechanism was established with the GOJ, through the Ministry of Planning, to allocate these local currency generations. A schedule of disbursements has been agreed to for CYs 1987 and 1988. This schedule coincides with the GOJ fiscal year and will be in force for USAID FY 1988 and the first quarter of FY 1989. (See p. 25.)

During the negotiating phase, USAID realized that there was a chance that counterpart funds might not be budgeted for USAID supported projects given greater budget stringencies. Of the \$90 million of local currency programmed, USAID supported projects will be allocated in excess of \$40 million. USAID will continue to negotiate similar agreements for future year generations to assure sufficient counterpart funds remain available. The attached table shows actual expenditures for CY 1987 on all projects approved for local currency financing, as well as the amounts approved from the special account. USAID plans to report on the local currency program semi-annually.

USAID/Jordan's current portfolio contains 19 ongoing projects reducing to 16 by the end of FY 1989. In the past two years, program composition has taken on a private sector emphasis. All new project starts in FYs 1988 and 1989 are either wholly or partially private sector oriented. Proposed projects with a public sector component include financing to assist the GOJ to understand and support private sector initiatives. Of the current project portfolio, 11 contain private sector elements supporting the Mission's private sector strategy. Less

emphasis will be accorded public sector infrastructure activities as other donors support these projects and the GOJ is not in need of A.I.D. support for infrastructure development. Our current program composition will emphasize our private sector thrust, as outlined in our most recent CDSS, and is geared toward assisting the private sector increase productivity, investment, provide increased employment, and provide a second generation of economic development support.

Regarding the percentage of resources allocated to TSFS and PETRA activities as part of our overall program portfolio, TSFS as a percentage of the portfolio at current total LOP funding levels is approximately 5%. On a fiscal year basis by obligation amount, TSFS projects in FY 1986 totalled approximately 8%, in FY 1987 approximately 5%, and in FY 1988, will be approximately 9%. The Mission had planned no additional obligations for TSFS V in 1988, but support for the Maqarin Dam feasibility studies, at approximately \$1 million, requires that this amount be obligated in FY 1988 to keep funding levels commensurate with planned project activities.

PETRA accounts for approximately 4% of current total LOP funding levels. It represented 11% of the FY 1986 obligation level and has been fully funded. The Mission does not find these percentages out of line in relation to the projects' significant contribution to important development activities and objectives. A detailed report was cabled to AID/W in mid-February addressing TSFS V areas of concern. The PETRA Project's in-house audit/review will be made available to AID/W by June 1, 1988.

An important area of concern to USAID/Jordan and the GOJ is the split between the Jordanian East Bank and West Bank programs. USAID/Jordan has consistently stressed the need for a basic two-to-one split based upon population size and inhabited geographic area for any EB/WB divisions. While it is not necessary to adhere strictly to a two-for-one ratio, the closer we are to that ratio, the easier it is to deal with various decision making bodies within the GOJ. Debate does take place within the Government on the provision of scarce development resources to the WB/Gaza and is opposed in some quarters by an "East Bank first" lobby.

USAID/Jordan's resource allocation follows recommendations from the Ministries of Planning, and Occupied Territories Affairs in order not to be drawn into the debate on the split. The GOJ is comfortable with the current split of \$11 million for the EB and \$7 million for the WB/Gaza, but very unhappy with total levels. Only in the past four to five months has the GOJ really focused on our reduced level and its implications. Any

significant changes in this ratio toward additional WB funding could be opposed by certain groups within these two ministries and would certainly lead to increased controversy.

Beginning in late FY 1985 with the first tranch of the \$250 million supplemental, USAID/Jordan decided to buy down as much of the mortgage created by the Supplemental as possible. Our mortgage at the close of FY 1988 will be approximately \$24 million, and at the end of FY 1989 approximately \$22 million. Both of these figures are manageable given reduced OYBs. This has of course significantly increased the pipeline by the amounts provided in the three year supplemental.

The Mission continues to address the issue of the pipeline in a positive and constructive manner by focusing more of our personnel resources on project implementation. In the past, significant design activities have prohibited USAID from devoting the time and personnel necessary to deal with implementation and pipeline issues. Expenditures are expected to increase in the near term, thus drawing down the pipeline more quickly than previously anticipated. The Mission will keep AID/W fully apprised of our progress in this area.

1987 Approved Projects
(JD thousands)

<u>Project</u>	<u>Financing Agency</u>	<u>1987 Allocation</u>	<u>1987 Actual</u>	<u>% of Actual</u>
School Construction III	USAID	200.0	200.0	100
Water and Sewage				
Irbid	USAID	600.0	2,219.0	27
Zerka/Ruseifa	USAID/Others	800.0	1,360.0	59
Northern Cities	USAID/Others	300.0	1,430.0	21
Southern Cities	USAID/Others	100.0	1,796.0	6
Greater Amman	IBRD	300.0	1,903.0	16
Sector Projects	IBRD	700.0	1,451.0	48
Education IV,V,VI	IBRD	2,000.0	8,898.0	22
	<u>Total</u>	5,000.0	19,257.0	26

1988 Approved Projects

<u>Project</u>	<u>Financing Agency</u>	<u>1987 Allocation (million JD)</u>
School Construction III	USAID	2.0
Amman-Na'ur Road	USAID	2.0
Highland Agriculture		
Development	USAID	1.0
Primary Health Care		
Nursing Development	USAID	1.5
Development Administration		
Training	USAID	0.3
Water and Sewage		
Irbid	USAID	2.0
Zerka/Ruseifa	USAID/Others	1.0
Northern Cities	USAID/Others	0.3
Southern Cities	USAID/Others	1.5
Greater Amman	IBRD	1.0
Sector Projects	IBRD	2.0
Manpower Development	IBRD	0.85
Health Centers		
(Public Health Care)	IBRD	1.65
Education III, V	IBRD	0.85
Education IV		
(Irbid Nursing School)	IBRD	1.65
Education VI	IBRD	5.0
Education VII	IBRD	1.0
Studies Fund/Tender Board	GOJ	2.0
	<u>Total</u>	27.60

3. Evaluation Strategy

a. Private Sector

During the FY 1988 Action Plan review, AID/W approved the Mission's improvements in managing the private sector portfolio, but noted that thorough monitoring and evaluation of the private sector program were needed to: a) produce reliable information on the development impact of the private sector program, and b) demonstrate that the Mission's private sector strategy contributes more to Jordan's development than alternative approaches.

Due to the time demands of the Mission's workload and staff vacancies over the past year, work on developing the necessary information systems for monitoring and evaluating the private sector portfolio is still underway. The monitoring and evaluation strategy that will be used to assess the effects of TA and funding to private sector firms and organizations, and the effects of management training necessary to develop Jordan's business community involves four major components.

First, project information systems on firms receiving technical assistance, participants of training programs, studies, strengthening of private sector associations and organizations, and other project funded activities (e.g., joint venture promotional, staff exchanges with U.S. firms, information dissemination) are being developed as part of project implementation. Internal project reporting systems based on key output indicators (see pp. 28/29) will improve information on project performance and progress toward project objectives.

Based on recommendations from an evaluation of TSFS III and IV, a project assistance tracking system is now operational for TSFS V, and PETRA is using a similar approach. Tracking of technical assistance activities to private sector firms is planned for the MMIS component of the Industrial Development and the Private Services Sector Projects. Data bases on the trainees/graduates of programs supported principally by the DAT IV and the Management Development Projects, as well as for the training activities/components of Private Services Sector, Industrial Development and PETRA, will be maintained. The CIP currently tracks the value of loans provided to private sector firms for importation of equipment.

Second, using project information systems, the following central data bases covering activities across A.I.D. private sector projects will be established by the Mission:

- technical assistance to private sector firms, including the characteristics of the firms and organizations assisted (e.g., the size of the firm, number of employees, volume of business, etc.);

- business and management trainees, including information on the period, type and cost of training, and home and work addresses; and
- studies, including the type or purpose of the study, level of effort and cost, outcome/recommendations and actions taken.
- capital assistance to the private sector through PETRA and the CIP.

By pooling information across projects, these central data bases will provide summary statistics at a program level on the key types of assistance provided through the private sector program.

