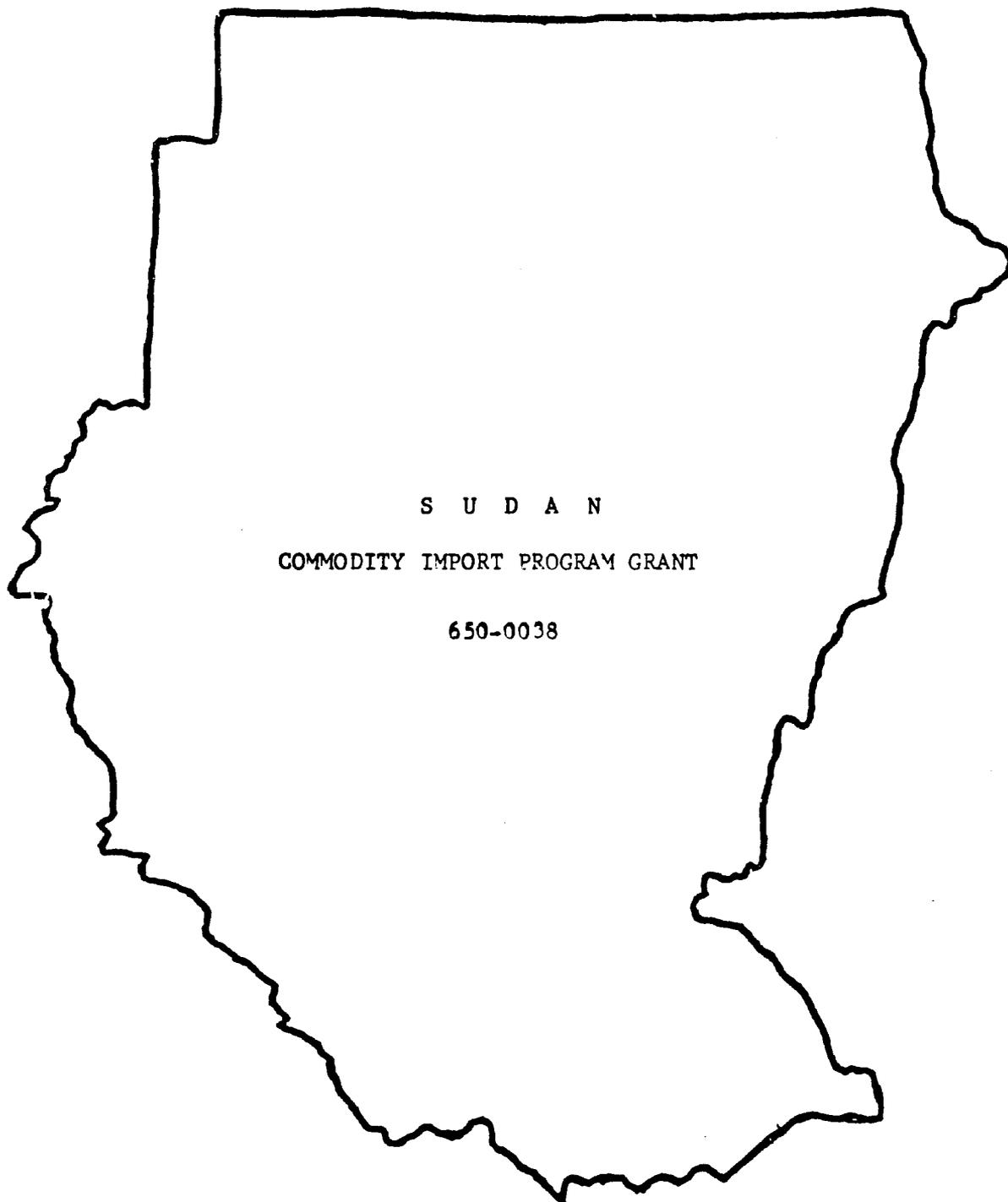


PD-AAG-416

650-0038

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du 6500038005801



ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/DR, John W. Koehring

Problem: Your signature is requested for the attached Action Memorandum for the Administrator recommending authorization of the Sudan Commodity Import Program Grant (650-0038). Your approval is also requested for a Negative Determination of the Initial Environmental Examination (IEE). Tab 1, Annex IV.

Discussion: The total life-of-project costs of \$40,000,000 exceeds the authority of Assistant Administrators requiring authorization by the Administrator.

Recommendation: That you approve the recommendation for a negative determination by signing the attached IEE and that you sign the Action Memorandum for the Administrator recommending authorization of the proposed activity.

Attachments:

- 1. Action Memorandum for the Administrator
- 2. Initial Environmental Examination

Clearances:
 AFR/DR/EAP, SWCole [Signature]
 AFR/DR, NCohen _____
 AFR/EA, HJohnson (draft) _____
 AFR/EA, JWooten (draft) _____
 DAA/AFR, WHNorth (13) _____

[Signature]
AFR/DR/EAP, MMCDaniel:hph:12/17/79: x28286

DEC 26 1979

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU : ES

THRU : Alexander Shakow, AA/FPC

FROM : Goler T. Butcher, AA/AFR

SUBJECT: Sudan - Commodity Import Program Grant - 650-0038

Problem: Your approval is being requested to execute a \$40 million Commodity Import Program Grant from Economic Support Funds to the Government of Sudan (GOS). Your approval is also requested to approve a source/origin waiver for the procurement of transportation services.

Discussion:

A. Project Description

The proposed grant will, in conjunction with the efforts of other donors, help mitigate Sudan's current balance of payments problems and will generate counterpart funds to be used for development activities reinforcing the productive capacity of Sudan. The foreign exchange provided under this grant will be used to import essential consumer items such as wheat, supplies of raw materials and spare parts needed to sustain industrial production, and capital goods necessary for continuing on-going development efforts. Although all commodities in the AID Commodity Eligibility Listing will be eligible for financing under this grant, present plans have most funds being disbursed for (1) wheat for consumption, (2) agricultural requirements (including spare parts, tractors and wheat seed), (3) transport and communications requirements (including aircraft and railroad equipment spares), (4) public and private industry (tallow, tin plate, iron and steel, spare parts), and (5) others (spares for sewage system, medical and scientific equipment).

The proposed grant of \$40 million is to be obligated in fiscal year 1980 and be disbursed in accordance with prevailing AID Regulations (Reg. 1) and in support of the GOS - IMF stabilization program.

Commodities moving into the private sector will be handled through normal commercial banking procedures. Counterpart funds generated by this activity will be deposited in a special account(s) and used for development activities, as jointly determined by the GOS and AID.

This grant assistance activity by AID constitutes only a portion of the balance of payment requirements of the GOS. Their current annual deficit exceeds \$400 million and this AID contribution is being coordinated with similar programs being proposed by World Bank/EEC (\$62 million) and the Netherlands (\$21 million). A major requirement for balance of payments support remains unmet and, even with a successful stabilization program, large amounts of this type of assistance will be required for several years to come.

B. Financial Summary

Program Grant funding of \$40 million will be utilized to procure commodities for both the public and private sectors and to provide for the transportation costs of such commodities. The public sector is expected to utilize approximately \$27 million. The GOS has expressed its intention to reserve approximately \$12 million for use by the private sector.

C. Conditions and Covenants

No special problems in the negotiations of the Program Agreement, or in reaching agreement in the implementation plan, are foreseen. Government officials, including the Minister of National Planning, have been active in the development of the grant and we believe that the Government will be able to sign the Program Agreement within a short period of time after the program grant is approved.

In addition to the Standard provision/conditions included in the AID Program Agreement, the Program Assistance Approval Document contains additional conditions and covenants that will also be included in the Program Agreement. The agreement also provides that all procurement will be restricted to AID Geographic Code 941,^{1/} except for \$500,000 to be waived for procurement of a small portion of the transportation services (see below), and no commodities procured under this grant may be used in the production of palm oil, coffee, or sugar products.

D. Waiver Requested

A procurement source/origin waiver to permit procurement of transportation services (air and ocean freight on non U.S. carrier) from AID Geographic Code 899 in the amount of \$500,000 is requested.

^{1/} Selected Free World Countries with exception as noted in AID HB 18 App. D Sec. III, Att. A 11-16

A detailed justification for the waiver is provided as Annex VI of the PAAD.

E. Special Authorities

Special authorities are requested for USAID/Sudan to issue Implementation Letters and Commodity Procurement Instructions and to delete the usual minimum transaction value of \$5,000 as reflected in the Face Sheet of the PAAD.

F. Committee Action and Congressional Appraisalment

The Project Review considered this project and recommended approval pending the resolution of several minor issues. These issues were subsequently resolved at an Africa Executive Committee for Project Review (ECPR) chaired by DAA/AFR on October 26, 1979. The ECPR recommended that Code 000 2/ limitations on commodity procurement as proposed in the PAAD be deleted in favor of Code 941,3/ which is consistent with overall AID policy regarding grants to RLDC's. Since most procurement will likely be from the U.S., the ECPR saw no advantage to be more restrictive than Agency policy.

The ECPR also discussed the possible utilization of funds generated from this activity to fund private freight forwarders to assist in port clearing/inland transportation problems. The ECPR concluded that, although no formal requirement to use funds this way should be included in the authorization document, the USAID Mission should use every effort with the GOS to assure expeditious movement of commodities, including the use of freight forwarders.

G. Environmental Analysis

In accordance with AID Regulation 16, paragraph 216-2(f) and (g), it has been determined that a negative determination is appropriate regarding the environmental impact of this grant. As the proceeds of the grant will not be used for the purpose of carrying out a specifically identifiable project or series of

3/ Free World - with exception as noted in AID HB 18, App. D, Sec. III, Att. A 11-15

2/ United States

activities, an Environmental Assessment or Environmental Impact Statement is not required.

H. Implementation

USAID's Supply Management Officer will have direct responsibility for program administration under the direction of the USAID Director and in cooperation with support officers in AID Washington and REDSO/EA. The Supply Management Officer will be responsible for preparing implementation documents, establishing and maintaining necessary records, and advertising and assisting eligible CIP importers, both public and private, as required.

The major Government of Sudan entities responsible for implementing and administering the grant are the Ministry of National Planning (MONP), the Ministry of Cooperation, Commerce and Supply (MCCS), and the Bank of Sudan. The MONP will allocate the grant proceeds and has overall responsibility for grant administration. The MCCS establishes GOS import controls and issues trade regulations required to support the program. It is also responsible for issuing import licenses. The primary role of the Bank of Sudan will be to approve import licenses, allocate foreign exchange, and manage the special account for counterpart generation. Any use of counterpart generated by this activity will be jointly programmed by USAID/Sudan and the Government of Sudan.

Recommendation: That you sign both (a) this Action Memorandum, thus approving the \$500,000 waiver requested in Section D above, and detailed in Annex VI of the PAAD, and (b) the attached PAAD thereby authorizing the proposed activity in the amount of \$40 million.

Approved: _____

Disapproved: _____

Date: _____

Attachment
(a) PAAD

Clearances

- DAA/AFR, WHNorth _____
- AFR/DR, JWKoehring _____
- AFR/DR, NCohen _____
- AFR/DR/EAP, SCole _____
- AFR/DR/SDP, BBoyd (draft) _____
- AFR/DR/SDP, FDuncan (draft) _____
- AFR/EA, JWooten (draft) _____
- AFR/EA, HJohnson (draft) _____

AFR/DR/EAP:  McDaniel:hph:12/17/79:x28286

DEC 26 1979

NOTE TO ADMINISTRATOR DOUGLAS J. BENNET, JR.

FROM DEPUTY ASSISTANT ADMINISTRATOR FOR AFRICA W. HAVEN NORTH

SUBJECT: Commodity Import Program Grant

This activity was designed and recommended for authorization at a level of \$50 million, with \$40 million to be obligated now and \$10 million later.

In mid Fiscal Year 1979, the President submitted to Congress a supplemental budget request for \$40 million in Economic Support Funds for Sudan. Subsequently, the Senate voted to authorize a higher level of \$50 million. The proposed \$40 million obligation is presently available under the Continuing Resolution.

On the basis of PPC's recommendation, we have lowered the authorized level of the grant to \$40 million, which is also the amount we intend to obligate. Notwithstanding, we believe \$50 million is required by Sudan and has been emphasized by Ambassador Bergus in Khartoum in recent messages. We will, therefore, be requesting a \$10 million amendment to this authorization later in the year.

We propose to advise Ambassador Bergus that we should proceed with the \$40 million available under the Continuing Resolution. We will also tell him that we are making every effort to obtain the additional \$10 million depending on the outcome of the appropriation bill and the subsequent allocation of available Economic Support Funds.


W. Haven North

UNCLASSIFIED
Department of State

OUTGOING
TELEGRAM

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ORIGIN AID-29

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INFO OCT-00 AF-10 EB-08 COMP-01 /048 R

DRAFTED BY AFR/DR/EAP: S COLE: BJS

APPROVED BY AFR DR: J KOEHRING

AFR/EA: J WOOTEN (SUBS)

DESIRED DISTRIBUTION

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INFO AMEMBASSY NAIROBI IMMEDIATE

UNCLAS STATE 332288

ADM AID, NAIROBI FOR REDSO

E.O. 12065: N/A

TAGS:

SUBJECT: SUDAN COMMODITY IMPORT PROGRAM - 650-0038

1. DEPUTY ADMINISTRATOR SIGNED, AND THEREBY AUTHORIZED,
THE COMMODITY IMPORT PROGRAM FOR SUDAN FOR FY 1980 ON
DECEMBER 27, 1979 IN THE AMOUNT OF U.S. DOLLARS 40 MILLION.

2. DOLLARS 40 MILLION AUTHORIZED ARE FUNDS PRESENTLY
AVAILABLE UNDER THE CR, WHICH REMAINS IN EFFECT. AFR WILL
MAKE EVERY EFFORT TO OBTAIN ADDITIONAL DOLLARS 10 MILLION
RECOMMENDED BY PP, DEPENDING ON OUTCOME OF APPROPRIATION BILL
AND SUBSEQUENT ALLOCATION OF AVAILABLE ESF MONIES.