The third element of the strategy consists of tracer or follow-up studies based on samples drawn from the technical assistance and training data bases. The studies will assess the effectiveness and/or contribution of the assistance or training to the recipient firm or organization (in the case of training, to the employer of the trainee). These studies will provide information useful to the Mission on where assistance or training has been most/least effective, what the current needs are for technical assistance or business skills of private sector firms, etc. Information about changes in the firm's operations - e.g., number of employees, volume of business, exports, production cost reductions, productivity gains, etc. - which owners or managers attribute to the technical assistance or training provided through the A.I.D. projects, will be especially important for evaluating the impact of the private sector program. These studies will be conducted prior to regularly scheduled project evaluations and in some cases, may substitute for a standard evaluation.

The fourth component of the strategy will be additional special studies that will add to the information base on program performance and growth of the private sector. It is likely that information from the other components of the strategy will identify the need for additional special studies. Work is currently underway on a socioeconomic study of those sections of the Jordanian economy most likely to be affected by the private sector program. A principal objective of the study (and its subsequent follow-up several years from now) is to assess the contribution of A.I.D.'s private sector program to employment generation during a period of economic slowdown with particular attention to equity issues. A profile of the basic characteristics of private sector enterprises, (distribution of firms by type of product produced, number of employees, volume of business, level of exports, etc.) will be produced. To be completed by August 1988, the study will serve as a baseline for assessing changes in the private sector to which the Mission's program contributes.

Private Services Sector Development

Auditing and Accounting

- No. of GOJ corporations and agencies audited by certified accountants.
- No. of seminars, presentations, etc. on techniques, methodologies.
- Marketing and provision of professional services in accounting/audit.
- No. of contacts arranged with project assistance between representatives of Jordanian and U.S. accounting/audit professions.
- No. of Jordanian accounting graduates with U.S. certification.
- No. of Jordanian - U.S. accounting/audit affiliations.
- No. of exchange program participants (Jordanian & U.S.).

Computer Services

- No. of members in the Jordan Computer Society.
- No. of Jordanian - U.S. joint venture/teaming arrangements.
- No. of large system installations performed by Jordanian firms.
- Volume of sales of Arabized software.
- No. of exchange program participants (Jordanian & U.S.).

Industrial Management and Engineering

- No. of members in the IME professional association.
- No. of certified industrial engineers.
- No. of courses and seminars to help industrial engineers develop technical and business skills.
- No. and value of I.E. consultancies.
- No. of exchange program participants.

Marketing and Marketing Research

- No. of students in Marketing/Marketing Research diploma courses/program.
- No. of marketing/marketing research seminars/presentations by JIM.
- Volume of business of Marketing Consulting firm, Export Trading company and Graphic Arts and Printing company.
- No. of joint ventures and products licensed by the Licensing and Joint Venture Bureau.
- Percentage of operating expenses of U.S. office of the Licensing and Joint Venture Bureau covered by revenues generated from services.

PETRA (*)

1. For on-going and completed PETRA projects by type/category of activity and an overall total (i.e., covering all PETRA projects):

- a. number of projects
- b. total funding
- c. average funding per project
- d. number of employees at the start of the project
- e. number of employees after completion.
- f. number of firms reporting increased production after project completion
- g. number of firms reporting increased exports after project completion

2. Total amount of loan portfolio.

3. Amount of loans outstanding as a percentage of the loan portfolio.

4. No. and percentatge of loans that are delinquent.

*Note: For on-going and completed projects

Industrial Development Project

1. Chamber of Industry

- No. of seminars and conferences sponsored by the COI on increasing productivity, efficiency, quality, cost, product definition, marketing or marketing constraints.
- No. of surveys and case studies of Jordanian industries.
- No. of referrals made by the COI
- No. of policy position papers or initiatives developed and advanced by the Policy Studies Department of the COI.
- No. of programs conducted for GOJ officials on problems confronted by Jordanian manufacturers.

2. Manufacturing and Marketing Improvement Section

- For on-going and completed MMIS projects by type/category of activity and an overall total (i.e., covering all PETRA projects):

- a. number of firms assisted
- b. total cost of assistance provided or arranged by MMIS
- c. average cost per project
- d. amount of revenues collected by MMIS for services provided
- e. number of person months of services provided.

3. Industrial Engineering

- No. of MS or diploma Industrial Engineering graduates.

b. Health/Population

The April, 1986 Population and Health Strategy Paper made a sectoral assessment of Jordan's health status, health system, and family planning services. Sectoral constraints were identified as well as major issues and an overall USAID strategy devised including policy dialogue initiatives. Key benchmark data were established for both health and family planning services. Implementation of the Primary Health Care Nursing Development and Marketing of Birth Spacing projects will include evaluations of these activities measured against the benchmarks established in the Strategy Paper.

Though the health statistics available in Jordan are generally of high quality, reliable data on maternal mortality, a key indicator of maternal/child health status, have been lacking. Present estimates of maternal mortality rates of 13 per 1000 are highly impressionistic. Recently, the MOH, MOP and University of Jordan submitted a proposal to AID seeking assistance with a twelve month study to obtain an accurate estimate of maternal mortality. A.I.D. will support the study which will start in April 1988. The study will also establish a sampling frame allowing replication of the study at a later date to estimate change over time in maternal mortality - an important piece of information in assessing the health benefits from birth-spacing.

c. Agriculture

(1) Cereals

One of the objectives of the Highland Agricultural Development (HAD) Project is to learn how to encourage farmers to adopt improved technologies which will increase their production and household incomes. In the early 1970s, an improved wheat package developed in the Pacific Northwest of the U.S. was introduced and tested in Jordan. Although it was found that adoption of this technology would generally result in at least a doubling of current yields, only about 10% of Jordan's wheat farmers have adopted all or parts of the package. A basic working hypothesis of the HAD Project is that technology packages need to be tested and adapted on the farmers' fields before they will be widely accepted. This will require close cooperation between researchers, extension workers and farmers at the field level through farming systems research (FSR) methodology.

FSR is now being introduced in the HAD Project. Several training workshops have been conducted for ministry personnel and many more are planned (both pre- and in-service). In 1987/88, 25 on-farm demonstrations in the new cereals technology have been undertaken; these will be the focus of farmers' days, training and similar extension outreach

activities. On-farm demonstrations in onions, garlic, and other diversified crops are planned for Spring, 1988. Results from these demonstrations reflected by adoption rates of these technologies will provide the information necessary for improving extension activities.

(2) Export Marketing

Investments in agricultural infrastructure (e.g., in the Jordan Valley) and continued improvements in technology have led to rapid increases in the production of fruits and vegetables. Jordan now faces tremendous overproduction problems, especially in regard to traditional fruits and vegetables. Compounding these problems, Jordan has lost a significant share of its export market in the Gulf States over the past several years. It is currently seeking a toehold in the relatively limited EEC markets, but this will not have a significant impact on the overproduction of these traditional crops. What is desperately needed is to diversify production out of these traditional crops and into non-traditional, "exotic" crops, for which Jordan may have a comparative advantage because of its climate and location.

Under the FY 1988 Agricultural Marketing Development (AMD) Project, a number of import demand analyses will be undertaken for each of Jordan's present and potential export markets. For example, the research will examine the current and projected imports of fruits and vegetables in these markets, estimate demand trends, identify competitors and estimate their real costs of production, and finally make a determination regarding the fruits and vegetables which Jordan could profitably produce and export to these markets. This market demand analysis will be coordinated with MOA research and extension activities, so that once a potential export market niche is identified, adaptive research and extension will then encourage farmers to grow these identified crops.

(3) Agricultural Marketing Policy

Many of Jordan's current marketing problems result from outdated, inappropriate agricultural policies. The aforementioned AMD project supports policy reforms which address these constraints. The hypothesis underlying this project is that sound information provided to senior GOJ policy makers on a) the high costs and disincentives imposed by existing policies, b) alternative policies and their estimated benefits and c) strategies to implement alternative policies will advance the enactment of policy reforms.

d. Water/Wastewater

During FY 1988, a Water and Wastewater Assessment will be carried out with assistance from AID/W and outside consultants from Water and Sanitation for Health (WASH). This evaluation/assessment will measure impact of A.I.D. investments in the sector, policy dialogue successes and sector constraints. The assessment will address potential A.I.D. activity in this sector based on impact and lessons learned from our involvement to date. Given current funding constraints, however, the Mission is not planning future projects in this sector.

e. Human Resources

AID's human resources sector in Jordan includes school construction, management training and industrial development. On-going data related activities in these areas have been described in preceding sections. The Mission will give high priority to supporting additional research and evaluative studies needed to strengthen the GOJ's and A.I.D.'s human resources programs.

f. Housing

A mid-term evaluation of the present Housing Guaranty Program was conducted in July, 1987. The evaluation found that the number of mortgages and level of financing under the Individual Loan Program were greater than originally anticipated, while lending under the Private Developer component of the program was proceeding at a somewhat slower pace than expected. As a result, the Housing Bank has increased its efforts to contact and assist private developers interested in constructing low income housing units.

AID financed the National Housing Strategy in 1987 which included the National Housing Survey - an extensive survey of housing suppliers and delivery system, detailed studies of residential land, housing finance, subsidies, and important institutions - and an analysis of the importance of housing construction to the overall Jordanian economy. A long term housing strategy and a wide range of policy recommendations were developed based on these analyses. The GOJ is reviewing the strategy and is expected to adopt its principal elements.

Based on policy recommendations of the National Housing Strategy, a new multi-year Housing Guaranty Program is being developed to strengthen the capacity of the private sector to respond to the demand for low cost housing. Existing studies will provide benchmark data for the new program and the Ministry of Planning's Shelter Unit will monitor the effects of changes in housing policies.

To further develop the housing sector, A.I.D. is supporting a study to identify small-scale developers who build houses for moderate income groups. Further analysis of the constraints these developers confront may lead to policy initiatives and other interventions to encourage growth in this area of the housing industry.

4. New Program Thrusts

USAID/Jordan is investigating an Advanced Developing Country (ADC) strategy by identifying sectors/areas that are, and will be, of priority interest to the GOJ as it graduates to ADC status. This will not be an easy task, given the current economic and political realities of U.S./Jordan relations. Our initial review is described here, and we believe an ADC strategy is appropriate and manageable in the next seven to ten years, which we see as the ADC transition period for Jordan.

Many indicators would suggest that Jordan is ready for an ADC strategy. Jordan is a middle income developing country and has a well-developed physical infrastructure in transportation, communications, energy, irrigation, water supply and sewer services. Basic health and education facilities are accessible to better than 95% of the population, and the percentage of Jordanians male and female, completing university degrees per percent of the population, is second only to the United States.

Despite these indicators, our current assessment is that Jordan is not now an advanced developing country. Jordan's institutions and its private sector are currently incapable of sustaining a process of self-financed dynamic development. As articulated in USAID/Jordan's CDSS and subsequent action plans, inefficiencies in production processes, lack of attention in product design to markets, poor product quality, and weakness in marketing plague Jordan's agriculture and manufacturing and business services. Most production is based on imported technology with little evidence of any adaptation of that technology, let alone innovation. Finance of new ventures, expansions, or innovations is stifled by conservative and often inflexible financial and capital markets. USAID/Jordan's private sector program is targeted at improving the dynamism and competitiveness of Jordan's agriculture, manufacturing and business services sectors.

Our interventions will take time to come to fruition. Creating a capacity for technological adaptation and innovation will depend heavily on improvements to the quality and structure of Jordan's educational system. The Crown Prince and the Government are currently concentrating on this area, and new curricula, differing modes of instruction, and other educational system interventions are being examined. Moreover, in the health field, population growth and infant mortality rates remain unacceptably high. Our estimate is that some seven to ten years will be necessary before educational reforms even begin to impact upon the workforce and an equal period before private sector agriculture, manufacturing, and business services are ready to compete fully on the international market. Birth spacing and other primary health care interventions can only be expected to furnish substantial reductions in birth rates and infant mortality over a similar time frame.

Following a transition period ranging from seven to ten years, Jordan may be ready for an ADC strategy that would emphasize:

- advanced training for college and university teaching staff to maintain the quality of education in selected fields where Jordan chooses to be a center of excellence for the region;
- technical and specialized training for private sector personnel to help maintain their technological edge over competition;
- fostering of joint ventures between U.S. and Jordanian institutions in science and technology, and
- promoting joint ventures between U.S. and Jordanian enterprises to serve regional markets.

To manage the transition period toward an ADC strategy and to actually implement that strategy, we propose setting up a U.S.-Jordanian Foundation that would be endowed with funds made available from future A.I.D. and PL-480 loan repayments. Attached is an illustrative schedule showing a possible endowment scenario from such repayments. In essence, while there would be no "forgiveness" of Jordan's debt to the U.S., the USG would agree that the recipient of the repayments would be the Foundation rather than the U.S. Treasury.

These loan repayments for the endowment could be supplemented by the GOJ in dinars to cover some operating costs and salaries of the Foundation. The Foundation would fund priority development activities initially identified by USAID/Jordan and the GOJ. Under the terms of an agreement setting up the Foundation, a fixed multiyear timetable would be agreed to, say 35 years, during which the principal could not be expended. Only funds generated by interest earned on the endowment, or dividends paid on investments, would be available to support the Foundation's activities.

We have been reviewing the documentation on the Luso-American Foundation in Portugal and believe that many of the legal, management and operating concepts in that entity could be used here.

Once the Foundation has been established and an initial endowment provided with a regular schedule of future contributions agreed to, a plan would be put in place to begin substitution by Foundation-generated resources of regular A.I.D. appropriated funds. At the end of ten years, the Foundation should be able to generate annual income close or equal to the current USAID/Jordan East Bank development level, i.e., \$11.0 million. Until that time, regular OYB levels would make up the difference between the endowment's level and endowment income.

During the transition, leadership for the proposed Foundation could be identified and provided specialized training in operation of such a Foundation. In the long term, a productive phase-over of A.I.D. resources and personnel would be accomplished and Jordan added to the list of graduated countries.

During the transition period of implementation, we see the Foundation's resources being utilized to continue and phase-over the Mission's very successful public sector and private sector training program. The Foundation would continue funding for a reduced number of candidates for advanced university degrees and further expand the options for short-term technical and specialized training, especially for the private sector.

As the endowment grows, the staff of the Foundation will be better trained in activity appraisal and implementation, and the GOJ will be more comfortable with the concept of the Foundation. Activities other than training would then be financed to broaden the development horizons of the Foundation. At the \$100 million level, the endowment of the foundation will constitute a significant player in Jordan's financial markets. Professional management of the endowment could serve to be a force for change in Jordan's financial markets, stimulating demand for new financial and investment instruments, making the case for further market liberalization and spreading the practice of sound portfolio management to other entities in Jordan.

During the ADC phase-over period, USAID/Jordan's personnel levels would decline to reflect the Foundation's staff's ability to handle increasing amounts of the workload normally delegated to USAID DH staff. When the phase-over is complete, and the Foundation fully endowed and operational, we see no need for USDH personnel attached to the Foundation. (Although, as in the case of the Luso-American Foundation, an experienced former A.I.D. officer might be hired by the Foundation during the early years of its operation.) This would provide a savings of approximately \$2.5 million in OE expenses. Any local staff connected to the Foundation (they might be ex-USAID PSN's) would be financed by support from the GOJ or from a specific line item in the Foundation's budget.

This approach has considerable pluses, but would probably require Congressional action in order for the U.S. Treasury to forego some \$100 million in principal and interest payments over a seven-year period. On the other hand, the endowment would increasingly require less appropriated funds; OYBs for the "core program" would fall steadily over the years as the Foundation's income picks up the difference. Any political decisions for new ESF support over the \$11 million "core program" level could still be made by the USG if extenuating circumstances dictate.

5. Major Management/Implementation Issues

a. East Bank/West Bank Program Balance

For additional information, see discussion of resource availabilities in section B.2. re East Bank/West Bank. A sound balance must be maintained between these activities to continue our credibility with the GOJ especially in light of overall reduced economic assistance levels. Skewing the program balance toward the West Bank would not be in the foreign policy interests of the USG nor in USAID's interest of strengthening a sluggish East Bank economy. A strong East Bank development program is the sine qua non for continued Jordan West Bank support at current levels.

b. Maqarin Dam

The issue of the Maqarin Dam is treated in depth in section IV of this Action Plan. However, if funding is to be provided for East Bank levels to assist in construction of the Maqarin Dam, this assistance must be clearly seen as additional to current levels. There would be little if any development impact if current scarce East Bank resources are diverted to the Maqarin Dam. The Ministry of Planning, while raising no objections to the use of \$1 million from TSFS to fund the updated Harza study, would question any further reduction in East Bank development resources being diverted to Maqarin. The GOJ will seek additional support for this extremely important project.

c. Pipeline

As of December 31, 1987, USAID/Jordan's pipeline is \$227.0 million. Clearly, the pace of commitments, disbursements and expenditures has increased in the past five months. This is principally due to increased staff attention to project implementation and greater time spent in working with project counterparts. While three design activities currently are underway, this is far from the level of project design that has taken place activity over the past two years.