3. ALLOTMENT AND FISCAL DATA FOLLOWS SEPTEL. VANCE

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Department of State

INCOMING
TELEGRAM

PAGE 01

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ACTION AID-25

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FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC IMMEDIATE 3057

AMEMBASSY NAIROBI IMMEDIATE

UNCLAS KHARTOUM 7155

AIDAC

NAIROBI FOR EAAC

E.O. 12065: N/A

SUBJECT: COMMODITY IMPORT PROGRAM SIGNING

REF: A. STATE 332238 B. STATE 332417

1. AT 11 A.M. LOCAL TIME US AMBASSADOR DONALD C. BERGUS AND MINISTER OF NATIONAL PLANNING, NASR AL DIN MUSTAFA SIGNED COMMODITY IMPORT PROGRAM AGREEMENT FOR FORTY MILLION DOLLARS THEREBY OBLIGATING FUNDS AUTHORIZED BY DEPUTY ADMINISTRATOR PER REF A. ALSO ATTENDING WERE NATIONAL PLANNING UNDERSECRETARY ABDEL WAHAB, USAID DIRECTOR GORDON PIERSON AND ASSISTANT DIRECTOR JAMES HOLTAWAY AND SUPPLY MANAGEMENT ADVISOR RICHARD AITKEN.
BERGUS

Action

AFD

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UNCLASSIFIED

CLASSIFICATION:

AID 1120-1 (8-66)	DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT	1. PAAD NO 650-0038
		2. COUNTRY Democratic Republic of the Sudan
		3. CATEGORY Commodity Financing - Standard Procedure
		4. DATE
5. TO: DOUGLAS J. BENNET, JR. Administrator, A.I.D.	6. DVB CHANGE NO. Not applicable	
7. FROM: Goler T. Butcher, Assistant Adminis- trator, Bureau for Africa	8. DVB INCREASE None	
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 40,000,000	10. APPROPRIATION - ALLOTMENT ESF	
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT <input type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input type="checkbox"/> NONE	12. ESTIMATED DELIVERY PERIOD Oct. 1979 - Oct. 1981	
13. LOCAL CURRENCY ARRANGEMENT	14. TRANSACTION ELIGIBILITY Grant Approval Date	
15. COMMODITIES FINANCED Commodities declared eligible under the A.I.D. Commodity Eligibility Listing will be eligible for A.I.D. financing.		

16. PERMITTED SOURCE	17. ESTIMATED SOURCE
U.S. only: \$ 39,500,000 (Code 000)	U.S.: \$ 39,500,000
Limited F.W.:	Industrialized Countries: \$ 500,000
Free World: \$ 500,000 (Code 399)	Local: /
Cash:	Other:

18. SUMMARY DESCRIPTION

This grant represents U.S. assistance to Sudan being made available to help the Government of the Democratic Republic of the Sudan (GOS) overcome a serious but temporary, balance of payments problem.

The proposed grant will provide foreign exchange for essential public, para-statal, and private sector imports and related services to be agreed upon by the GOS and AID. It is expected that the GOS will elect to utilize approximately \$ 28 million for public sector imports and \$ 12 million for the private sector.

A grant to the Government of the Democratic Republic of the Sudan is hereby authorized in the amount of \$ 40,000,000 for financing the items described above, subject to the following terms and conditions:

1. procurement will be restricted to AID Geographic Code 941 except for procurement of \$ 500,000 worth of transportation services from Code 399 countries as justified in Annex VI of the PAAD;

Clearances	Date
DAA/AFR, WHNorth <i>[Signature]</i>	12/19/79
AFR/DR, JWKoehring <i>[Signature]</i>	12/19/79
AFR/DR, NCohen <i>[Signature]</i>	12/19/79
AFR/EA, HJohnson <i>[Signature]</i> *	12/18/79
AFR/DP, JMartin <i>[Signature]</i> *	12/18/79
SER/COM/ALI, SKiause <i>[Signature]</i> *	12/18/79
AFR/DR/EAP, SCole <i>[Signature]</i> *	12/18/79
GC/AFR, JPatterson <i>[Signature]</i> *	12/18/79
AFR/DP, RStacy <i>[Signature]</i> *	12/18/79
AFR/DR/SDP, EDuncan <i>[Signature]</i> *	

19. ACTION	
<input checked="" type="checkbox"/> APPROVED	<input type="checkbox"/> DISAPPROVED
<i>[Signature]</i>	12/21/79
Robert H. Nooter	
Deputy Administrator, AID	

DN: * Same as Action Memorandum

PAAD - Sudan - Commodity Financing
(Continued)

- commodities procured under this grant may not be used in the production of palm oil, sugar or citrus products; and
- such other terms and conditions as AID may deem advisable.

Approval is also given U.S. A.I.D. Sudan to:

- sign and issue implementation letters and Commodity Procurement Instructions for this grant; and
- delete the usual minimum transaction value of \$ 5,000.

SUDAN
COMMODITY IMPORT GRANT

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DEFINITIONS AND TERMS

Land Unit	1 feddan = 1.038 acre
Sudan Fiscal Year	July 1 to June 30
Sudanese Currency	1 pound (LS) = 100 piasters (p.t.) = 1,000 milliems
	June 7, 1978 - 1 LS = U.S. \$2.50
	June 8, 1978 - 1 LS = U.S. \$2.01

SUDAN: Commodity Import Grant

I. Summary and Recommendation

A. Problem

After achieving independence in 1956, Sudan struggled through a lengthy period of political instability characterized by a succession of coalition governments. In 1971, General Gaafar Mohamed Nimeiri was elected President, and since then he has been a stabilizing force both in Sudan and in the region.

Most recently, the Government of Sudan (GOS) has demonstrated its desire to promote regional political stability through its open support of the Egyptian-Israeli peace process. However, this support has placed the Government in a precarious position domestically and vis-a-vis neighboring Arab states. Internally, many Sudanese are disturbed that Sudan is breaking ranks with her Arab sisters on the Egyptian-Israeli peace treaty issue, while externally the radical Arab states are calling for sanctions against Sudan similar to those placed on Egypt.

Exacerbating these political tensions is the most severe economic crisis in Sudan's history. Major factors causing this crisis have been: disappointing results from efforts to diversify the export base through a shift from cotton to grain production; an overly-ambitious public sector development program, which rose from US \$125 million equivalent in GOS FY 1974 to US \$500 million in FY 1979; and excess reliance upon central bank and external borrowings to finance the development program.

As a result, Sudan's current account in the balance of payments (BOP) deteriorated from an average annual deficit of US \$27 million during FYs 1971-73 to US \$467 million in FY 1975. Since FY 1975, the deficit has exceeded US \$400 million for most years, and unpaid commitments of the public and private sectors have risen to about US \$300 million. Sudan's foreign exchange crisis has in turn forced the GOS to strictly limit its imports and curtail numerous planned development programs.

In response to the crisis, the government is undertaking a GOS-IMF financial reform program to stabilize the economy. To implement this program, the GOS is requesting donor assistance that will permit the importation of commodities it would otherwise be unable to buy because of the current foreign exchange shortage. This assistance will be used to import essential consumer items such as wheat and sugar, supplies of raw materials and spare parts needed to sustain industrial production, and capital goods necessary for continuing on-going development efforts.

In short, the GOS has made significant strides in recent years to bring about stability both within and beyond its borders. However, the present uncertainty of the political climate and the financial strains being placed on the economy threaten the Government's capacity to maintain and sustain stabilization efforts. It is against this backdrop of difficulties that this assistance is proposed.

B. U.S. Response

In consideration of the problems described above and the objectives of U.S. economic assistance to Sudan, A.I.D. proposes to grant the Government of Sudan from the Economic Support Fund. This grant will be utilized through a Commodity Import Program (CIP) to provide short-term balance of payments relief. However, to the extent possible, commodities financed under the grant will be selected with a view toward their longer term impact on the BOP, i.e. their contribution towards 1.) increasing export earnings; 2.) reducing import costs through import substitution activities; and 3.) supporting the maintenance or expansion of the nation's productive capacity.

In light of these criteria, illustrative commodity groups that are tentatively proposed for financing by the public sector include wheat seed, land leveling equipment, tractors, spare parts for railroad locomotives, and canning machinery. Private sector procurement will likely include spare parts, machinery, raw materials, and product components used in import-substitution industries. About \$12 million of the grant proceeds are tentatively allocated for private sector use.

Because similar programs are being proposed by the World Bank/EEC (\$62 million) and the Netherlands (\$21 million), U.S. assistance at a level of \$50 million is believed to be appropriate. However, recent IMF/GOS estimates indicate that \$900 million in new commitments will be required annually to finance projected deficits over the next three years. Thus, far larger amounts of such assistance will be needed ultimately and program-type assistance by major donors will be required for several years to come.

Counterpart funds generated under the grant will be deposited into a special account at the Bank of Sudan and their use will be jointly determined by A.I.D. and the GOS. It is proposed that these funds be used to meet public sector port clearance costs, taxes, and inland transport charges for CIP goods, among other uses. To the extent that the GOS budgeting process has not made provision for the commodities financed under this project, reallocations will be made to ensure that the quantitative targets established under the GOS-IMF Stabilization Program are maintained.

The grant will be administered in accordance with A.I.D. Regulation 1, use standard Commodity Financing Procedures, be restricted to Code 000 source and origin procurement, and will strive for disbursement within 24 months. The grant is expected to have both short and long term beneficial effects on the U.S. Balance of payments, and it will complement Ex-Im Bank and OPIC activities in Sudan. All statutory criteria have been met.

C. Recommendations

USAID/Sudan recommends that a fifty million dollar (\$50,000,000) grant be authorized to the Government of the Democratic Republic of the Sudan for financing the importation of selected commodities, commodity related services, and other services subject to the following provisions:

Terms and Conditions:

- Procurement will be restricted to A.I.D. Geographic Code 941, except for procurement of transportation services valued at \$500,000 from Code 899 countries as justified in Annex VII of the PAAD;
- commodities procured under this grant may not be used in the production of palm oil, citrus, or sugar products; and
- such other terms and conditions as A.I.D. may deem advisable.

Authorities

Approval is given USAID/Sudan to:

- sign and issue implementation letters and Commodity Procurement Instructions under this grant; and
- delete the usual minimum transaction value of \$5,000.

II. Political Considerations

Sudan has had a relatively brief though eventful history as an independent nation. After 55 years of British-Egyptian administration, Sudan achieved independence on January 1, 1956. During most of her early years as a nation, Sudan was governed under military rule (1958-1965). A succession of coalition governments followed until 1969 when a coup led by General Gaafar Mohamed Nimeiri established the foundation for the present government. General Nimeiri was elected President in October 1971 and a People's Assembly of 207 members was elected to draft a constitution.

On May 8, 1973, the Constitution was promulgated establishing the Democratic Republic of the Sudan. The Constitution provides for three branches: the executive - President; legislative - a People's Assembly comprised of 250 members; and judicial - a Supreme Court and civil, criminal, and tribal courts.

In May 1977, President Nimeiri was reelected. As Chief Executive, Nimeiri serves as President, Prime Minister, and Secretary General of the Sudanese Socialist Union, the Republic's only legal party.

Under Nimeri's leadership, the GOS has made significant progress in bringing stability to a country of diverse cultures, religions, and ideological beliefs. However, this progress has not always been achieved without resistance. Not long after the coup of 1969, a rather briefly successful coup attempt was made in July 1971 by the Sudan Communist Party. Nimeiri led a successful counter-coup and has since effectively ended the influence of the Communists.

Opposition to Nimeiri has also come from the Ansar religious sect, which has made two abortive coup attempts (March 1970 and July 1976). In July 1977, Nimeiri met with the Ansar leader and opened the way for reconciliation. Hundreds of political prisoners were released, and in August a general amnesty was announced for all opponents of President Nimeiri's government.

Another major credit to the GOS' efforts to unify the country is the resolution of the country's 17 year-old civil war between the northern and southern provinces. This civil strife was ended early in 1972 when a peace agreement was signed which provided autonomy on most internal matters to the Southern Region. Former guerrilla fighters have been integrated into the regular Sudanese Army and most Southern refugees have now returned and resettled in the Sudan.

In addition to decentralizing the administration to the Southern Region, the GOS has formally decentralized administration of the rest of the country by breaking up the 6 Northern Provinces into 12 and the 3 Southern Provinces into 6, by conferring more power to Provincial Governors, and by greatly expanding the establishment of local people's councils, which now number almost 4,500.

The most recent Human Rights Report to the Congress concludes that Sudan's Human Rights record is good, considering the standards of the region and the extreme poverty of the country. The civil war with the South was brought to a close in 1972, and since then the South has been granted real autonomy. The Central and Regional governments are working closely together to seek peaceful ways to further unify the country and develop the South. Similarly, genuine efforts have been made to reach an accommodation with all opposition political elements, from the Muslims to the Communists. Virtually all political prisoners have been released, and several of the most prominent opposition figures have moved into senior party positions. In attempting to overcome poverty and develop the country, the Government has not lost sight of the rural poor. It continues to seek ways to decentralize governmental administration and increase the role of local and regional influence on the allocation of resources.

The GOS has been a stabilizing influence regionally as well as domestically. In the African context, Nimeiri has sought to resolve several international disputes in his role, since November 1978, as Chairman of the Organization for African Unity (OAU). Particularly noteworthy are his efforts to bring about resolution of the Western Sahara question and the Tanzania-Uganda conflict. Most recently, Sudan played a key role in efforts to mediate the internal problems in Chad.

In the Middle Eastern context, Sudan is, thus far, one of only two Arab states to openly support the Egyptian - Israeli peace treaty and peace process. The GOS' support of these peace initiatives has placed the government in a precarious position domestically and vis-a-vis its neighboring Arab states. Internally, many Sudanese are disturbed that Sudan is breaking ranks with her Arab sisters on the Egyptian-Israeli treaty issue and are pressuring the GOS to reassess its position. Externally, radical Arab states have called for sanctions against Sudan similar to those placed on Egypt. The moderate Arab states have also strongly denounced the GOS position, although it is unlikely they will support retaliatory measures such as those recommended by the radical states.

In short, the GOS has made significant strides in recent years to bring about stability both within and beyond Sudan's borders. However, the present uncertainty of the political climate and the financial strains being placed on Sudan's economy threaten the government's capacity to maintain and sustain stabilization efforts. It is against this backdrop of difficulties that this commodity import program is proposed.