The recasting of the current USAID program in line with the stated objectives of the FY 1988 CDSS and Action Plans has been staff intensive and time-consuming. Time that might have been spent on implementation was devoted to design work. A Mission priority during FYs 1988 and 1989 will be to focus more heavily on implementation. New project starts will be kept to a minimum. This reduced design load will help reduce our pipeline. In the twelve month period 3/31/87 to 3/31/88, our pipeline was reduced by approximately \$92.0 million. We expect this expenditure rate to remain constant or increase and be reflected in the PIRs to be reviewed in April.

d. Staffing

USAID/Jordan currently has 18 U.S. Direct-Hire personnel, augmented by 3 part-time resident hires and 4 Personal Service Contractors. Three of the PSCs are working in the Mission and one is seconded to the Ministry of Planning. USAID/Jordan's local staff consists of 28 professionals, 11 Direct-Hire and 17 PSCs.

The Mission currently has one vacant position in the Project Development office. While a candidate has not been identified, recruitment is underway, and this position is scheduled to be filled this spring. In the near term we do not envisage a perceptible decline in either US or FSN personnel. In FY 1988, 2 USDH will transfer and be replaced. Both positions, the RLA and Deputy Chief of the PDO/PEO Office, are important to the smooth running of this USAID. During FY 1989, 4 USDH will transfer, but only 3 replacements will be sought. Replacements for current PSCs and part-time resident-hire positions will be dealt with as the need arises.

Decisions re Mission staffing requirements are contingent upon policy decisions on current program uncertainties; e.g., if the USG becomes a donor to the Maqarin Dam project, at least one additional engineer with dam construction experience will be needed to ensure monitoring and compliance with procurement regulations. Should current funding levels for both East Bank and West Bank remain constant in the out-years, reduction in personnel might be possible in the PDO/PEO, Engineering, and CIP offices, involving both USDH and FSN.

If USAID/Jordan moves to an Advanced Developing Country strategy (and it is by no means clear at this time that Jordan is ready for this strategy), then different level and skill mixes of personnel would be required. The Mission sees all of these as out-year decisions and not crucial at this juncture. They can be more fully explored as the Mission moves closer to implementation of one or more of the above scenarios.

6. Gray Amendment

During FY 86 USAID/Jordan formulated a policy directive on utilization of Gray Amendment firms. In all instances, where feasible, it is this mission's policy that only 8(A) or small and disadvantaged women and minority owned businesses will be contracted for the purposes of performing evaluations, providing services as purchasing services agents under various projects, and assisting in project design and implementation as their qualifications dictate. Accordingly, during FY 87 USAID/Jordan provided approximately \$757,000 (see attached list for details) to 8(A) and small and disadvantaged women and minority owned firms for services provided in the above-mentioned categories. This figure (\$757,000) represents an increase of \$507,000 over the FY 1986 figure of \$250,000 (three times the total for FY 1986).

On July 29, 1987, USAID signed two IQC's with Development Procurement International (DPI) and Development Assistance Corporation (DAC) whereby USAID/Jordan will place with them requests for services that will total approximately \$5.0 million through June 30, 1990. To date, USAID has placed orders with the two firms amounting to \$24,000. However, during the remaining part of FY 1988 and in FY 1989, USAID/Jordan will continue its efforts to engage whenever possible 8(A) or small and disadvantaged women and minority owned firms to assist the Mission in such areas where these firms have the necessary capability to provide the services required. Currently, USAID/Jordan cannot estimate the final total dollar value of the requests for services that will be placed under the above IQC's. In addition, there may also be opportunities that will develop during FY 1989 for other 8(A) firms.

Through the second quarter of FY 1988, \$95,000 has been provided by the Mission to fund a contract with SIGMA ONE Corporation for training Jordanians in EEC marketing systems. The Mission contracted an 8(A) firm for the socioeconomic baseline study, which will be carried out in the second and third quarters of FY 1988. TvT Associates was awarded this IQC in the amount of \$50,000 (from USAID project monies). Finally, we expect two or three project evaluations each in FY 1988 and FY 1989 to be carried out through an IQC or PSC with 8(A) or small and disadvantaged women and minority owned firms. We will keep ANE/DP informed of future developments and progress in implementing the Gray Amendment.

Activities Involving
8(A) Minority and Women Owned Firms
(As of 2/11/88)

<u>FY 1987</u>	<u>Amount (Dols)</u>	<u>Activity</u>
12/15/86 RONCO	42,000	TSFS III and IV Evaluation
11/24/86, TECH	300,000	Jordan Valley Impact
9/20/87		Assessment
7/23/87 RONCO	150,000	Health-Family Planning/ Training
1/25/87 RONCO	110,000	Agro-business Assessment
6/87 PRAGMA	155,000	Health Management Advisor (one year)
	<u>757,000</u>	
 <u>FY 1988</u>		
1/14/88 SIGMA ONE	95,000	Training in EEC Marketing Systems
TvT	50,000	Socioeconomic Baseline Survey

Two IQC's were also signed by USAID/Jordan on 7/29/87 providing for up to \$5.0 million for service orders to be placed with Development Procurement International (DPI) and Development Assistance Corporation (DAC). To date orders for services in the amount of \$24,000 were placed with these two firms.

7. Summary Budget Tables

FY 1988 - FY 1989
PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
(\$ Million)

APPROPRIATION ACCOUNT	G	FY 1988	FY 1989	
<u>ESF</u>				
278-0255	Loan Guaranty Project	G	2.5	2.0
278-0266	Tech. Services & Feas. Studies V	G	1.0	1.7
278-0267	Development Admin. Training IV	G	0.0	1.4
278-0272	Private Services Sector Development	G	2.5	1.9
278-0274	Ag. Marketing Development	G	2.5	2.5
278-0275	Marketing of Birth Spacing	G	2.5	2.5
	Sub-Total Projects		11.0	12.0
	West Bank Development Program		<u>7.0</u>	<u>6.0</u>
	GRAND TOTAL		<u>18.0</u>	<u>18.0</u>
			====	====

Planned Obligations for FYs 1988, 1989 and 1990

PROJECT NUMBER AND NAME	O / N	AMOUNT (\$ MILLION)	MORT- GAGE	OBLIGATION MONTH/YEAR
<u>FY 1988</u>				
278-0255	N	2.5	5.0	7/88
278-0266	0	1.0	3.6	3/88
278-0272	0	2.5	4.5	3/88
278-0274	N	2.5	2.5	6/88
278-0275	N	2.5	2.5	7/88
Sub-Total		<u>11.0</u>	<u>18.1</u>	
278-K0644	0	7.0		7/88
TOTAL		<u>18.0</u>		
<u>FY 1989</u>				
278-0266	0	1.7	1.9	12/88
278-0267	0	1.4	1.0	12/88
278-0272	0	1.9	2.6	12/88
278-0274	0	2.5	-	3/89
278-0275	0	2.5	-	3/89
278-0255	0	2.0	3.0	7/89
Sub-Total		<u>12.0</u>	<u>8.5</u>	
278-K0644		6.0		5/89
TOTAL		<u>18.0</u>		
<u>FY 1990</u>				
278-0255	0	3.0	-	3/90
278-0266	0	1.9	-	12/89
278-0267	0	1.0	-	12/89
278-0272	0	1.6	1.0	12/89
278-0283	N	2.5	2.5	4/90
278-0284	N	2.0	8.0	7/90
Sub-Total		<u>12.0</u>	<u>11.5</u>	
278-K0644		6.0		3/90
TOTAL		<u>18.0</u>		

SECTION III - EAST BANK PROGRAM - PERFORMANCE/INDICATORS

A. Plans and Performance

1. Private Sector

Goal: Transformation of Jordan's private sector into the engine of sustained economic growth.