III. U.S. Interests and Objectives

A. U.S. - Sudan Relations

Sudanese relations with the U.S. were severed in 1967, as a result of the Egyptian-Israeli conflict, but were resumed in mid-1972. When Palestinian guerrillas of the Black September Movement murdered the U.S. Ambassador and DCM to the Sudan in March 1973, the guerrillas were captured and found guilty. However, they were turned over to the custody of the Egyptian government and the U.S. Ambassador was withdrawn in protest. In November 1974 the U.S. Ambassador was returned to the Sudan and in May 1976 a decision was made to resume U.S. economic assistance. In 1976 and 1978 President Nimeiri visited the U.S. and U.S.-Sudanese relations have improved markedly in recent years.

B. U.S. Interests and Objectives

1. Peace in the Middle East

A major objective of U.S. foreign policy is the achievement of a comprehensive and lasting peace in the Middle East. The realization of an Egyptian-Israeli Peace Agreement has laid the cornerstone of a comprehensive peace. Over the longer term, U.S. policy aims at a satisfactory evaluation of political and economic relations between all countries in the region. The GOS has demonstrated by its actions that it shares the U.S. desire to seek a peaceful comprehensive resolution of Middle East differences and an end to the state of tension which has adversely affected the well-being of the people throughout the region. The continuing ability and willingness of the GOS to continue its support of the Middle East peace process will depend on 1) domestic political stability; 2) avoiding short-term deterioration in the Sudan's standard of living; and 3) obtaining sufficient foreign assistance to stabilize the economy and permit an accelerated development effort.

2. Domestic Political Stability

The democratic reforms undertaken by the GOS have contributed significantly to the achievement of national unity and stability in Sudan. Recognizing this accomplishment and Sudan's favorable human rights record, the U.S. Government supports the GOS in its continuing efforts to maintain stability both within and beyond its borders.

3. Economic Stability and Development

The Sudanese economy has great development potential. However, due to external factors and recognized weaknesses in past management of the economy, this potential has not been efficiently and effectively exploited. In order to resume long-term growth and development, recovery from the current financial crisis is essential. Economic stabilization is therefore a major objective of U.S. assistance to Sudan and is considered necessary towards establishing a climate within which the longer term development objectives of U.S. economic assistance (see following section III.C.) can be realized.

4. U.S. Business Investments

U.S. commercial firms have investments of approximately \$40 million in the Sudan. The contribution that U.S. economic assistance will make towards achieving political and economic stability will in turn serve to protect U.S. commercial interests.

5. Prospects for Oil

For many years U.S. firms have explored for commercial oil deposits in Sudan. In May 1979 a 500 barrel per day well was tapped in the southwestern part of Sudan, and the potential for further discoveries is considered very favorable. Significant findings would make Sudan less dependent on its neighbors for petroleum supplies, as well as increase overall world supplies. Although U.S. economic assistance will not directly support these efforts it will, nevertheless, promote the economic and political stability necessary for such efforts to continue.

C. U.S. Economic Assistance Program

1. A.I.D. Strategy

A.I.D.'s program strategy for economic assistance to the Sudan focuses on problems in the traditional agricultural sector where, outside the mainstream of economic activity, the largest and poorest population groups in Sudan remain. The traditional farmers and nomadic groups falling into this category comprise well over half the country's total population of some 17 million. Although thinly scattered over vast geographic areas, the largest numbers of poor are in the southern and western provinces (North and South Kordofan, North and South Darfur). These poor represent A.I.D.'s main target groups for economic assistance.

USAID/Sudan's Country Development Strategy Statement (CDSS) concluded that the most critical constraints to assisting these traditional and nomadic farmers are: 1) the country's current financial crisis, which has seriously restricted the availability of foreign exchange and budgetary resources for development; 2) a desperately weak transportation system; and 3) a limited understanding of the traditional sector. In view of these constraints, A.I.D.'s strategy is to maximize the balance of payments and local currency content of the A.I.D. program, direct these resources to the maximum extent possible toward improving transportation and rural technology, and concentrate development efforts primarily in the South and the West.

2. A.I.D. Program Elements

At present, the A.I.D. program for Sudan is comprised of three major categories. The proposed Commodity Import Program will be a fourth.

a. Development Assistance

A.I.D. resumed bilateral development assistance to Sudan in FY 1978 with an obligation of \$7.6 million for projects (totaling \$50 million in life-of-project USG contributions) in rural health and agriculture development. In the health sector A.I.D. assistance is directed to improving the implementation of the Government's Primary Health Care Program, the most important element of its National Health Plan. This is a comprehensive, community-based, health delivery system which is specifically designed to reach the rural poor farmers and nomads and which relies on community (self-help) participation.

In the agricultural sector A.I.D. assistance focuses on improving the productivity of traditional agriculture and livestock herding, the only means by which the Sudanese poor majority subsist. This will be accomplished by developing and strengthening the capacity of local institutions to conduct applied research, train agricultural extensionists and extend relevant services, inputs and implements to small-scale farmers and herders.

As projects approved in FY 1978 move into their initial stage of field implementation, USAID/Sudan is completing the design of several new projects, including:

- rural roads development in the south, by far the poorest and most isolated part of the country; and

- rural development planning, in support of the Government's efforts to devolve more authority to the provincial governments.

A.I.D. expects to obligate some \$17 million during FY 1979 for these new and ongoing projects. The total USG life-of-project commitment to these new activities is expected to be about \$44 million.

During FY 1980 A.I.D. proposes to provide about \$30 million for ongoing projects and new interventions in:

- sector support for rural agriculture development;
- transportation development (Juba-Kenya road link) in the south; and
- sector support for key rural health development activities.

It is expected that total USG life-of-project commitments to these new activities will be about \$108 million. Annex II provides more information on A.I.D. project assistance in Sudan.

b. P.L. 480 Assistance

The U.S. has been providing a small amount of P.L. 480 (Titles I and II) assistance since the early 1960s. However, with the resumption of the bilateral program, the amount of P.L. 480 assistance has increased from \$12.2 million in FY 1978 (\$10.3 million of which was in Title I wheat sales) to a projected level of \$23 million in FY 1980 (\$22 million of which will be in a Title III wheat program). Sudan is the first African country to submit a proposal for a P.L. 480 Title III program. The proposal, currently under inter-agency review, requests \$100 million in wheat sales for the U.S. FY 1980-84 period.

c. Regional Projects

Sudan benefits from a number of centrally-funded worldwide or Africa regional projects providing assistance in:

- aquatic weed management;
- rodent and pest control;
- maternal and child health/family planning;
- manpower training;
- environmental studies; and
- science and technology.

d. Commodity Import Program

A supplemental budget request for FY 1980 was submitted to the U.S. Congress for \$40 million in Economic Support Funds for Sudan. The Senate has increased this amount to \$50 million, although the final amount has not been enacted into law at this time. These funds will be used to help alleviate Sudan's pressing balance of payments problems by financing urgently needed imports required to:

- increase export earnings;
- reduce import costs through import substitution activities; and
- support the maintenance or expansion of the nation's productive capacity.

IV. Grant Justification

A. Structure and Development of the Sudanese Economy

1. Structure of the Economy

a. General

Sudan, the largest country in Africa, lies across the middle reaches of the Nile River and is about one-third the size of the continental United States. The country supports a population of 17 million (mid-1978 estimate), 85% of which live in rural areas. Agriculture is the most important sector and accounted for 35% of Gross Domestic Product (GDP) in GO FY 1978. Other major contributors to GDP include trade and finance, 25%; government and other services, 15%, and manufacturing, 10%.

Although Sudan's potential for economic development is good, the country now ranks among the 25 least developed countries of the world. In 1978 per capita income was \$ 310 ^{1/}, and Sudan is rated at only 35 on the Overseas Development Council's physical quality of life index (POLI) ^{2/}. Literacy is estimated at 19% and life expectancy is 50 years.

b. Potential and Constraints

Sudan's rich and varied natural resource base offers good potential for economic development. While much of the land is desert, there are still vast unused areas available for agriculture and livestock. Unused volumes of water for irrigation, favorable growing conditions, and a low population density also enhance the prospects for developing agriculture.

Of the country's total land area of 625 million acres, 200 million is good arable soil with enough rain for most crops. So far only about 20 million acres is cultivated and GCS development efforts focus largely on exploiting this potential. In addition to arable land, there are about 60 million acres of pasture lands which are only sparsely settled by traditional herdsmen. Livestock breeding is carried out in a nomadic framework and the potential for developing a livestock industry is great.

^{1/} Converted at the rate of LS 1 = U.S. \$ 2.00

^{2/} The POLI measures life expectancy, infant mortality and literacy on a scale of 1 to 100. The level that equals overcoming the worst impacts of absolute poverty is roughly 75-77.

While exploitation of Sudan's agricultural resource base continues to be a focus of development efforts, the GOS has also been searching for oil over the past few years. Just recently a 500-gallon a day well was tapped and future prospects are good. Thus--with unused land, unused water, favorable growing conditions, the absence of population pressures, and good prospects for finding oil--Sudan has the potential for rapid economic development.

While blessed with this great potential, Sudan also faces formidable constraints. The country's vastness is perhaps the most serious. Though much effort has been made to improve accessibility to productive areas and Sudan's widely scattered population, the transportation infrastructure remains grossly inadequate. Another major constraint is the lack of human resources. Labor is scarce during peak agricultural seasons, and the attractiveness of employment opportunities in the more prosperous countries in the region drain Sudan of valuable human resources, both skilled and unskilled.

Historically, frequent changes in government deterred private investment and the pursuit of sustained development efforts. Civil strife in the south also drained scarce resources into the military budget and contributed to virtually stagnant economic growth. Though political stability is improved today, overly ambitious development efforts in earlier years created financial constraints which now add a further dimension to the challenge of development.

c. Productive Sectors

i. Agriculture

Sudan's economy is dominated by the agricultural sector, which constitutes 35-40% of GDP and generates about 95% of exports. This sector also supplies most of the raw materials to the agro-based industrial sector and provides employment for two-thirds of the population.

The major cash crops are cotton, the country's main foreign exchange earner; groundnuts; sesame; and gum arabic. Sorghum is the staple food crop, although there is a growing taste preference for wheat. In recent years, emphasis has been placed on increasing wheat production to achieve domestic self-sufficiency and to supply regional export markets. Large numbers of live animals, particularly camels and sheep, are exported to Egypt and other Arab countries.

The agricultural sector is composed of two distinct parts. The first is the publicly administered irrigation schemes concentrated along the banks of the Nile and its tributaries. The second is the rainfed areas, where farming is carried out mostly by traditional methods, although mechanization is of growing importance.

The irrigated schemes comprise large consolidated areas such as the Gezira (about 2 million acres) and a number of smaller schemes along the Blue and White Niles. Control Management Boards undertake the major production decisions, prescribe the cropping patterns, and provide the necessary inputs. Land and irrigation services are supplied by the Government. The farmers are allotted tenancy units varying in size between 15 and 40 feddans and are in charge of individual field preparation, cultivation, and harvesting.

Historically, these schemes were conceived for the cultivation of cotton as the only cash crop. However, after a sharp rise in world cereal prices in 1974, the GOS decided to expand the production of wheat to promote self-sufficiency in basic foodstuffs. As a result, irrigated land allocated to cotton was reduced. This effort has had disappointing results to date, and land allocations are being changed again to favor the production of cotton.

The rainfed agricultural areas to the west and east of the Nile support mostly traditional farmers and herdsmen. Major crops include sorghum, millet, and oilseeds. Gum arabic trees are also cropped. Livestock breeding of cattle, sheep, goats, and camels is carried out mainly on a nomadic basis.

Though agriculture is still largely traditional in the rainfed areas, two events occurred in the early 1970's to accelerate production and the application of more modern production technologies. The first was the strong incentives created by rapid increases in the world market prices for groundnuts, sesame, and gum arabic. Traditional farmers responded by expanding the production of cash crops, particularly groundnuts. The second factor was the improvement of transport links facilitating the marketing of crops and the development of mechanized farms. As a result of these developments, rainfed acreage expanded from 9.6 million to 13.4 million feddans over the 1970-75 period.

ii. Industry

Sudanese industries are closely linked to the agricultural sector. Although industry is still a relatively small part of the economy, there is considerable potential for its expansion,

particularly in the processing of output from the agricultural sector. The most important industries are those producing textiles, flour, vegetable oils, shoes, and sugar. All of these are intensive users of locally available raw material inputs, and all have been established in Sudan for over ten years.

iii. Public Sector

The public sector also plays an important role in the productive structure of the economy. Apart from providing the usual economic infrastructure such as power and water supplies, it manages all of the modern irrigation facilities in the agricultural sector, runs the ports and railways networks, and owns a significant portion (see page 32) of industrial enterprises. At the same time, the GOS is promoting private sector investment in selected sectors and extending incentives to attract foreign investment.

iv. Foreign Trade

Sudan's principal exports are cotton (50%), groundnuts (16%), sesame (10%), and gum arabic (6%). Major imports include machinery and transport equipment (40%), foodstuffs and tobacco (13%) and raw materials, including petroleum products (12%). The country's main trading partners are the UK, India, FRG, US (10%), PRC, and USSR.

2. Economic Development to 1973

a. 1899-1955: British Establish Basic Infrastructure and Pattern of Development.

Sudan's modern economic development began 50 to 80 years ago when the British constructed a port and the basic railroad system in existence today. In the 1920's they also developed the huge Gezira irrigation scheme. Together these investments provided the impetus to Sudan's development and are still of major importance today.

b. 1956-1966: Political Instability and Economic Stagnation

After independence in 1956 Sudan went through a long period of economic stagnation as a result of frequent changes in governments and a costly 17-year civil war in the South. Up to 1967 economic growth averaged 3-4 percent, most of this taking place in the irrigated schemes of the Blue Nile Region.

c. 1967-1971: Experiment with Centralized State Socialism

From 1967 to 1971, development efforts were guided by the Government's experiment with centralized state socialism. Economic tools used during this period included a highly centralized five-year plan, almost complete reliance on public sector investment, nationalization of private enterprises, and reliance on aid and bilateral trade agreements with the socialist countries. Although the socialist countries made large aid pledges, these pledges often failed to materialize into large disbursements. World Bank and Western donor aid, along with private investment almost ceased; public sector investments and the nationalized firms did poorly; and the war in the South continued to drain resources away from development. The result was that the economy did even poorer during this period than in the years prior to 1967. Real GDP growth from FY 1967 to 1971 averaged about 2.5 percent a year--just about matching population growth.

d. 1972-1973: Change in Development Philosophy

By 1971 it was clear that GOS' economic policies were not working. Another factor prompting a change in policies was the unsuccessful coup attempt by the Sudanese Communist Party in July 1971. After this event, Sudan's domestic and foreign policies started to change. The GOS began encouraging private sector development and making greater use of price incentives to increase production. Most locally-owned businesses confiscated during 1970 were returned to their former owners and agreements were made with foreign-owned businesses which had been nationalized. Trade with the U.S. and other market economies increased substantially while trade with the Communist countries, except the PRC, decreased. The Government also began seeking foreign investment and technology. Economic growth increased to 4-5% during this transition period, and the stage was set for attempting a major national development effort.

3. Current Economic and Financial Crisis

1. GOS Development Strategy

Sudan's current economic difficulties date back to GOS FY 1974 when the GOS began an ambitious drive to improve the nation's inadequate transport infrastructure; achieve self-sufficiency in a number of basic commodities, notably wheat, sugar, and textiles; and increase production of high-value cash crops, particularly groundnuts.

To launch this effort, the Government prepared an Interim Action Program (IAP) to reorder priorities under the Second Five-Year Plan (SFYP) (FY 1971-1975) and to extend the Plan to FY 1977. The SFYP investment program had given first priority to developing agriculture, but in 1973 the Government decided that strengthening the country's inadequate transportation infrastructure was the most critical development need. Accordingly, the IAP assigned first priority to improving transport and communications and second priority to increasing the domestic production of such vital commodities as wheat, sugar and textiles. It was expected that by the early 1980's Sudan would be a net exporter of these items, which together had accounted for 34% of merchandise imports over the previous three years. It was further believed that achievement of this goal would generate foreign exchange for importing the capital goods and intermediate products needed to increase the country's low, but growing, capital stock.

Influencing this strategy were world market demand and price trends for cotton and cereals. In 1974 however Sudan began having difficulty marketing cotton due to the world-wide recession. Unsold stocks of cotton were piling up at the docks at the same time cereal prices were moving sharply upward. As a result, the country's trade account deteriorated due to sluggish cotton sales on one hand and the rising cost of wheat and sugar (among other things) on the other. This situation encouraged the GOS to increase wheat and sugar output, both to substitute for imports and to diversify the export base over the longer run.

At the end of the IAP in June 1977, a new Six-Year Plan (FY 1978-1983) followed. This plan was to capitalize on the new infrastructure base achieved under the IAP and was to give highest priority to the development of agriculture.

2. Development Strategy Results

a. Agriculture

To implement the agricultural program, cotton acreage was reduced by 20 to 30 percent to accommodate other crops, principally wheat and groundnuts. Financial incentives were structured to encourage this shift in production in the following manner.

- Profit sharing relationships were made adverse to cotton production. In return for land, irrigation and other preparation and managerial services, the Government and Central Management Board took a 51 percent share of the net cotton proceeds, while allowing the tenants full benefit of the other crops.

- Cotton exports were heavily taxed and their proceeds were subjected to the official exchange rate (then LSd 1 = US\$ 2.87). Export proceeds of other crops were converted at the rate of LS1 = US\$ 2.50.

Because of these disincentives to growing cotton, farmers shifted their use of inputs to other crops and the resulting decline in cotton yields compounded the fall in cotton production due to cutbacks in acreage.

The impact of land reallocation and the incentive structure is indicated in the production figures for cotton and wheat, the most significant crops affected. From FY 1971 to 1975, cotton acreage remained largely unchanged at 1.2 million feddans and output fluctuated between 1.0 million bales and 1.2 million bales. However, in FY 1976 cotton acreage was cut back by about 20% in order to make more land available for wheat production. Consequently, production fell sharply in FY 1976 by almost 50% to 575,000 bales. Yields in the Gezira also fell to 2.8 kantars per feddan, the lowest level recorded since FY 1964.

Because of this fall in production, cotton export earnings declined sharply as well and attempts were made at restoring acreage to the previous level of 1.2 million feddans. By FY 1978, cotton acreage had reached 1.14 million feddans. Output recovered to 782,000 bales in FY 1977 and 1,025,000 bales in FY 1978, but still remained below the level of the FY 1975 season.

Yields also rose to 3.8 kantars per feddan, but this was still historically low. In addition to the incentive structure, other factors causing the decline in yields have been a rapid deterioration in the canalization and pump equipment used in the pump schemes along the Blue and White Niles; the competition of other crops for water; and insufficient weeding of the canals.

Tentative estimates indicate production fell from 1,025,000 bales in FY 1978 to 995,000 bales in FY 1979. This decline was due mostly to a reduction in cotton acreage in the Gezira as a result of floods in July 1978. Total Acreage planted in FY 1979 was estimated at 1.06 million feddans.

Wheat output increased from 235,000 tons in FY 1974 to 319,000 tons in FY 1978. However, in FY 1979 output declined to an estimated 266,000 tons, while overall acreage remained the same at about 590,000 feddans. Yields also declined significantly over this period from 561 kilograms per feddan in FY 1974 to about 450 kilograms in FY 1979. The national average yield of about 0.5 ton per feddan is low compared to yields between 1.5 and 2.0 tons obtained at research stations. Factors contributing to declining yields are poor seed, inadequate land leveling, late sowing, weeds, inadequate irrigation, inadequate fertilization, and excessive losses due to delays in harvesting.

Despite a sharp rise in consumption, wheat output now fulfills about two-third of domestic requirements, as opposed to about 55 percent in FY 1974. However, the drive toward self-sufficiency undertaken since 1974 has been achieved only at a high opportunity cost in terms of alternative crops. For example, it is estimated that had cotton and groundnuts been planted on the 625,000 feddans in public entities cultivated with wheat in FY 1977, net foreign exchange earnings at 1975-77 prices would have increased by \$ 150 million. It has been concluded, therefore, that the reallocation of land and the incentive pattern developed over the past several years have been inconsistent with Sudan's comparative advantage, which lies in cotton and groundnut cultivation. The shift in emphasis to wheat production has resulted in a substantial misallocation of resources and a significant reduction in net foreign exchange earnings; consequently, it has been a major factor contributing to the current financial crisis.

Groundnuts are Sudan's second most important foreign exchange earner. Production fell sharply in FY 1977 because of cutbacks in irrigated areas sown, but recovered in FY 1978 due mostly to a doubling of cultivated areas in Kordofan. However, because of the remoteness of this area, there was difficulty in transporting the FY 1978 crop to the port. Railway capacity was inadequate and emergency provisions were put into effect by using army trucks. Because of these transportation problems, farmers reduced the acreage for groundnuts in FY 1979. Serious flooding in 1978 also caused acreage in Gezira to be reduced by 12% and total production in FY 1979 is estimated to have declined 18%.

In general, the production of all major crops declined in 1978 due to serious flooding. Yields also declined because foreign exchange shortages prevented the importation of necessary inputs, including fertilizer, herbicides, pesticides, and machinery.

b. Industry

In addition to wheat, efforts to achieve self-sufficiency in basic commodities have focused on textiles and sugar. As in agriculture, these industries and others are seriously constrained by transport problems and shortages of foreign exchange.

i. Textiles

In FY 1975 the textile industry produced a little over a fourth of domestic demand for fabrics. The opening of new productive capacity since then now enables the industry to

satisfy about three-quarters of local needs. Specialization also has developed in the production of gray cloth and spun yarn, which will allow Sudan to start exporting textiles in the near future. As was the case with other industries in FY 1978, the textile industry suffered from production cuts due to shortages of power and spare parts.

ii. Sugar

Efforts to achieve self-sufficiency in sugar production have not progressed as fast as originally planned. In FY 1975 it was projected that productive capacity would expand to meet this goal by FY 1979. However, due to cost overruns and the unavailability of financing, the expansion of productive capacity has been delayed. At present, local plants satisfy about half of Sudan's domestic requirements.

iii. Other Industries

Sudan's other industries have been plagued in particular by the shortage of foreign exchange. A report on industrial production recently drafted by a special Parliamentary commission revealed that the capacity of utilization of most industries was about 30%. In the food processing industry, shortages of foreign exchange for the importation of tins has resulted in steep cutbacks in production. Tanneries have also cut back production due to the short supply of necessary imported chemicals. The newly established import substitution industry producing steel pipe and bars has been particularly susceptible to foreign exchange shortages and has been operating well below its capacity. The dry cell battery industry is now being similarly threatened as well. In both agriculture and industry, the lack of foreign exchange and inadequate supporting infrastructure are two of the most critical bottlenecks to increase production.

c. Infrastructure

Actual public expenditures under the amended Second Five Year Plan (FY 1971-1975) reflect the shift in priorities to develop the nation's physical infrastructure. Actual investments for "Transportation, Communications, and Power" represented 32% of total expenditures over the plan period, compared to the 20% originally planned. Since FY 1975 these expenditures have averaged about 24-26% of total development budget outlays. Transport equipment also accounted for the largest increase in imports from 1973 to 1977.

While transportation infrastructure remains grossly inadequate, a number of major transport projects financed under the GOS investment programs should be completed in about two years. These include an upgrading of the operations and handling capacity at Port Sudan, completion of a road between Port Sudan and Khartoum, and the delivery of 20 locomotives to increase the railway carrying capacity. Though these developments will help alleviate the transportation constraint, continuing developmental efforts and resources will be required to meet both existing and future demands.

Power shortages and limited telecommunication facilities also constrain development efforts in Sudan. At present, imported oil and hydroelectricity are the main sources of energy. In recent years Sudan's increasing demands for energy have far outpaced supply. At this time, power rationing is being practiced in Khartoum such that most areas of the city are without electricity for 5-7 hours during the day and/or night. Telephone communications are inadequate and unreliable, and availability of telex lines also falls far short of needs.

3. Financial Crisis

a. Public Finance

Implementing the development effort described above involved expensive investments in industry, infrastructure, and irrigated agriculture. From FY 1974 to FY 1979, development expenditures supporting these programs rose from \$ 125 million to \$ 500 million equivalent. Recurrent expenditures outpaced revenue collections over the period and many of the public corporations failed to generate surpluses. As a result, development budget expenditures have had to be financed entirely through domestic and foreign loans. Recourse to domestic bank financing increased from about \$ 30 million equivalent in FY 1975 to \$ 370 million in FY 1977, and this has been the main factor contributing to recent inflationary trends. Since FY 1975, the consumer price index has increased at an average annual rate of more than 25 percent.

b. Balance of Payments

The most immediate and severe problem resulting from past deficiencies in the management of the economy is the present balance of payments (BOP) crisis. From an average annual deficit of \$ 27 million during the period FY 1971-1974, the current account deficit rose to \$ 487 million in FY 1975 (see Annex I Table 3). Since FY 1975 the deficit has exceeded \$ 400 million, with the exception of FY 1976 when it declined to \$ 250 million. The deficit was \$ 495 million in FY 1979 and is estimated at \$ 475 million in FY 1979.

The deterioration in the current account began developing in FY 1975 when the volume of cotton exports fell sharply in response to sluggish world market demand. At the same time, there was a steep rise in the volume of imports reflecting the sharp expansion in public investment during the mid-70's. Steep increases in import prices for petroleum products and intermediate products also contributed significantly to the increase in import costs.

In the ensuing years, export performance has continued to be poor due primarily to reduced volumes of cotton exports. These lower levels are attributed mainly to the bias in financial incentives against cotton production and the reallocations of land from cotton to wheat production in the major public irrigation schemes. High import levels continued to reflect the substantial requirements of the GOS to implement its ambitious development programs.

While import prices rose sharply over the period, world market prices for Sudan's principal exports, cotton and oilseeds, have risen rapidly. Therefore, the terms of trade have been less of a factor in the deterioration of the current account than has been the case in other developing countries (See Annex I Table 4).

Net disbursements from foreign loans and other capital inflows have not been high enough to cover the current account deficits and, as a result, there has been a severe drain on foreign reserves. From the end of 1974 to the end of 1978, gross international reserves declined from \$ 125 million to \$ 25 million. As foreign reserves ran out, the accumulation of arrears on external debt repayments became unavoidable. By January 1979 arrearages totaled about US \$990 million.

A closer look at the export performance shows that earnings rose from \$ 430 million in FY 1975 to \$ 605 (estimate) in FY 1979, or at an annual average rate of 10%. However, the increases came mainly in FY 1976 and FY 1979, with little growth in the intervening years. Moreover, as Table 4 indicates, the overall increase largely reflects substantial world market price increases for Sudan's exports. Export volume did not increase significantly and some items, notably cotton, declined. Thus, despite the overall increase in earnings, export performance fell far below potential due to the decline in export volume. Further indication of this disappointing performance is reflected in the proportion of exports to GDP, which fell from 14% to 7% from FY 1971 to FY 1978.

From FY 1971 to FY 1975 the relative share of cotton export earnings to total export earnings fell from 52% to 37% and recovered to 54% in FY 1978 and FY 1979. However, over the seven-year period ending in FY 1978, the volume of cotton exports declined 36% (Table 4). Nevertheless, because of world market price increases for cotton, especially after 1976, cotton export earnings were maintained at about US \$300 million from FY 1975 to FY 1979.

Cotton earnings (Table 3) and production figures (Table 1) do not necessarily parallel each other. Cotton is sometimes stockpiled when world market demand slackens and, because of this, actual export shipments of cotton have tended to be less erratic than production. Thus, in addition to price increases, this helps explain why Sudan has maintained a relatively high and steady cotton export earnings level despite the substantial fall in production.

Exports of groundnuts, Sudan's second most important foreign exchange earner, have also been sluggish in recent years. From FY 1976 to FY 1978 the relative share of groundnuts to total exports fell from 21% to 15%. Actual earnings fell from \$ 100 million to \$ 84 million. This decline was most likely in response to decreasing prices on the world market. During 1978 prices rebounded and groundnut export earnings are estimated to have increased, despite transportation problems and the adverse effects of floods. Other exports, particularly sesame seeds, have benefitted from improved market conditions; and constraints to higher exports have been supply, rather than demand related.