<u>Objective</u>	<u>Benchmarks</u>	<u>Action For Coming Years</u>	<u>Progress Status</u>
Convert public agencies and corporations into public shareholding companies.	<p>The Royal Jordanian Airline privatized by 1989.</p> <p>The Public Transportation Corporation privatized by 1989.</p> <p>Telecommunications Corporation privatized by 1989. (new)</p> <p>Increased GOJ awareness of benefits and methods of privatization.</p>	<p>Investment Banker will prepare prospectus for private placement; AID funding to be considered.</p> <p>Obtain decision from GOJ to proceed with route restructuring/privatization</p> <p>Develop implementation plan.</p>	<p>Feasibility study and implementation plan completed in 8/87; scope of work for investment banker being prepared.</p> <p>Route restructuring plan completed in early 1987.</p>
	At least three public sector corporations converted into public shareholding companies by 1988.	<p>Send key government officials to seminars/conferences on privatization.</p> <p>Support for seminar(s) exploring appropriate roles for private and public sectors</p>	<p>Mission requested to assist in privatization. Study team fielded</p> <p>Approximately 5 GOJ officials sent to various privatization seminars since program inception.</p>
Divest government ownership in mixed public-private companies.	Sell JDI.5 million in GOJ ownership in mixed companies sold.	See comments on Royal Jordanian/PTC/TCC.	See comments on Royal Jordanian/PTC/TCC.
Reduce percentage of work force employed by GOJ	GOJ employment reduced to 33% of the workforce	Ambassador will meet with Prime Minister to discuss divestiture of companies on AID's priority list.	AID has identified 25 prime candidates out of a universe of 70 companies.
		Labor seminar to discuss issue planned for 1988.	Planning of seminar underway.

Improved efficiency of public services and parastatals

Improvement in the efficiency of of Aqaba Port.

Completion of CIP financed procurements.

\$8 million of CIP financed delivered.

Strategy developed for the long term supply and pricing of energy.

Energy input/output model and new accounting system used to develop strategy.

Energy input/output model completed; work on unified accounting systems.

Strategy developed for improving efficiency and cost recovery in water/sewer services

Package tariff study including TA. Complete training program.

Tariff study completed.

Decreased cost and improved availability of telephone services.

Completion of CIP financed procurements. Develop privatization plan.

\$12 million of CIP financed equipment delivered.

Improve efficiency of the financial intermediation process and increase foreign investment in Jordan.

The creation of 20 new enterprises over a three year period financed through a newly created

Fund operating expenses of new venture capital fund for commercialization of technology

Proposals ready for submittal to PETRA.

The establishment of secondary market within the financial system over a three year period.

Design and obligate Financial Markets Project during FY 1989 or 1990.

Discussions held with key players.

An increase of 20% in formal financing made available to micro and small sized enterprises over a three year period.

Design and obligate Small Entrepreneur Project during FY 1988.

PID completed.

Increased foreign investment in Jordan.

Trade and Investment Mission to Atlanta and Pittsburgh to take place in May 1988.

Preparations complete for Mission.

SP

	Policy advisory role of Bankers' Association strengthened.	Provide Advisory services under PEIRA project.	Discussions held.
	Organization and functions of new accountants association in place.	Provide advisory services under PEIRA project.	Discussion held.
Allow greater returns for risk capital than GOJ guaranteed financial instruments.	After tax returns equalized for GOJ guaranteed risk free bonds and commercial loans.	Market for GOJ bonds no longer made solely by Central Bank	Discussions held; seminar planned.
Increase spread between cost of funds and lending rates	Spread increased to at least 3% for commercial bank loans to reflect risk and profit factors.	Financial Markets Project interventions	Discussions held.
Improved Marketing and Diversification of Jordanian products and services.	Increase in and diversification of the exports of Jordanian products to traditional and European markets.	Trade and Investment Mission to Atlanta and Pittsburgh to take place in May 1988.	Preparations completed for Mission
		Exporters Council in place by 6/88.	Founding group has held a number of organizational meetings; U.S. export consultant provided recommendations.
		TA and training provided through various AID private sector projects (Management Development, Industrial Development, PEIRA, Devlp. Administration Training, Private Services Sector)	Approximately 100 companies assisted in the areas of marketing and export in last year.

Increase in the export of services to regional markets and greater use of local service firms for local contracts.

Trade and Investment Mission to Atlanta and Pittsburgh to take place in May 1988.

Preparations completed for Mission

Exporters Council in place by 6/88.

Founding group has held a number of organizational meetings; U.S. export consultant provided recommendations.

TA and training provided through various AID private sector projects (Management Development, Industrial Development, PETRA, Develop. Administration Training, Private Services Sector).

Approximately 100 companies assisted in the areas of marketing and export in last year.

Increase in the amount of trade between the U.S. and Jordan

Trade and Investment Mission to Atlanta and Pittsburgh to take place in May 1988.

Preparations completed for Mission.

Improvements in efficiency and product quality of Jordanian Manufacturers and services enterprise.

Improvements in the operations of at least 500 AID assisted firms by end of FY 1989.

TA and training provided through various AID private sector projects (Management Development, Industrial Development, PETRA, Development Administration Training, Private Sector Services)

Approximately 100 companies assisted in the areas of productivity/quality in last year

At least 500 persons trained in such areas as Production Management, Product Design, Production Planning and Control, Quality Assurance by FY 1989.

Training provided through various AID private sector projects (Mgt. Development, Industrial Dev., PETRA, Development Admin. Training, Private Services Sector).

10 persons trained under DAT. 800 managers trained in Jordan Institute of Management Programs in 1987; 3000 since 1984. 30 Students admitted to new Industrial Engineering Program at University of Jordan.

\$40 million worth of materials and equipment provided to Jordanian manufacturing and service firms by FY 1989.

Completion of CIP financed procurements. Develop privatization Plan

\$25 million delivered to date.

6

Reduce the number of approvals and time required to set up new businesses.

Revisions to provisions and administration of investment incentives law in place

By 1990, have under debate revisions of tax, tariff, and pricing policies which most place small enterprises in competitive disadvantage with large enterprises

Strengthened policy influencing role of Jordanian business organizations

Number of steps reduced by at least 30 and time required reduced

Survey completed of incentive recipients to identify problems in administering law; comparison with competitor countries completed.

Studies on differential incidence of tax, customs, labor and output pricing on small vs. large enterprises.

Increase the number of organization doing policy analysis

AID financed study to improve process

Survey and comparative study of incentives in competitive countries

Loan guarantee program for small enterprises to be developed with study component.

Provide assistance to the Chamber of Industry as part of the Industrial Dev. Prj.

Study underway.

Studies underway

Planning for Import Support Facility and Loan Guarantee Project initiated.

As part of Industrial Dev. Project Chamber of Industry has negotiated contract with Arthur Young for assistance with Institutional strengthening and policy influencing.



Private Sector Action Plan Indicators

I. Sector-Wide Indicators

1. Businesses Operating:
 - a. Small (number & percentage change per year)
 - b. Medium (number & percentage change per year)
 - c. Large (number & percentage change per year)
2. Private sector employment:
 - a. Total number employed
 - b. Percentage of total labor force.
3. Private Sector contribution to GDP:
 - a. Amount
 - b. Percentage of total GDP
4. Available Credit to Private Sector:
 - a. Amount
 - b. Percentage of total credit

II. AID Program Specific Indicators

5. Number of individuals trained via A.I.D. projects in production management, product design, production planning, production control, quality assurance, and other business related skills.
6. Number of faculty and other staff that received training via A.I.D. projects with schools and training institutions.
7. Number of training participants completing training in business and management programs to which A.I.D. projects have provided commodities, technical assistance and/or training to faculty.
8. Total number of firms assisted by A.I.D. projects and programs.

9. Lending to private firms:
 - a. Amount: total and by type of assistance (capital, training or technical assistance)
 - b. Number of A.I.D. assisted firms.
 - c. Number of jobs created in A.I.D. assisted firms.
10. (a) Number of privatizations, (b) value of assets/stock transferred and (c) number of employees moved into private sector.
11. Number of private sector support organizations assisted by A.I.D. projects and programs.

<u>INDICATOR</u>	<u>YEAR</u>		
	<u>1985</u>	<u>1986</u>	<u>1987</u>
1a. Small	# / %	# / %	# / %
b. Medium			
c. Large			
2a. Total			
b. % Tot.			
3a. Amount			
b. % GDP			
4a. Amount			
b. % Tot.			
5.			
6.			
7.			
8.			
9a. Capital Training TA			
9b. No. firms			
9c. No. jobs			
10a. No. priv.			
b. Value			
c. No. Empl.			
11.			

Handwritten mark or signature.

2. Health/Population

Goal: Strengthen Jordan's Primary Health Care (PHC) services to reduce infant, child and maternal mortality and morbidity. Enhance the role of preventive medicine in Jordan's newly reorganized health system and promote alternative means for financing curative health care. In Population, help bring about a decline in the crude birth rate (45/1000 in 1987) and the annual population growth rate (3.7% in 1987) through the increased use of contraceptives and practice of birth spacing.