Imports averaged about \$ 1 billion between FY 1975 and FY 1977, rose to \$ 1.2 billion in FY 1978, and are projected to reach \$ 1.3 billion in FY 1979. From FY 1974 to FY 1978 the proportion of foodstuffs to total imports declined from 24% to 14%, while the share of machinery and manufactured goods rose from 41% to 57%. This reflects purchases for the public sector's development programs (see Annex I, Table 7). The share of raw materials (including petroleum products and chemicals) remained relatively constant. Most of the increase in the costs of imports from FY 1975 to FY 1978 were financed by increases in unrequited transfers. These rose from \$ 101 million in FY 1975 to an estimated \$ 270 million in FY 1979 and reflect private transfers from Sudanese working abroad and remittances that finance imports under the nil-value license scheme (see Section V.3.).

Net capital inflows declined from \$ 424 million in FY 1975 to \$ 65 million in FY 1978. This has been entirely due to a reduction in drawings on foreign loans, as debt amortization remained at an annual average of \$ 63 million over this period. Despite the reduction in drawings, new commitments averaged over \$ 500 million, with bilateral government loans constituting over 50% of this amount. In FY 1979 gross drawings are estimated to be considerably higher due to disbursements from a \$ 300 million cash loan from Saudi Arabia, \$ 38 million from the IMF Trust Fund, and new commitments of about \$ 300 million from other sources.

Total disbursed and outstanding external debt rose from \$ 1.6 billion at the end of 1976 to \$ 2.1 billion at the end of 1978 (see Annex I, Table 12). Because of problems with project administration and implementation, disbursements for project loans have slowed down. In the recent past, the overall maturity structure of the debt has been shortened and this has contributed to repayment problems and the accumulation of arrears.

4. Economic Growth: FY 1974-FY 1979

From FY 1974 to FY 1979, economic growth in real terms averaged about 4-5% annually, but this growth fluctuated considerably. For example, in FY 1978 the economy was estimated to have grown by 12%, but in FY 1979 the growth rate was marginally negative. The negative growth for FY 1979 was due largely to (1) flooding which caused declines in agricultural output, and (2) a considerable slowdown in industrial growth because of shortages of spare parts and raw materials.

Since the early 1970's, the share of agriculture and livestock in GDP has declined from about 40% to 35%, while manufacturing's share has risen slightly from 9% to 10%. Commerce and finance grew steadily over the period, maintaining about a 25% share of GDP. The fastest growth sector has been government and other services, which now accounts for about 15% of GDP.

C. Corrective Measures

By early 1978, the GOS realized that major changes in economic and financial policies were required to stabilize the economy and resume sustained long term growth. Major actions taken by the Government to date include a revised development strategy, agreements with the IMF, efforts to obtain debt relief and rescheduling and plans to implement a major program in 1980 to increase exports.

1. Revised Development Strategy

Recognizing the realities of the economic situation as described in the foregoing sections, the GOS has reassessed the strategy of its Six Year Plan (SYP) and adopted a revised three-year Public Investment Program (PIP) encompassing the following strategies:

- a. completion of projects already under implementation as quickly as possible;
- b. rehabilitation of already completed (especially export-oriented) projects whose productivity is declining;
- c. expansion of the national infrastructure, especially power and transport; and
- d. allocation of new soft loans and grants to item b. above and gap financing to item a. above.

In contrast to the SYP, the PIP provides for a 16% lower level of investment and a heavier concentration of resources on transport, telecommunications, and energy. Although self-sufficiency in wheat remains a major goal of the GOS, the PIP will place particular emphasis on increasing cotton and groundnut production, commodities in which Sudan has a greater comparative advantage on world markets.

2. IMF Agreements

a. FY 1979 Program

The GOS has also sought the financial and advisory aid of the IMF (Fund) to assist it in its stabilization efforts. In June 1978, the Government signed an agreement with the Fund which enabled Sudan to purchase a first credit tranche in the amount of SUR 30 million. The program under the agreement provided for a devaluation of the pound, cost restructuring in the agricultural sector, fiscal and monetary restraints, and limitations on external borrowing and further increases in arrears on external payments. In compliance with this program, the GOS took the following actions:

- devaluation of the pound by 25% on June 8, 1978;
- establishment of a progressive profit sharing formula on cotton;

- imposition of land and water charges on crops other than cotton cultivated on public irrigation schemes (March 20, 1979);
- abolishment of export taxes on cotton commencing with the FY 1980 crop; and
- stated its intention not to increase the producer's price of wheat prior to July 1980.

As most of the above measures have been only recently taken, it is not yet possible to assess their impact. However, they go a long way toward recasting the pattern of financial incentives along the lines consistent with Sudan's comparative advantage in agriculture.

The FY 1979 program also provided for limiting bank financing of the budget to LS 120 million and for a total increase in net domestic assets of the banking system to LS 200 million. The currently anticipated results are for net bank financing of the budget of LS 130 million and an increase in the net domestic assets of the banking system of about LS 220 million.

b. FY 1980-FY 1982 Program

Recognizing that the structural weaknesses in production and in public sector finances would best be corrected in the context of a medium term economic and financial program, the GOS in March 1979 agreed with the IMF to adopt a comprehensive program for the three years FY 1980-1982. The agreement allowed Sudan access to resources under an Extended Fund Facility in an amount of SDK 200 million (about \$ 260 million). The program is essentially a continuation of the stabilization efforts started in 1978. Under the program, the GOS agreed to the following:

- to pursue further the restructuring of cost/price relationships initiated in FY 1979 to ensure adequate producer incentives in the cultivation of key crops;
- to reorient cropping patterns in the irrigated public agricultural schemes towards those crops in which Sudan has a comparative advantage; and
- to rehabilitate agricultural infrastructure and the facilities used for the processing of commodities.

the program also includes quantitative objectives such as an average annual real growth rate in the economy of about 4%; limiting expansion of domestic liquidity to about 17% per annum; reducing the rate of inflation from 25% to 10% by FY 1982, and decreasing the current account deficit to \$ 400 million by FY 1982.

3. Payment of Arrears and Debt Relief

Debt relief and arrangements for the payment of arrears constitute a major part of GOS stabilization efforts. At the end of January 1979, arrearages totaled an estimated \$ 990 million equivalent. Rescheduling agreements involving approximately \$ 190 million have already been concluded with Kuwait and Saudi Arabia. Of the remaining \$ 800 million, \$ 540 is official debt. Earlier, in 1978, some debt relief was also provided on official debt by West Germany (\$ 218 million), the U.K. (\$ 10 million), and the Netherlands (\$ 19 million).

The Government has approached the Paris Club about the possibilities of dealing with the official debt, and a consortium of private banks is considering a rescheduling exercise to help alleviate the commercial debt arrears problem. As part of the IMF agreement, the GOS has agreed to establish by the end of October 1979 a schedule for the elimination of arrears during the program period.

4. Export Action Program

In June 1980 the GOS plans to begin a major Export Action program (EAP) to bring about an increase in export production. The program will focus on cotton, although groundnuts are also being considered. The EAP is receiving major financial support through program credits from the World Bank (\$ 40 million) and the EEC (\$ 22 million). These commodity credits will be used to provide equipment and materials to improve the following operations: irrigation, land preparation, fertilizer distribution and pest control. The program will also include action aimed at improving the timeliness of sowing, harvesting and cultivation practices. This program, and the GOS' other stabilization efforts, as described above, lend optimism to the prospects for economic recovery over the next decade or so.

D. Economic Prospects

Sudan's long term economic prospects appear quite good when viewed in light of the country's vast development potential and the bold corrective measures now being undertaken. Realistically, though, it is likely to require at least a decade for the GOS to approach a more manageable control of the economy. This assessment is particularly borne out by the most recent 30P projections for Sudan (see Section E below).

Looking to the future, agricultural production should expand as pricing and tax changes gradually take effect. The first phase of the Rahad Scheme (160,000 acres) is rapidly coming into production and this should noticeably boost cotton and groundnut production for export. By the early or mid-eighties three large sugar factories, now in various stages of development, should begin producing sufficient quantities to cover domestic needs and to sell abroad. Modern livestock investments beginning now will also make contributions to export earnings within a few years.

In the industrial sector, unused capacity can be employed to significantly increase output, if sufficient financing is available for spare parts and the supply of raw materials is not impeded by transport problems. Projects underway should gradually lessen the constant power outages and communication failures so detrimental to the industrial sector.

Efforts underway to improve cargo handling at Port Sudan, increase the capacity of the railway, and improve the vitally needed road between Port Sudan and Khartoum should help alleviate the transportation constraints. Moreover, in the next few years the total mileage of paved roads will increase almost tenfold, from 200 miles to over 2,000 miles. Major cities in Sudan's modern agricultural heartland will be connected for the first time by paved roads to Khartoum and Port Sudan.

On the financial front, the road to recovery will be a long and hard one. Yet, there are already some encouraging signs. Prior to the start of the current stabilization program, the Sudanese had already made considerable progress towards reversing the excessively expansionary financial trends that prevailed through FY 1977. Substantial reductions in the growth rate of monetary aggregates have been recorded, although monetary conditions in Sudan continue to contribute to pressures on the domestic price level and the balance of payments.

In view of these prospects, it is reasonable to project an overall real growth of 4 to 5% over the next few years, with a gradual reduction in the rate of inflation.

E. Need for Balance of Payments Assistance

Balance of payments projections covering the period FY 1980-1982 were prepared by the IMF in April 1979 and are presented in Annex I Table 3. Over this period, exports are estimated to rise substantially at about 20% per annum in response to the recent changes in agricultural policies. Imports are expected to grow at an annual

rate of 10%, reducing the trade gap only slightly. Although workers' remittances will continue to rise appreciably, these will not significantly affect the trade deficit. Thus, on the basis of these assumptions, it is estimated that by FY 1982 the current account will still remain at a level of about \$ 400 million, compared to about \$ 500 million in FY 1979.

To this deficit, averaging about \$ 450 million a year, another \$ 250 million must be added annually for the amortization of payments on existing debt. The IMF estimates assume that rescheduling arrangements will be made so that the payments of arrears do not start before FY 1983. Therefore, assuming there is repayment only on existing debt, the amount to be covered by official capital disbursements will be about \$ 700 million annually.

Disbursements from existing project loans are expected to finance under one third of the needed capital inflow. To finance the balance, it is estimated that new commitments averaging over \$ 900 million annually will be required. To be effective, these new commitments must consist largely of fast disbursing import financing, cash loans or grants, and other nonproject assistance.

F. Proposed Commodity Import Program

In consideration of the balance of payments needs identified above and the objectives of the U.S. economic assistance program to Sudan, A.I.D. proposes to grant the Government of Sudan \$ 50 million from the Economic Support Fund. This grant will be utilized through a Commodity Import Program (CIP) to provide short-term balance of payments relief. However, to the extent possible, commodities financed under the grant will be selected on the basis of their longer term impact on the BOP as well, i.e. their contribution toward

- increasing export earnings,
- reducing import costs by means of import substitution, and/or
- supporting the maintenance or expansion of the nation's productive capacity.

Commodities which the GOS have tentatively proposed for financing are shown in Annex IV. It is expected that \$ 12 million of the \$ 50 million grant will be allocated for use by the private sector.

In support of the agricultural sector, CIP imports will be used largely to improve the productivity of wheat production. Wheat self sufficiency remains a basic long-term goal of the GOS and efforts will be made to expand production in the Northern Nile Provinces. In these areas yields are higher because the growing season is longer and Sudanese farmers have had long experience with the crop. Commodities proposed for supporting these efforts include wheat seed, land leveling equipment, tractors, and spares for tractors and other agricultural equipment. These commodities will have a positive long term impact on the BOP to the extent increased future production substitutes for imports.

In the industrial sector, CIP financing will be used for spare parts to increase utilization of idle capacity. Canning equipment, tinsplate, a deinting unit, and industrial chemicals are illustrative of commodities that will likely be purchased under the grant. As Sudan's industries are mainly import substitution oriented, these commodities will also have a longer term positive impact on the BOP by reducing the demand for imports. Export growth could also be promoted to the extent such industries as vegetable oil processing and textiles are able to produce surpluses.

Overall production activities will benefit by the importation of commodities to strengthen the transportation infrastructure. Grant proceeds will assist mainly in increasing the railroad carrying capacity through the importation of locomotive spare parts and raw materials for Sudan Railways.

While most items proposed for financing are productive in nature, it is likely that the GOS will use up to \$ 10 million of grant proceeds for importing consumable wheat. The Ministry of Cooperation, Commerce, and Supply believes projected imports over the next several months will not meet Sudan's needs and that further imports are essential to maintaining internal political stability. Although the GOS would prefer to finance wheat through alternative sources, such as the PL 480 Program or the Commodity Credit Corporation, the prospects for adequate amounts being available for such procurement are uncertain at this time. Therefore, the Government has included wheat in its proposed list for commodity financing.

G. Other Donor Assistance

The donor community consists of some 60 members, including 25 bilateral donors, 15 non-government organizations, 4 multilateral organizations, and 12 agencies of the UN family. The Arab bilateral and multilateral donors provide several hundred million dollars a year

and are the largest contributors. The World Bank, with an annual program of about \$70 million, is the largest western donor, with the EC, Federal Republic of Germany, and the Netherlands all in the \$20 to \$40 million a year range. The UK nearly falls in this category as well.

In 1979 the UNDP estimated that technical assistance totaled about \$50 million on an expenditure basis. Total obligations were over \$100 million. About 40% of the technical assistance provided supports the agricultural sector, with transportation, communications, education, and health next in importance.

A number of donors also provide commodity loans and grants or other financing to ease Sudan's balance of payments problem. Saudi Arabia is the principal donor providing program-type support. In 1978, the GOS signed a \$300 million loan agreement with the Saudis and disbursements from this loan are projected to be \$220 million in 1979. Other major donors providing balance of payments support to Sudan in 1979 are the Islamic Bank (\$40 million), France (\$25 million) and Germany (\$23 million).

To date, commodity assistance programs announced for 1980 total about \$84 million. This includes assistance from the World Bank, \$40 million; the EDF, \$22 million; and the Netherlands, \$22 million.

V. Market Analysis

A. Import Community

1. Private Sector

More than 6,000 private importers are registered with the GOS' Ministry of Cooperation, Commerce and Supply (MCCS). However, it is expected that grant proceeds earmarked for private sector use will be made available mainly for importers operating in the industrial, agricultural and transportation sectors. In the industrial sector, major private industries include cement, spinning and weaving, petroleum refining, chemical industries, wooden and metallic furniture, electrical equipment, oilmills, tobacco, beer, beverages and alcoholic drinks. Private importers in the agricultural sector are primarily engaged in supplying tractors, spare parts and farm implements. The most significant importers in the transportation sector are the trucking firms, which are expected to buy vehicles, spare parts and some material handling equipment.

In 1974 a "Columbia Plan" listing of importers by firms was prepared on the basis of U.S. Department of Commerce information. Updating this list will be among the first steps in program implementation. This will be difficult because importers registered with the MCCS are listed as individuals, rather than as firms.

2. Public Sector

The public sector consists of the Central Government, local government at the provincial and regional levels, and numerous parastatal enterprises. The latter, in particular, play a major role in the economy by providing such services as transportation, water supply, and electricity. In addition, they dominate the modern agricultural sector and control the marketing of major export crops. To facilitate fast disbursement, the Ministry of National Planning (MONP) has tentatively allocated grant proceeds to just a few public entities -- mainly the Ministry of Agriculture, Sudan Railways Corporation, and the Ministry of Cooperation, Commerce and Supply.

B. Import Statistics

Import statistics by major commodity categories (1974-1978) are presented in Annex I, Table 7. Table 8 is also included to provide a more detailed breakdown. As Table 7 indicates, imports in recent years have consisted largely of machinery and transport equipment (40%), foodstuffs and tobacco (13%), and raw materials including petroleum products (12%). Table 10 presents a detailed listing of imports from the U.S. The more significant commodity groups on this

list include wheat; insecticides; excavating, leveling and boring machinery; prefabricated buildings; communication equipment; and agricultural machinery.

The above statistics represent only those commodities purchased with GOS-owned foreign exchange. In addition, there is a substantial quantity of goods imported under a "nil value licensing system" designed to attract foreign exchange remittances from Sudanese working abroad. Under this system, foreign exchange is obtained from overseas Sudanese and is used for importing a large number of consumer goods, raw materials, spare parts, and industrial goods. The value of these imports plus direct private transfers totals about \$300 million annually.

Imports are brought in at the official exchange rate of Ls 1 = U.S. \$2. At present, though, the black market rate is about Ls 1 = \$1.10. This reflects the scarcity of goods and unavailability of foreign exchange.

VI. Grant Administration and Implementation

A. Key Administrative Entities

1. GOS

The major GOS entities responsible for implementing and administering the grant will be the Ministry of National Planning (MONP), the Ministry of Cooperation, Commerce and Supply (MCCS), and the Bank of Sudan. The MONP will allocate the grant proceeds and will have overall responsibility for grant administration. The MCCS will establish GOS import controls and will issue trade regulations as required to support the program. It will also be responsible for issuing import licenses. The primary role of the Bank of Sudan will be to approve import licenses, allocate foreign exchange, and to manage the special account for counterpart generations.

2. A.I.D.

A.I.D. will administer the program through a Supply Management Officer under the direction of the USAID Director and in cooperation will support offices in A.I.D. Washington. The Mission Supply Officer will be the principle focal point for all matters pertaining to policy procedures and implementation on the Commodity Import Program. The Supply Officer is responsible for guiding and advising host country officials and businessmen in the proper and effective use of Commodity Import Program funds. He develops procedures that conform to AID requirements and facilitate local government and business procurements. He establishes contacts within the government and business/financial community to both promote and process purchases using Commodity Import Program funds. The Supply Officer exercises judgement and good business practices to assure that the often conflicting demands of AID and the local government are resolved. The Supply Officer is also responsible for maintaining appropriate Mission internal procedures for Grant documentation and control.

B. A.I.D. Import Procedures

1. Procurement and Financing Procedures

Procurement and financing procedures under this CIP will be those set forth in A.I.D. Regulation 1. A review of GOS purchasing practices indicates that public sector procurement will include a mixture of formal competitive bidding, negotiated solicitations and proprietary procurement. The financing of public sector procurement will be through letters of credit (L/Cs) issued under A.I.D. letters of commitment (L/Coms). Direct letters of commitment will be issued for large purchases involving only a single supplier.

For private sector procurement, normal commercial trade practices will be used similar to the negotiated procurement provisions of A.I.D. Regulation 1. Financing will be carried out through a single L/Com. The selected U.S. bank will be authorized by the Approved Applicant

(Bank of Sudan) to accept letters of credit issued by the eleven (six public and five foreign) Sudanese commercial banks serving the private sector. The Bank of Sudan will control private sector and individual bank participation through its approval and assignment of foreign exchange on individual import licenses.

2. Eligible Commodities

Commodities eligible under the A.I.D. Commodity Eligibility Listing (1978 as revised) will be eligible for A.I.D. financing and will be included in all Commodity Procurement Instructions. However, commodities financed will be determined largely by the allocations made by the MONP. Since consideration of the short-run and long-run objectives for this assistance as indicated on page 29. Also, influencing the composition of imports will be the GOS' quota system for priority and essential imports. Under this system, quotas and priorities are revised annually and, consequently, the composition of imports often varies from year to year. Indications are that public sector purchasing will be limited to general commodity groups such as: railroad locomotive spare parts, shop equipment, steel, copper and brass bar stock for the manufacture of spare parts, foundry coke, tractors, wheat seed, land clearing equipment, tallow for soap, industrial chemicals, tinsplate for cans, material handling equipment, wheat for consumption and a variety of other essential and locally scarce U. S. products.

For the private sector, a review of pending private sector L/C applications shows existing U.S. source purchases to be dealer transactions for vehicles and farm equipment spare parts, industrial equipment, components for factory production, and raw materials.

The MCCS has existing guidelines that prohibit the use of GOS foreign exchange resources for importing luxury goods, non-essentials, household appliances and consumer goods normally considered ineligible under A.I.D. eligibility criteria. How well these guidelines work in practice will be determined by a review of import license applications at the Bank of Sudan in coordination with USAID staff.

3. Procurement Restrictions/Limitations

This grant will be restricted to Code 941 source and origin for commodities and related incidental services. U.S. flag vessel service to Sudan is supplied by two U.S. vessels; operators, one on an inducement basis and the other providing monthly Lash and Charter transportation. Because of the relatively small U.S. vessel participation in U.S. to Sudan ocean transportation, U.S. vessels may not always be available. Therefore, it will be necessary to issue a source waiver with a value of up to \$500,000 to permit CIP funding of Code 899 vessel freight service when U.S. vessels are not available. The Sudanese flag line, does not provide cargo service between the U.S and Port Sudan.

Local agents are not required by Sudanese regulation. Thus, there is no conflict with A.I.D. Regulation 1 requirements that U.S. suppliers may sell direct to importers. All provisions of A.I.D. Regulation 1

regarding commodity eligibility review, price eligibility, and both prior review and post audit will apply to all transactions.

C. Disbursement Period

The grant's Terminal Disbursement Date (TDD) will be 24 months from the date Conditions Precedent are met. Recognizing an urgent need to provide balance of payment support, efforts will be made by both the MONP and USAID/Sudan to channel funds into short leadtime, large value procurements. However, spare parts are urgently needed for transportation, land clearing equipment, and industrial equipment, and these items normally require long leadtimes for both procurement and shipment. In addition, the MONP has tentatively proposed several commodity groups for financing that may require an extension of the grant's TDD for relatively small unexpended, but committed, funds. Those commodities include locomotive spare parts, aircraft spare parts, land clearing equipment and some private sector spare parts orders for agricultural equipment. Section VI-G provides an estimated implementation schedule and quarterly summary of purchases/disbursements based upon an analysis of commodities tentatively proposed for financing.

D. Port Clearance and Inland Transportation

Sudan has a critical problem in both port clearance and inland transportation of all but the highest priority imports. This problem will not be resolved within the next two years. The present port situation is partially the result of a lack of cargo handling equipment and reliance on railroad freight cars both within the port and for inland transportation. It will be approximately two years before the present World Bank Port Improvement project is completed. It will also be about two years before the railroads can measurably increase the number of locomotives, the elements most necessary to increase rail tonnage movement out of the port area.

A.I.D. will apply the standard 90 days port clearance requirements and the 12 months utilization period requirement. These, with constant followup and pressure on both buyers and transportation officials, may serve to expedite the movement of A.I.D. financed cargo. present, there is an extremely large backlog (estimated at 150,000 to 200,000 metric tons) of GOS public sector project cargo awaiting inland transportation in holding areas outside the port.

E. Arrival Accounting and End-Use Monitoring

At present the GOS has an arrival and cargo clearance unit established at Port Sudan for many, but not all public sector imports. This office, the "Government Cargo Agent" serves as a customs broker and forwarding agent for ministries and government units that do not process their imports through private clearing agents. The Government Cargo Agent does not handle private sector imports. The MONP has proposed that the Government Cargo Agent assume A.I.D. arrival accounting and reporting responsibilities for all cargo, public and private.

In the event this becomes impractical, there are two other options: increase USAID/S staff to accommodate the requirement; or hire, with counterpart funds, a private established freight forwarder to monitor and report on arrivals and their clearance from the port area. As Mission ceilings are tight, increasing the staff does not appear to be a plausible option. Alternatively, there are two international freight forwarders at Port Sudan who have indicated a willingness to provide their reporting and followup services A.I.D. requires at a relatively low cost. In addition, it may be necessary to purchase the services of an expatriate or established freight forwarder to serve as an expeditor and monitoring agent. End-use monitoring, i.e., assuring imported goods are put into use or resold into the economy within one year of arrival, will be carried out by the USAID/S as required.

F. GOS Import Procedures

1. Import Controls

The MCCS is responsible for establishing and implementing an annual (July 1 - June 30) import policy in coordination with the Ministry of Finance, the Bank of Sudan, MONP and various other governmental units. The annual policy consists, essentially, of estimates of types and classes of imports, estimates of foreign exchange requirements, and a balancing between anticipated needs and anticipated purchasing power (foreign exchange availability).

Import licensing approval, a control against exceeding specific annual quotas and foreign exchange availability, is shared between the MCCS AND THE Bank of Sudan. For the public sector, import approval depends mainly upon whether the import is included in an approved foreign exchange budget, and forward exchange is available. For the private sector there is a more elaborate system consisting of annual quotas, usually by commodity, but sometimes by trade protocol or country of origin, and occasionally by importer.

-2. Licensing Systems

There are several licensing systems.

a. The "Open General Licensing System" (OGL) permits unrestricted (no quota) import of spare parts, infant dietary formulas and supplements, jute, grey goods, pharmaceuticals, baker's yeast, and agricultural implements.

b. The "Annual Quota System" (AQ) permits a single import license for an annual quantity per importer. Licensing under the AQ system is done once a year at an announced time. Delayed applications are rejected. The AQ system is intended to protect local industrial production, limit luxury imports and prohibit overstocking. The classes of commodities under the AQ system are broad, encompassing dried milk, glassware, textiles, automobiles, household articles, electrical equipment, stationery and many others.

c. The "Consultation System" (CS) issues import licenses for commodities not covered by the OGL or AQ systems. Under this system, imports are approved in periodic ministerial meetings according to current estimated needs of the market and the availability of foreign exchange.

d. The "Credit Facilities System" (CF) is used when suppliers or intermediate credit institutions (outside Sudan) provide medium to long term foreign exchange financing for a specific purchase. This system currently restricts approval to items such as medium trucks (6-10 ton), agricultural equipment, household appliances, electrical equipment, building materials, tools, and several other commodity classes.

e. The "Local Industry Needs System" (LIN) is a budgeted foreign exchange item to provide raw materials and equipment for industry, as recommended by the Ministry of Industry and Mining.

f. The "Nil Value System" (NV) was established as a system to approve imports of Sudanese nationals abroad using foreign exchange resources outside the control of the GOS. The NV system permits any importation that does not place a current or future demand on GOS-owned foreign exchange.

Discussions with officials of the MCCS indicate that the Nil Value System, or some adaptation of it, will be used for this A.I.D. grant by both public and private importers. This system, according to discussions with freight forwarders and customs and port officials, will be the least complicated import licensing system in terms of GOS administrative concerns, including import license approval, clearances, documentation, and Port/Customs procedures.

3. GOS Allocation and Control of CIP Funds

Specific dollar amounts will be allocated by the MONP to individual governmental units and a single dollar amount will be designated for private sector use. Control of the A.I.D. foreign exchange accounts/allocation will be maintained by the Bank of Sudan, which is responsible for final approval of the use of all GOS foreign exchange resources.

Actual disbursement of any funds will be dependent upon the U.S. supplier providing a full set of payment documentation, including both the Form 11 (Commodity and Price Eligibility Approval) and the A.I.U. Supplier's Certificate attesting to compliance with a number of A.I.D. regulatory concerns, when coupled with evidence that the cargo has actually been shipped. Concurrent follow up by both USAID and the importer concerning arrivals will match received goods with paid shipments. This will assure that CIP financed commodities are received and, ultimately through end-use checks, that the commodities are placed into use for the benefit of the economy.

G. Implementation Schedule and Pipeline Analysis

1. Implementation Schedule

December 1979	Agreement signed
January 1979	Condition Precedent met
January 1979	First letter of commitment issued
March 1980	First shipments made
April 1981	Grant fully committed in purchase letters of credit or direct letters of commitment
March 1982	Probable final shipments
April 1982	Probable final disbursement

2. Pipeline Analysis:

Presented below is a procurement/disbursement (pipeline) analysis based on the MONP's tentatively proposed purchase allocations.

Cumulative Purchases and Disbursement (US \$ Million)

	Apr 80	July 80	Oct 80	Jan 81	Apr 81	July 81	Oct 81	Jan 82	Apr 82
Purchase Orders	17.4	26.7	45.5	49.5	50.0	-	-	-	-
Disbursement	2.5	10.3	22.2	30.2	37.2	41.3	46.0	49.0	50.0

VII. Other Considerations

A. Impact on U.S. Balance of Payments

Except for inland transport costs eligible for funding under A.I.D. Geographic Code 899 (See Annex VII), all commodity procurement will be limited to A.I.D. Geographic Code 941.

It is, therefore, expected that this proposed grant will have a favorable short to medium term impact on the U.S. balance of payments.

A longer term positive impact is also likely as U.S. suppliers and exporters reestablish old trade relationships and create new ones. User satisfaction for U.S. equipment, existing and new, should also be enhanced due to the greater availability of U.S. spare parts made possible by this grant. Long-term benefits can be expected as a result of followup commercial orders.