Introduction: Implementation of the Primary Health Care Nursing Development (PHCND) Project was delayed but is now well underway. The PHCND Project is helping the GOJ both expand and improve the quality of the basic health services it delivers. The GOJ is also in the process of reorganizing its total health care delivery system. This reorganization may result in the placement of all GOJ sponsored curative care (primary, secondary and tertiary) under a separate administration from the Ministry of Health (MOH) and in a refocusing of the MOH as an organization entirely dedicated to basic health and preventive medicine. The Mission is engaging in an active policy-dialogue with the GOJ in this momentous reorganization of its health programs. While Jordan still does not have an articulated population policy, His Majesty, King Hussein and the Minister of Health have recently made public statements calling attention to Jordan's rapid population growth. The MOH has stated that it is now prepared to proceed with a major birth-spacing program. The Mission is now in the process of designing the Marketing of Birth Spacing Project which will be the first ever bilateral project for a national contraceptive service delivery program.

Objective

Benchmarks

Action For Coming Years

Progress Status

Improve delivery of PHC services

A 50% increase in the number of nursing and midwifery students by 1992.

New nursing training institute inducts first class by October, 1988.

Institutional contractor in place and four resident advisors are working at MOH as part of the Primary Health Care Nursing Development (PHCND) Project.

A Primary Health Care element incorporated into the nurse training curriculum by 1989 and at least 25% of nursing graduates assigned to work in primary health care centers.

PHCND Project advisory team develop new training curricula. Jordanian participants trained in U.S. in primary health care nursing and assigned to new training institute by 1991.

The MOH is in the process of identifying participants for U.S. training and the institutional contractor has begun work on a new nursing curriculum.

Establish accurate maternal mortality statistics in Jordan by the end of 1988.

USAID, in cooperation with the Community Medicine Department at the University of Jordan, will carry out a maternal mortality survey nationwide. This is expected to be completed in June of 1988.

The action plan for the maternal mortality survey has been finalized. The Mission and the GOJ are in the process of determining the appropriate AID input to the survey.

8

Objective

Improve the quality of curative health care and increase the emphasis of preventive medicine and public health within the MOH.

Increase primary health care's share of government's recurrent health budget to 40% and 30% of capital health budget.

Find alternative means for financing curative health care which will reduce the budgetary burden on the national treasury.

Expand the role of the private sector in promoting and delivering basic health services and supplies at reasonable costs.

Benchmarks

Curative health care within the public sector reorganized and streamlined into one coordinated system instead of three.

About 75% of MOH expenditures and 90% of capital expenditures are devoted to hospitals.

Reorganize the two national health insurance schemes to increase subscription rates and user fees.

Introduce active birth-spacing services in all primary health care centers by 1990.

Birth-spacing promotion, services and product distribution expanded by 50% within the commercial sector.

Action For Coming Years

USAID will provide technical assistance and sponsor specific analyses designed to help the GOJ to establish the new National Medical Institute which will be responsible for all curative health care and to reorient the directions and work of the MOH.

Increase primary health care's share of government health budget to 30% of recurrent and 15% of capital expenditures.

USAID will provide technical assistance to the GOJ in the analysis and planning currently underway regarding these health financing issues.

30 MOH and 10 NGO staff trained in birth-spacing service delivery. Birth-spacing products and information made widely available in primary health care centers.

USAID's new Marketing of Birth Spacing Project will support the commercial sector with technical assistance, market research, generic birth spacing promotion and commodities to expand the birth spacing market.

Progress Status

USAID has received a request to provide technical assistance to the new National Medical Institute and the GOJ. Initial technical assistance is being sought from the REACH Project.

A request for technical assistance in health financing has been received. USAID is now exploring the means to provide such assistance through the REACH Project.

Mission is preparing a new Birth-spacing Project for approval in FY 1988 to support the incorporation of birth-spacing services in primary health care centers.

The Marketing of Birth Spacing Project is currently being designed for initial obligation in FY 1988.

Objective

Benchmarks

Action For Coming Years

Progress Status

	Media campaigns (using radio and T.V) used to promote the importance of birth spacing by the end of 1988.	The Academy For Educational Development in coordination with Noor Al Hussein Foundation is in the process of preparing a mass media campaign targeted at promoting birth spacing practices.	The in-depth interviews necessary for developing the message content for the birth spacing campaign have been completed.
National contraceptive prevalence rate increased from 26% in 1987 to 30% by 1992.	Increase availability of contraceptives and contraceptive services through public and private clinics.	The new Marketing of Birth Spacing (MBS) Project will provide training, technical assistance, commodities to MOH, NGO and private contraceptive service outlets.	The MBS Project is still in the design process with initial obligation of funds scheduled for FY 1988.
Increased capacity of private sector to deliver contraceptive and birth-spacing services.	Increased commercial promotion and distribution of contraceptive products through the marketplace.	The MBS Project will also provide technical assistance, promotional and market research support and commodities to the commercial sector to help expand the contraceptive market.	The MBS Project is still in the design process with initial obligation of funds scheduled for FY 1988.
	Jordan Family Planning and Protection Association (JFPPA) management capacity and number of clinics increased.	AID financed technical input will continue from the Margaret Sanger Center to improve the management capacity and the quality of services offered through JFPPA clinics.	Margaret Sanger personnel are working regularly with JFPPA staff. The most recent technical training seminar was held in February, 1988.
	MOH train more of its staff to provide contraceptive services.	RONCO, with AID funding, is providing training to MOH medical personnel in the delivery of contraceptive services.	The RONCO agreement was signed by the MOH in December, 1987. The first training program began in January, 1988.

Objective

Increased awareness of population growth as a development issue by senior government and private sector leaders.

Benchmarks

A national Population Commission revitalized and an active staff secretariat created to assist the work of the Commission.

A regular population census process established by the GOJ.

Action For Coming Years

USAID will finalize project design and negotiate an agreement for the MBS project with the GOJ in FY 1988.

USAID will monitor the work of the new Population Commission and progress at the secretariat. USAID will also explore the means to provide technical assistance to the Commission and Secretariat as appropriate.

USAID will offer technical assistance to the Department of Statistics of the Ministry of Planning in the planning, implementation and analysis of a 1989 population census.

Progress Status

The PID for the new birth spacing project submitted to AID/W in Feb. 1988. PP work is scheduled to start in April 1988.

The Population Commission was reestablished in January, 1988 and is chaired by the Minister of Labor and Social Welfare. The Secretariat was also established in January at the Queen Alia Jordan Social Welfare Fund. UNPPA has been asked to support the work of the Secretariat.

A team will carry out a 3-4 week assessment visit on the basis of which a whole action plan will be designed. BUCEN staff will arrive in Jordan in April of 1988.

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HEALTH AND POPULATION PROGRAM INDICATORS

1. Number of trained nurses and midwifery students.
2. Number of nursing graduates working in primary health care.
3. Contraceptive prevalence rates.
4. Birth interval.
5. Number of JFPPA centers.
6. Number of primary health care centers with birth-spacing services.
7. Number of radio and TV messages on birth-spacing.
8. Number of health workers that have received training on contraceptive practices.
9. Total volume of contraceptives sold or distributed.
10. Percentage of birth-spacing products and services provided through the commercial sector.

<u>INDICATOR</u>	<u>YEAR</u>		
	<u>1980</u>	<u>1985</u>	<u>1987</u>
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

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Objective

Benchmarks

Action for Coming Years

Progress Status

Establish by 1990 a marketing information system.

Establish by 1990 an export market intelligence system.

Undertake feasibility and planning study to determine the most suitable marketing information system for Jordan farmers, wholesalers, exporters and consumers.

Undertake feasibility study for privatizing government owned agricultural processing facilities.

Hold training & conduct observation tours to potential exports markets for producers and exporters.

Reduce government dominance in agroprocessing.

AMPCO currently owns and operates four processing plants. Assist in privatizing at least one of AMPCO's processing plants (FY 1989).

Do feasibility study on privatization of one or more government owned/operated processing plants.

Improve the effectiveness of Agricultural Research & Extension.

Train MOA research (35) & extension (80) personnel in farming systems research (FSR) methodology.

Continue in-service training and conduct observation tours to potential export markets for producers and exporters.

Incorporate development communications methodologies into agricultural extension program; & establish long-term extension strategies.

Continue in-service training on FSR and selected technologies.

Upgrade qualifications of MOA research & extension personnel through short & LT training.

2nd round of sondeos (rapid reconnaissance) for each of four production systems in order to identify remaining constraints and monitor effectiveness of interventions.

The HADP is focussing on farming systems research methodologies to identify constraints and involve farmers, researchers, & extension personnel in developing appropriate interventions. Most of the technologies have already been developed & tested, either in Jordan or outside. The emphasis now is on adapting these technologies to local conditions and demonstrating their utility and profitability to farmers through on-farm testing.

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Objective

Benchmarks

Action for Coming Years

Progress Status

Prepare by 1989 a National Strategic plan for Research & Extension for the MOS. Prepare a manpower development plan for NACRIT and draft the 1989/86 levels by 1990.

Establish additional 25 on-farm demonstration sites for improved wheat/barley technology.

A small on-farm demonstration effort was begun 1986/87; for 1987/88 wheat/barley demonstrations have been established.

Integrate the Agricultural Information Unit with the Extension Division at NCARTIT by 1989.

Prepare two extension videos through coordination between HADP, Jordan TV, and German program.

Hold a strategic planning workshop to prepare draft strategy. Drafter manpower development plan for NCARTIT.

Increase agricultural production and incomes of small-to-medium scale farmers (less than 5 hectares on irrigated land; less than 20 hectares on rainfed land).

Increase production of fruits & vegetables in the Jordan Valley by 5% over 1985/86 levels by 1990.

Deregulate retail prices of fruits and vegetables.

Abolish the cropping pattern system.

The Jordan Valley Ag. Services Project will be completed 9/30/88. This successful project has resulted in a strengthened institutional capability of MOA research & extension in the Valley as evidenced by increased services provided to farmers (e.g. soil, tissue, & water analysis); greater emphasis on adaptive and responsive research (e.g. the introduction of biological control to fight pests and disease); and the general increased effectiveness of extension effort in the Valley (e.g. greater agent mobility,

Increase by 20% over current levels the number of hectares in highlands planted using improved technologies (consisting of early planting, use of chisel plows and seed drills, and application of fertilizer and weedicides), by 1990.

Amend fee structure of ACOM to favour farmers.

Increase family farm income over 1985/86 levels by 5% in the Jordan Valley and by 10% in the Highlands by 1990.

Objective

Benchmarks

Action for Coming Years

Progress Status

Diversify agricultural production.

Increase by 25% over 1987/88 levels of hectares of non-traditional fruit and vegetables by 1991.

Increase production of pulses, lentils and forage grasses by 20% by 1990.

Increase number of hectares under onions and garlic in highlands by 35% over 1988 levels by 1990.

Undertake on-farm demonstrations for onions and garlic.

Continue on-farm demonstrations for barley in areas with under 200m of rainfall/year.

Demonstrate suitability and profitability of planting lentils, pulses, & forage in rotation with wheat or barley. By next cropping season undertake relatively large scale on-farm garlic and onion cultivation demonstrations.

increased on-farm demonstrations and farmers field days, closer coordination through weekly meetings with MOA and University researchers; and extension techniques and methodologies). During the past year several extension videos have been produced for both local viewing and presentation on national T.V.; over 70 extensions "facts sheets" have also been produced. This series covers identification and treatment of pests and diseases, cultivation of new crops, and improved technologies for growing current crops.

Under JVASP several new vegetable crops have been introduced. These include fennel, broccoli, and cauliflower.

Extension efforts now focussed on introducing still other profitable crops, such as asparagus kiwi and mango.

Onion & garlic seed multiplication program has been established on government & private farms.

Objective

Benchmarks

Action for Coming Years

Progress Status

Increase number of hectares
under barley over current
1987/88 levels by 10% by 1990.

Improved technology for growing
barley is currently being
demonstrated on 11 farmers'
fields in low rainfall areas.

Successful testing of forage
grasses under Australian dryland
project will be focus of on-farm
demonstration in HADP project
areas in Southern Jordan.

AGRICULTURE INDICATORS

1. Number of research and extension personnel trained in farming systems research methodology.
2. Number of extension personnel trained as subject matter specialists.
3. Number of on-farm demonstrations in improved cereal technology.
4. Number of on-farm demonstrations in diversified crop production.
5. Percentage of wheat farmers adopting all or parts of the improved wheat technology package.
6. Number of metric tons of lentils, pulses, and forage grasses produced.
7. Number of metric tons of onions and garlic produced.
8. Percentage of retail price of fruits and vegetables attributed to marketing costs.
9. Volume of fruits and vegetables passing through the ACWM and percentage exported.
10. Volume of fruit and vegetable exports to EEC and Gulf markets, and percentage of non-traditional crops.

<u>INDICATOR</u>	<u>YEAR</u>		
	<u>1980</u>	<u>1985</u>	<u>1987</u>
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

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4. Water and Wastewater

Goal: Adequate supplies of water for domestic, industrial and agricultural purpose and related sanitary facilities at appropriate rates and adequate skills to operate and maintain these facilities.

Introduction: This sector continues to receive support as part of the overall Mission strategy to address areas of concern to the GOJ albeit with reduced resources. Our emphasis on policy dialogue remains one that enables us to discuss with the GOJ the financial and institutional viability of WAJ, training, management, position descriptions and functional statements. We continue technology transfer efforts especially in the areas of engineering design, construction inspection as well as construction methods and procedures. We continue to encourage smaller private sector firms to bid on water construction projects by dividing projects into smaller components. All of the above actions are in line with our stated CDSS strategy.

<u>Objective</u>	<u>Benchmarks</u>	<u>Action for Coming Years</u>	<u>Progress Status</u>
Strengthen institutional capabilities in water management and service delivery.	Evaluate AID's input into water sector and determine the areas needing strengthening and/or TA.	Water sector evaluation/assessment to be undertaken in third quarter of FY 88.	SOW for assessment done and suggested team identified.
	Provide by 1989 a potable water distribution system, a sewage collection system and a wastewater treatment plant for 12 urban areas throughout Jordan. These facilities will serve a total population of more than 740,000 approx. 32% of Jordan's population.	Continue to oversee construction progress and quality assurance. Several contracts will be awarded for construction of water distribution and sewage collective systems for Zarqa.	Construction activities for all 12 urban areas are under contract. Technical assistance for design of facilities is complete and several US/Jordanian joint ventures are providing supervision of construction services.
	Provide technical assistance to train trainers for WAJ's training center for water and wastewater plant operators, meter readers, maintenance personnel and administrative staff. Completion by 89.	The new Ministry of Water and Irrigation (JVA and WAJ) reorganization plan includes the integration of these two authorities into the new ministry.	WAJ has requested technical assistance to establish an operational and maintenance training organization. The WAJ reorganization plan under MOW & I contract was signed in the third quarter FY 87.

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Objective

Benchmarks

Action for Coming Years

Progress Status

More effective use of water resources - improve production and conservation programs.

Provide technology transfer in design, construction management and construction methods, techniques and practices to three consulting and six construction firms in the private sector. Completion early 88.

N/A

Technology transfer consultants have completed their activities with Jordanian consulting engineers and contractors.

Provide for groundwater investigation and the quantification of aquifer reserves in the North of Jordan. Completion FY 89.

U.S. consultant will complete assistance in the setting up of computer modeling.

Technical assistance in groundwater modeling being provided for the northern basin.

Provide training in leak detection in potable water distribution systems. Completion in FY 89.

Program will be operational as scheduled.

U.S. consultants commenced process of setting up a training program for trainers.

Provide engineering technical assistance for replacement of six old deteriorated and undersized systems. Completion in FY 89.

WAJ takeover to be completed as scheduled.

Most of construction (IBRD financed) has now been completed and projects are in process of being taken over by WAJ.

Improve economic utilization of water resources by linking consumption to establishment of equitable water tariffs.

Provide technical assistance to establish training in the repair and maintenance of water meters and testing and evaluation of water meters for all potable water systems operation and maintenance personnel with completion in FY 89.

Training under this activity to be completed as scheduled.

Technical assistance being provided as part of the systems management and operation is progressing according to established schedule.

Promote adoption of results of completed Jordan's water tariff study into structure through policy dialogue during FY 88.

Policy dialogue based on study, will be with WAJ for implementation of recommendations.

Water Tariff study completed by consultants.

Objective

Benchmarks

Action For Coming Years

Progress Status

Improve quality of educational environment and increase literacy among children with compulsory level age group.

Reduce illiteracy in Jordan by 5% by 1990.

Begin dialogue with GOJ to show periodically on TV the Arab Literacy Series.

The Arab Literacy Children Series is being shown periodically on J.T.V.

Increase the number of "high-tech" technical and commercial programs offered by selected educational and training institutions by 5% in 1990 over current 1985/86 levels.

Target community colleges for assistance in training of trainers and curriculum design in commercial areas such as: merchandising, accounting, marketing, purchasing, cost accounting information systems operation, commercial art, etc.