As an indication of the grant's potential impact, Sudanese imports from the U.S. in 1977 were about \$40 million. This grant will enable U.S. exporters to expand significantly the range and magnitude of commodities exported to Sudan. It should also increase the market share of U.S. suppliers in the areas in which they are already active. Trends in Sudanese trade with the U.S. and other major suppliers are presented in Table 9. At present the U.S. accounts for about 10% of Sudan's total imports.

B. Counterpart Generations

Under GOS budgetary/financial procedures, counterpart will be generated by both public and private sector importers. The Bank of Sudan will establish a separate account for the counterpart generated and importers will deposit their counterpart when the foreign exchange is made available to them. Use of the counterpart will be determined in consultation between USAID and the GOS.

A probable use of the counterpart will be to meet the public sector costs for port clearance, duties, taxes, and inland transportation costs for CIP goods. Costs for other public sector goods at Port Sudan whose movement could be facilitated may be considered also. While most public sector importers have sufficient funds in approved budgets for these costs, these budgets are often unfunded because of the GOS' system of deficit financing. However, they virtually never have sufficient funds available to finance road hauling, which runs two to three times as much as rail transport but is much more readily available.

Another probable use will be to pay a private firm active in Port Sudan to conduct arrival accounting functions and expedite inland transportation. Neither the GOS nor USAID has the necessary staff to perform this function itself.

C. Internal Financial Effects

The counterpart expenditures should not have an inflationary impact on the economy, as they will only be spent for items already in the Development Budget of the GOS. To the extent budget provisions have not been allowed for commodities financed under the CIP program, reallocations will be made such that quantitative targets established under the stabilization program are maintained.

D. Use of U.S. Government Excess Property

Given the nature of the items the Sudanese are interested in purchasing, it is unlikely that U.S. Government excess property would be appropriate for financing under this grant. However, USAID will review the possibilities for the financing of excess property under the grant.

E. Relation to Export-Import Bank (Ex-Im) Credits

The Export-Import Bank currently has an exposure in the Sudan of about \$20 million. This total includes \$16 million in project loans and \$4 million in guarantees and insurance. Because of current delinquencies of \$2.7 million the Bank's board of directors had suspended further supplier credits for Sudanese sales. However, this year two small (under \$750,000) loans were increased by the Foreign Credit Insurance Association because the GOS made significant efforts to clear past delinquencies and because of the inherent strength of the two export-oriented proposals. The CIP grant will complement and not conflict with Ex-Im's activities.

F. Relation to Overseas Private Investment Corporation's (OPIC) Program

OPIC, a U.S. government agency, was established to promote U.S. private investment in developing countries by making loans to overseas ventures and by providing insurance against war, currency

inconvertibility and expropriation. Currently it emphasizes natural resources and agriculture projects. Its activities cater mainly to countries in the lower income group and U.S. companies below the size of the Fortune 1,000 list.

Prior to this year OPIC had issued four contracts insuring investments in the Sudan with a total maximum coverage of \$12.5 million. In March 1979 an investment mission visited Sudan, and it is expected that by the end of the year OPIC will have approved additional investments with a coverage of \$47 million.

This CIP grant should complement OPIC's increased activities in the Sudan.

VIII. Recommendations

It is recommended that a grant to the Government of the Democratic Republic of the Sudan of fifty million dollars (\$50,000,000) be authorized for financing the importation of selected commodities, commodity related services, and other services as described below.

A. Terms and Conditions :

- Procurement will be restricted to A.I.D. Geographic Code 94I, except for procurement of transportation services valued at \$500,000 from Code 899 countries as justified in Annex VII of the PAAD;
- commodities procured under this grant may not be used in the production of palm oil, citrus, or sugar products; and
- such other terms and conditions as A.I.D. may deem advisable.

B. Authorities

Approval is given USAID/Sudan to:

- sign and issue implementation letters and Commodity Procurement Instructions under this grant; and
- delete the usual minimum transaction value of \$5,000.

ANNEX I

STATISTICAL TABLES

1. Sudan: Supply and Use of Cotton Lint, 1973/74 - 1978/79
2. Area Planted and Output of Major Noncotton Crops, 1973/74
1978-79
3. Sudan: Balance of Payments, 1974/75 - 1981/82
4. Sudan: Export Indices, 1970-78
5. Gross Reserves and Net Foreign Assets, 1975-78
6. Composition of Exports, 1975/76 - 1978/79
7. Imports by Category of Commodity, 1974-78
8. Imports by Commodity, 1974-1978 (Detailed Breakdown)
9. Percentage Share of Sudan's Main Suppliers in the
Total Value of Imports, 1971-1978
10. Sudan: Imports from U.S., 1977
11. Sudan: External Debt, 1974-1978

Table 1
Sudan: Supply and Use of Cotton Lint, 1973/74-1978/79 ^{1/}
(In thousands of bales)

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
Total supply	<u>1,416</u>	<u>1,933</u>	<u>1,594</u>	<u>1,127</u>	<u>1,265</u>	<u>1,133</u>
Opening stocks (March 1)	364	680	418	545	483	115
Production ^{2/}	1,052	1,253	1,176	582	782	1,018 ^{3/}
Total use	736	1,515	567	644	1,150	953 ^{3/}
Export sales	<u>668</u>	<u>1,443</u> ^{4/}	<u>504</u> ^{5/}	<u>581</u>	<u>1,078</u>	<u>853</u> ^{6/}
Domestic consumption	68	72	63	63	72	100 ^{3/}
Ending uncommitted stocks (February 28)	<u>680</u>	<u>418</u>	<u>545</u>	<u>483</u>	<u>115</u>	<u>180</u> ^{3/}
Memorandum item:						
Export shipments during fiscal year	909	596	1,106	792	821	910

Sources: Cotton Public Corporation and Bank of Sudan.

1/ All years refer to marketing seasons which normally extend from March to February with the exception of the 1975/76 marketing season which was opened June 1, 1975.

2/ Production from the preceding growing season (July-March) which is available for use from March of the initial year indicated.

3/ Estimates

4/ Sales during a 15-month period (March to June)

5/ Sales during a nine-month period (June to March)

6/ Derived as a residual

Table 2

Sudan: Area Planted and Output of Major
Noncotton Crops, 1973/74-1978/79

(Area planted in thousand feddans; output in thousand
metric tons; yield in kilograms per feddan)

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79 <u>1/</u>
Sorghum						
Area planted	5,208	5,577	6,179	6,153	6,662	7,202
Output	1,625	1,705	2,026	1,715	2,017	2,408
Yield	312	306	328	279	303	334
Dukhn						
Area planted	2,641	2,576	2,512	2,784	2,984	3,158
Output	268	401	403	467	488	557
Yield	101	156	160	168	164	177
Groundnuts						
Area planted	1,724	1,785	2,066	1,785	2,629	2,336
Output	543	930	931	705	1,012	829
Yield	315	521	451	395	385	354
Sesame						
Area planted	2,167	2,173	2,291	2,104	2,349	2,057
Output	240	233	238	203	245	220
Yield	111	107	104	97	104	107
Wheat						
Area planted	419	591	714	665	592	590
Output	235	277	264	301	317	266
Yield	561	467	370	452	535	451
Gum arabic						
Output <u>2/</u>	30	53	43	26	31	-

Source: Ministry of Agriculture, Food and Natural Resources.

1/ Estimates

2/ Production data are not available. Figures pertain to deliveries to the Gum Arabic Corporation of Gum Hashab which more or less reflect actual pickings except for periods of significant smuggling as may have occurred in 1973/74.

Table 3

Sudan: Balance of Payments, 1974/75-1981/82
(In millions of U.S. dollars)

	1974/75	1975/76	1976/77	1977/78	Estimate 1978/79	Projections		
						1979/80	1980/81	1981/82
Exports, f.o.b. 1/	429.8	550.5	594.0	551.5	605	790	905	1,040
Cotton	159.5	300.3	285.6	295.8	320	360	410	470
Imports, c.i.f. 1/	-925.6	-1,061.7	-985.9	-1,170.0	-1,310	-1,470	-1,590	-1,720
Trade balance	-495.8	-511.2	-391.9	-618.5	-705	-680	-685	-680
Services (net) 2/	-92.3	-41.4	-44.5	-73.5	-60	-85	-90	-90
Receipts	83.0	107.9	118.6	158.8	190	220	250	285
Payments	-175.3	-149.3	-163.1	-232.3	-250	-305	-340	-375
Interest on debt	(38.9)	(43.9)	(27.9)	(60.0)	(70)	(80)	(100)	(120)
Unrequited transfers (net) 3/	101.0	150.6	183.3	254.5	270	290	325	350
Receipts	101.0	150.6	183.3	254.5	270	290	325	350
Payments	--	--	--	--	--	--	--	--
Current account	-487.1	-402.0	-253.1	-437.5	-495	-475	-450	-420
Official capital (net)	423.8	324.6	198.1	65.4	345	375	350	420
Receipts	488.3	401.3	255.2	132.0	...	...	...	...
Repayments	-57.6	-70.7	-56.5	-65.5	...	...	...	...
Compensation for nationalization	-6.9	-6.0	-0.6	-1.1	...	...	...	...
Accumulation of arrears	--	157.9	119.1	241.9	...	...	...	...
Errors and omissions 4/	-55.3	-176.0	-81.7	54.7	...	...	...	...
Monetary movements (minus = increase) 5/	118.6	95.5	-2.3	75.5	150	100	100	--

Sources: Data provided by the Sudanese authorities, and Fund staff estimates

1/ Customs Data. 2/ Data from Bank of Sudan adjusted to include staff estimates of interest payments on external debt.

3/ Consist of grants identified in Bank of Sudan data on debt, and an estimate of remittances that finance imports under the nil-value licence scheme. 4/ Includes short-term capital inflows. 5/ Monetary data adjusted to net out Sudan Development Corporation.

Table 4
Sudan: Export Indices, 1970-78
(1970-71 = 100)

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Volume index	96	104	96	101	49	70	90	87	71
of which: cotton <u>1/</u>	94	106	94	88	29	56	70	70	56
Value index	99	101	118	138	221	193	192	243	229
Export price index of industrial countries <u>2/</u>	97	103	112	133	163	183	185	203	234

Sources: Sudan export indices (Laspeyres) constructed from Foreign Trade Statistical Digest, Department of Statistics, Ministry of Planning; export price index of industrial countries from Commodity Trade and Price Trends, IBRD EC-155.

1/ Cotton's weight in total exports is 62.5 percent

2/ The export price index of industrial countries refers to developed countries' c.i.f. index of U.S. dollar prices of manufactured export, to all destinations. Imports of manufactures from developed countries account for three quarters of Sudan's total imports.

Table 5
Sudan: Gross Reserves and Net Foreign Assets, 1975-78
(In millions of U.S. dollars)

	<u>1975</u>		<u>1976</u>		<u>1977</u>		<u>1978</u>	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Monetary authorities	<u>-265</u>	<u>-456</u>	<u>-532</u>	<u>-600</u>	<u>-588</u>	<u>-625</u>	<u>-603</u>	<u>-638</u>
Convertible foreign exchange <u>1/</u>	42	35	33	20	25	28	22	32
Net bilateral claims <u>2/</u>	-34	-45	-38	-30	-36	-45	-41	-36
Net IMF position	-116	-133	-152	-140	-134	-117	-92	-168
Bank of Sudan short-term								
Liabilities to foreign banks	-67	-193	-271	-346	-341	-386	-391	-399
Liabilities from Kuwait loan	-90	-120	-103	-104	-104	-105	-102	-67
Commercial banks	<u>-44</u>	<u>-39</u>	<u>-21</u>	<u>-4</u>	<u>38</u>	<u>27</u>	<u>58</u>	<u>61</u>
Assets	8	18	26	68	55	58	81	168
Liabilities	-52	-57	-48	-72	-17	-30	23	-107
Net foreign assets	<u>-307</u>	<u>-495</u>	<u>-553</u>	<u>-605</u>	<u>-551</u>	<u>-598</u>	<u>-545</u>	<u>-577</u>

Source: Data provided by the Sudanese authorities.

1/ The bank is required to maintain at all times gold and external assets (including SDRs) of not less than the equivalent of LSd 7 million.

2/ Including balances on accounts established under loan agreements with certain East Bloc countries.