Three community colleges expressed interest in obtaining this kind of assistance.

Replace 12% of inadequate rented compulsory schools by 1990.

Complete financing of 40 compulsory schools under School Construction III project.

Construction Contract for 40 schools have been awarded. 6 will be completed in May 1988. The goal of replacing 12% of the inadequate rented compulsory level schools by 1990 will be met.

Under the MD Project, continue the long-term technical assistance, training and procurement contracts for the University of Jordan and Jordan Institute of Management (JIM).

The MD Project has provided the agreed upon 49 computers for the University of Jordan (FEAS) and the 24 computers for the Jordan Institute of Management.

Objective

Increase quantity and improve quality of Jordan's public and private sector managerial and technical manpower in areas critical to Jordan's continued economic development.

Benchmarks

By the end of FY 88, 100 private sector participants have participated in program.

Increase the number of public sector participants by 10% over the FY 86 level by end of FY 88.

Action For Coming Years

Continue the selection and training of private sector participants.

Continue to promote the public sector participant training program.

Progress Status

Over 230 expressions of interest from the private sector have been received to date. 43 have been programmed.

155 participants have completed their training and returned to Jordan in FY 87. Representing an increase of 47% over FY 86 total.

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6. Housing and Urban Development

Goal: To promote more efficient use of both public and private resources and investments in urban residential areas and to increase the availability of housing affordable to low income groups through the progressive restructuring of housing and housing land markets to better serve their needs.

Introduction: The current Housing Guaranty (HG) Program aims to increase the availability of mortgage credit for the purchase of housing affordable to low income groups and to increase the participation of private developers in the low income housing market. Coordinated with the National Housing Strategy, the program also provides support to policy and institutional development that will facilitate the provision of such housing over the long term.

Objective

Improve status of low and moderate income groups by increasing the supply and effective demand for affordable housing and housing land.

Improve performance and operation of the shelter delivery system in serving the minimum shelter needs of the lowest income groups.

Benchmark

Greater JHB effort placed on private developer component of existing HG Program.

Implementation Agreement finalized for West Bank/Gaza component of existing (HG) Program during FY 88.

GOJ adopts changes in housing policies to benefit low income households based on recommendations of the National Housing Strategy.

Action For Coming Years

Small scale private developer survey and related seminar to be completed.

Advisor to be appointed to JHB Low Cost Housing Department to work with private developers and project appraisal.

GOJ to borrow second tranche under existing East Bank HG Program.

GOJ to borrow for WB HG Program.

GOJ to complete review and discussion of National Housing Strategy; endorse recommendations for policy changes.

Progress Status

Mid-term evaluation of existing HG Program completed.

Additional HG funds of \$10 million for the Individual Loan Program and \$15 million for the West Bank/Gaza authorized in FY 1987.

Implementation Agreements for additional \$10 million and WB/Gaza program under preparation.

Technical Committee review of Housing Strategy completed.

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Objective

Benchmark

USAID supports Housing Strategy and Shelter Unit through development of new HG Program based on policy dialogue.

Authorization of new HG Program in FY 1988.

Action For Coming Years

PID and PP to be developed for new HG and submitted to AID/Washington; PP to be approved by September 1988.

Progress Status

GDJ informed of plans for new, programmatic and policy related HG Program.

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Housing and Urban Development Indicators

1. The total number (a) and value (b) of mortgages to low and medium income groups issued through the Jordan Housing Bank - Low Cost Housing Department disaggregated by location (Greater Amman, Other Urban and Rural)
2. The number of people benefiting from the A.I.D. program.
3. The number of low cost housing units constructed by private developers working through the A.I.D. program.

YEAR

<u>INDICATOR</u>	1980	1985	1987
1a.			
Greater Amman			
Other Urban			
Rural			
1b.			
Greater Amman			
Other Urban			
Rural			
2.			
3.			
4.			
5.			

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SECTION V - MAQARIN DAM

The Unity Dam at Maqarin Station

A. Changes in Country Environment

On September 3, 1987, Jordan concluded negotiations and signed an agreement with Syria to proceed with the construction of a 100 meter high dam at Maqarin Station on the Yarmuk River. At this time, it was agreed that the name of the dam would be changed from Maqarin Dam to the Unity Dam. This formal agreement resolved the objections of Syria which has kept the project on hold since 1980 when the original design work had been completed for Jordan by Harza Engineering Company.

The Yarmuk river is the largest remaining uncontrolled source of water in the region. It is situated on the border between Jordan and Syria, and its waters are utilized by Syria and Israel as well as Jordan. Jordan is already taking major steps to exploit available surface and groundwater resources and to improve the efficiency of its extensive East Ghor Main Canal irrigation system by converting it to a closed, pressurized system wherever practical. Despite the benefits derived by this course of action, Jordan will need the additional water that the Unity Dam will provide in the 1990's. The Unity Dam will provide for the efficient use of Yarmuk water resources to increase agricultural production as well as improve the supply of water for domestic and industrial uses.

Jordan places the highest priority on moving this project forward quickly; and consequently, on November 19, 1987, Jordan signed a \$2.4 million contract amendment with Harza Engineering Company to complete the necessary feasibility and redesign studies. USAID has provided \$1 million from its TSFS V project for this work. Under the terms of this contract, the feasibility work will be completed by June, 1988, and the redesign work completed by October, 1988. Jordan plans to start construction on a tunnel to divert the flow of the Yarmuk River around the construction site in June or July of 1988, using its own funds. Estimates of the cost of the dam itself now range between \$300 and \$350 million, depending on the results of the redesign work currently underway.

During the early 1980's, the U.S. Congress had agreed to provide \$150 million for construction of this dam; and consequently, USAID has already invested \$15 million (including the \$1 million recently provided) in the design effort. The funds agreed to by Congress in the early 1980's were allocated to other priority development projects world-wide when dam construction could not proceed because of regional political disagreements over the project. Jordan has already requested support from the United States for the new Unity Dam project and will certainly be expecting our response when the

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feasibility studies are available in June of 1988. In the 1980's, Congressional support was conditioned on resolving all riparian rights issues. Assuming that the riparian rights issues are resolved, there would be no impediment to providing U.S. assistance to help Jordan with this critical development project.

B. Description of the Project - Resource Requirements

The Unity Dam project specifies the construction of a 100-meter high dam at Maqarin Station on the Yarmuk River. The dam would be located on the border between Jordan and Syria. The total storage area would be approximately 225 million cubic meters of water, or 195 million cubic meters of live storage, and in the long term after full development by the riparian states would yield between 85 and 110 million cubic meters of controlled water for Jordan's use in an average year. The water is intended for the generation of power through an 18-20 megawatt hydroelectric plant and for agricultural, municipal and industrial uses in Jordan. The power that is generated will be shared between Syria and Jordan on a ratio of 75% for Syria and 25% for Jordan.

The Unity Dam and related works is currently estimated to cost between \$300 and \$350 million dollars. Financing for the project has not yet been arranged; but Jordan is hopeful that both the United States and the World Bank will be major donors, as was agreed in the 1980's, and that this would provide the necessary leadership to enlist a consortium of donors to finance the overall project. Given the regional significance of the Unity Dam project, we feel that while the U.S. would not be in a position to be a majority donor, strong consideration should be given to providing significant assistance over approximately three years.

C. Management/Implementation Issues

A decision to provide significant AID support for the Unity Dam project would have implications for both direct AID and/or PSC staff requirements. USAID plans to meet most of the requirements by contracting for the required PSCs, but depending on the availability of a direct hire engineer with large dam experience, one direct hire project engineer would be preferred for the life of the project.

USAID management implementation issues will center on quality assurance, technology transfer and the processing of contractual documentation related to construction operations. The additional staff needed would include:

<u>Position</u>	<u>Description</u>	<u>Source/Time</u>
1. Project Engineer	Experience in dam construction and administration	DH or PSC life of project (approx 3 yrs)
2. Tunnel Engineer	Technology transfer, to work with JVA - tunneling experience (rock with concrete lining	PSC
3. Concrete Construction Engineer	Technology transfer, to work with JVA - concrete facing for rockfill dams experience	PSC
4. Rockfill Inspection Engineer or Materials Engineer	Technology transfer, to work with JVA - rockfill dam materials testing, placement and inspections	PSC
5. Powerhouse Construction Engineer	Technology transfer, to work with JVA - hydro-powerstation experience	PSC

(Approximately 3 man years of effort would be required over the life of the project for items 2,3,4,5.)