Table 6
Sudan: Composition of Exports, 1975/76-1978/79
(In millions of Sudanese pounds)

	1975/76	1976/77	1977/78	<u>July-Oct.</u> <u>1978/79</u>
Exports (f.o.b.)				
Ginned cotton	104.6	99.5	103.0	41.7
Gum arabic	10.7	11.9	12.3	6.0
Groundnuts	40.2	36.0	27.9	1.5
Sesame	11.5	21.6	19.3	4.3
Livestock	0.4	3.6	5.4	2.9
Dura	1.8	4.5	3.0	0.7
Meat	--	0.4	0.3	--
Hides and skins	3.5	4.2	3.8	1.1
Castor seeds	1.1	1.0	0.2	0.2
Karkadesh	0.4	1.4	0.6	0.5
Cake and meal	5.6	9.1	2.8	2.5
Others	11.9	13.6	13.3	5.9
Total	<u>191.7</u>	<u>206.8</u>	<u>191.9</u>	<u>67.3</u>

Source: Bank of Sudan

Table 7

Sudan: Imports by Category of Commodity, 1974-78

(In millions of Sudanese pounds)

	1974	1975	1976	1977	1978
Foodstuffs and tobacco	59.7	64.7	50.5	41.8	61.6
Raw materials, including petroleum products	34.0	28.2	31.9	45.6	50.8
Chemicals	27.2	40.2	33.4	32.7	41.6
Textiles	24.1	43.0	21.9	28.2	37.8
Machinery and transport equipment	63.8	123.6	153.6	165.3	169.4
Other manufactured goods	<u>38.7</u>	<u>60.2</u>	<u>50.0</u>	<u>62.9</u>	<u>88.3</u>
Total	247.5	359.9	341.4	376.5	449.5

Source: Bank of Sudan

Table 8
Imports by Commodity
(Value in L.S.000'S)

COMMODITY	UNIT	1974		1975		1976		1977		1978	
		QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
FOOD STUFFS:											
Rice	M.T	3,851	1,495	-	-	1,003	141	1,590	166	2,560	301
Wheat	"	102,969	8,158	128,860	8,323	195,647	11,731	109,239	6,488	119,782	5,955
Wheat Flour	"	7,126	418	8,061	659	7,380	636	12	2	46,317	2,870
Sugar	"	140,476	33,392	132,231	39,706	143,693	21,951	141,637	13,440	197,750	18,930
Tea	"	19,488	6,247	11,636	4,231	11,744	3,875	12,683	6,551	26,236	17,398
Coffee	"	8,594	2,680	7,533	2,197	4,925	2,095	2,005	1,695	2	5
Dairy Products	"	1,995	822	2,984	1,393	3,022	1,379	3,611	1,712	4,477	2,994
Fish and Fish Preparations	"	52	18	1,319	287	24	12	76	20	227	85
Meat and Meat Preparations	"	6	2	1	1	9	10	17	18	253	96
Fruits & Fruits Preparations	"	6,324	742	8,262	1,015	5,461	856	4,054	898	3,055	1,417
Vegetables and Vegetables preparations	"	928	241	587	152	1,679	200	1,965	463	1,515	315
Confectionery, Sweets, Cakes and Biscuits	"	78	24	268	93	691	175	626	199	2,564	637
Malt	"	1,509	153	1,513	221	1,457	171	2,002	242	1,525	246
Lentils	"	3,620	670	511	98	1,956	363	7,341	1,053	4,422	672
Animal and Vegetables Oils	"	-	-	664	178	1,155	260	913	254	1,646	673
Spices	"	-	-	235	160	520	301	438	879	298	256
Miscellaneous	"	-	1,412	-	1,734	-	1,084	-	1,673	-	2,040

Table 8 (continued)

COMMODITY	UNIT	1974		1975		1976		1977		1978	
		QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
DRINKS AND TOBACCO											
Non-Alcoholic	M.T	15	55	22	41	31	110	57	154	149	226
Whisky	Lit	87,041	216	203,813	332	181,607	193	229,179	259	283,193	368
Brandy	"	23,352	59	76,204	97	102,299	138	69,545	170	144,253	357
Gin	"	11,932	12	13,017	16	16,964	14	21,078	19	10,442	15
Champagne	"	-	-	2,310	4	600	1	2,678	1	16,982	71
Beer	"	20,700	20	384,300	40	263,109	69	624,362	175	1,045,071	349
Other Alcoholic	"	18,645	32	9,753	13	128,056	76	84,335	98	132,280	83
Cigars	"	3	12	2	9	4	17	19	88	2	14
Cigarettes	"	1,459	2,623	935	3,304	1,140	4,023	950	4,650	1,110	4,214
Tobacco	M.T	183	167	400	383	586	627	447	446	984	1,244
Miscellaneous	"	-	8	-	16	-	-	-	1	-	-
CRUDE MATERIALS:											
Crude Rubber	"	61	27	4	2	-	-	-	-	5	2
Waste Papers	"	1,806	135	2,253	183	953	64	4,004	294	297	43
Coal	"	160	9	-	-	65	3	126	10	-	-
Petroleum Products	"	1,148,411	33,056	840,302	27,228	916,687	31,119	1,168,052	44,354	1,142,942	49,953
Crude Oils	"	-	-	-	-	1	12	596	202	49	76
Tallow	"	1,757	371	1,089	235	2,450	509	2,570	519	1,902	481
Miscellaneous	"	-	378	-	550	-	219	-	228	-	251
CHEMICALS:											
Medical and Pharmaceutical Products	Value	-	5,200	-	9,764	-	8,398	-	10,158	-	14,527
Perfumes and Cosmetics	M.T	839	615	448	801	789	1,031	761	978	731	1,252
Fertilizers "Manufactured"	"	111,964	6,689	276,057	9,681	189,809	9,169	70,614	3,370	6,255	433
Insecticides	"	10,743	5,931	14,287	9,070	8,434	5,823	9,743	7,137	13,072	9,633
Explosives	"	76	40	68	26	204	89	399	214	53	38
Miscellaneous	"	-	8,731	-	10,818	-	8,915	-	10,831	-	15,725

Table 8 (continued)

COMMODITY	UNIT	1974		1975		1976		1977		1978	
		QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
MANUFACTURED GOODS:											
Leather and Leather Manufactures	M.T.	364	393	311	174	193	146	153	154	274	218
Rubber Manufactures	"	5,117	2,417	2,431	1,230	1,984	1,054	2,463	2,421	3,682	1,803
Wood and Cork Manufactures	"	32,868	3,890	27,125	4,426	10,016	986	28,937	3,988	30,245	3,449
Glass and Glass Wares	"	4,885	1,049	9,472	1,550	4,185	945	7,193	1,481	11,105	2,806
Iron and Steel	"	74,425	9,539	63,120	13,381	36,833	6,842	62,439	8,327	51,044	8,750
Metals Manufactures	"	18,979	6,401	42,294	11,731	34,631	14,203	69,549	20,759	64,997	32,855
Foot-Wears	Pair	86,884	59	1,200	10	-	-	179,427	160	95,978	88
Jute and Sacks	No.	48,681,925	6,064	36,726,630	7,663	15,699,550	2,395	26,565,487	3,577	24,829,507	4,544
Books, Magazines, News Papers, Films and Stationery	M.T.	2,620	1,724	4,572	2,518	2,885	1,539	3,493	2,261	2,552	3,109
Asbestos Cement Pipes	"	6,401	626	81,022	3,528	53,680	8,043	114,480	5,815	166,360	7,416
Scientific Instruments	Value	-	1,203	-	2,685	-	3,187	-	1,988	-	9,852
Paper Manufactures	M.T.	19,034	3,529	21,561	5,517	26,084	4,229	45,858	6,787	103,265	7,391
Plastic Manufactures	"	-	-	7,409	3,390	7,521	3,749	9,857	3,724	11,530	6,116
Ceramic Products	"	-	-	3,448	617	979	355	2,591	804	3,304	1,136
Toys and Sporting Goods	"	-	-	301	206	425	416	518	337	415	600
Miscellaneous	"	-	1,835	-	1,529	-	1,915	-	1,284	-	2,201
MACHINERY AND EQUIPMENTS:											
Machinery Electric	M.T.	5,773	3,749	2,256	1,624	2,572	3,405	7,897	6,383	2,831	4,746
Machinery Non-electric	"	11,498	9,301	22,038	19,221	21,347	25,631	35,027	34,128	22,166	26,583
Refrigerators	No.	380	28	364	30	25	1	192	15	3	3
Air Conditioners	"	238	82	174	61	236	47	709	200	341	111
Ovens	"	32	9	5	7	5	12	-	-	2	10
Machinery Spare Parts	"	17,141	16,918	30,544	26,517	55,732	59,271	51,876	71,214	45,861	60,104
T.V., Radios and T. Rec.	Value	-	-	-	643	-	792	-	1,168	-	916
Dry Batteries	M.T.	-	-	1,605	475	1,593	540	844	512	133	78
Tractors	No.	-	-	1,900	6,355	2,813	5,628	846	2,702	2,898	4,835
Textile, Machinery & Parts	M.T.	-	-	3,278	4,202	35,016	15,267	6,852	9,297	10,681	14,589

Table B (continued)

COMMODITY	UNIT	1974		1975		1976		1977		1978	
		QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
TRANSPORT EQUIPMENTS:											
Aircrafts	No.	2	8,337	4	5,908	10	523	3	313	10	2,729
Railway Locomotives	"	---	19	16	326	6	525	1	23	5	57
Railway Wagons	"	85	120	---	---	33	311	102	1,032	---	---
Road Passenger Cars	"	808	1,285	2,169	10,195	2,770	4,754	3,092	5,911	2,369	7,298
Lorries	"	1,137	3,799	5,065	19,245	2,286	14,664	5,928	8,697	1,603	11,679
Buses	"	185	875	40	530	71	210	181	475	175	1,121
Tyres and Tubes	"	607,666	3,852	1,158,523	5,193	764,475	2,769	1,122,891	6,509	1,584,993	9,657
Ferries and Steamers	"	30	265	307	1,115	8	421	49	409	19	86
Auto-Spare Parts	Value	---	14,088	---	14,962	---	12,868	---	12,947	---	22,318
Motor Cycles	No.	250	18	1,105	60	67	25	149	25	371	151
Bicycles	"	4,107	54	8,909	173	6,671	157	3,957	84	19,287	761
Locomotive Parts	Value	---	---	---	2,962	---	3,627	---	1,892	---	430
Aircrafts Parts	"	---	---	---	1,928	---	2,171	---	1,342	---	1,123
Miscellaneous	"	---	963	---	1,868	---	---	---	---	---	---
TEXTILES:											
Grey Unbleached Wholly of Cotton	M.T.	2,566	2,550	10,936	9,100	2,337	1,945	4,853	4,846	10,349	10,869
Bleached Wholly of Cotton	"	1,589	1,940	5,460	6,214	1,562	2,176	1,854	2,437	1,356	1,942
Printed Wholly of Cotton	"	3,254	4,067	3,440	5,032	1,141	1,408	1,175	3,768	2,057	4,212
Other Dyed in the Piece Wholly of Cotton	"	1,741	2,628	3,459	5,454	1,988	3,335	2,378	5,242	2,727	4,855
Dyes in the Yarn Wholly of Cotton	"	150	231	104	137	147	184	135	194	84	301
Other Fabrics Wholly of Cotton	"	815	594	44	66	11	20	13	25	17	30
Other Fabrics Cotton Mixed with other Materials	"	705	1,082	2,396	3,173	1,230	1,688	682	852	1,547	2,499

Table B (continued)

COMMODITY	UNIT	1974		1975		1976		1977		1978	
		QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE	QUANTITY	VALUE
TEXTILES (continued)											
Woven Silk Fabrics	M.T.	51	45	13	34	---	2	2	3	5	11
Woven Wool Fabrics	"	13	32	89	153	8	11	28	103	3	8
Woven Fabrics Flax and Ramie	"	2,256	481	2,713	755	476	135	1,064	240	2,018	431
Woven Fabrics Synthetics	"	3,537	3,466	5,353	6,361	4,330	6,242	3,520	4,967	3,363	4,738
Textiles Yarn and Threads	"	1,941	2,599	2,038	2,792	1,293	1,810	2,916	2,486	2,472	3,488
Tulle Lace and Embroidery	"	69	135	28	63	90	137	12	21	47	66
Special Textile Fabrics	"	2,368	1,279	2,484	1,064	1,277	902	1,321	875	1,685	1,000
Made-Up Articles of Textile Materials	"	5,874	1,806	1,388	1,186	815	702	1,446	1,022	1,302	1,445
Made-Up Textiles	"	762	1,213	936	1,473	631	1,227	700	1,151	---	1,523
Miscellaneous	"	---	1	---	---	---	---	---	---	---	---
GRAND TOTAL		---	247,500	---	359,873	---	341,386	---	376,484	---	449,464

Table 9
The Percentage Shares of Sudan's Main Suppliers
In the Total Value of Imports During the Period 1971-1978

	1971	1972	1973	1974	1975	1976	1977	1978
P.R. of China	6.7	7.5	6.7	9.1	4.5	2.8	2.7	5.0
U.S.S.R.	6.8	4.5	6.0	1.0	0.4	1.8	0.5	0.2
Other Socialist Countries	9.7	7.7	7.0	4.7	4.7	3.7	3.4	4.2
E.E.C.	29.6	33.5	37.4	30.3	37.6	46.0	45.2	46.0
Japan	4.2	4.0	6.0	5.3	10.1	6.5	10.6	6.5
U.S.A.	2.5	4.1	7.1	8.9	8.5	9.4	6.5	7.3
India	19.7	16.2	7.6	11.5	7.3	5.6	4.5	4.8
Other W. Europe	4.4	3.4	3.6	3.1	3.3	3.5	4.4	5.1
Others	10.5	14.9	16.2	23.8	21.9	19.6	20.9	18.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 10

Sudan: Imports from U.S. 1977

Figures in Sudanese Pounds
(LS 1 = U.S. \$2.00)

Total Worldwide Imports	342,176,799
Total Imports from U.S.	20,064,654
Wheat Unmilled	5,920,665
Wheat Flour	507,050
Other Food Preparations	197,954
Cigarettes	49,921
Lumber, Sawn, Softwood	37,755
Seeds for Sowing	68,068
Lubricating Oil	50,014
Other Lubricating Preparations	25,708
Other Animal Oils	264,967
Medicaments	412,223
Products of Polymerization and Copolymerization	74,458
Insecticides	2,171,412
Prepared Glues ready for retail sale	27,478
Animal Black Prepared Glossings, Dressings, etc.	28,017
Other Chemical Products	27,762
Other Covers for Tractors, Excavating Machinery	38,108
Other Outer Covers and Solid Tyres	27,101
Newsprint	76,466
Kraft Paper Cardboard	49,842
Tableware	57,313
Wire Rod	114,029
Plates Universal Heavy	29,147
Tinplate	47,103
Hoop and Strip Iron Steel	151,283
Hangers, Bridges and Sections, Sheds	915,347
Other Finished Structural Parts, Doors, etc.	104,156
Interchangeable Tools, Drill Bits, Tap Dies, etc.	31,451
Other Internal Combustion Diesel Engines and Parts	109,199
Agricultural Machinery, etc., Preparing-Cultivating Soil	190,019
Agricultural Machinery Harvesting, Threshing, etc.	860,355
Agricultural Tractors	86,572
Auxiliary Machines, Parts Extruding Weaving, etc.	628,943
Other Food Processing Machines	53,020

Table 10 (continued)

Imports from U.S. (continued)

Excavating, Leveling, Boring Machinery	1,382,625
Air Conditioners Completed	53,296
Air Conditioner Units, Condenser, Compressor, etc.	57,954
Other Air Conditioning Equipment	40,863
Other Parts of Refrigerators, etc., non-domestic	130,601
Other Heating, Cooling Equipment, Industrial	145,031
Pumps for Liquids	32,244
Air Vacuum Pumps, Gas	76,623
Other Lifting, Handling, Loading Machinery	270,673
Domestic Refrigerator Units, Condenser, Compressor, etc.	51,699
Other Parts Domestic Refrigerators	98,489
Machinery and Mechanical Appliances	71,829
Parts, Accessories Machinery	119,124
Electric Motors	111,983
Electric Switch Gear	228,808
Wireless Equipment including Radio, Radar, etc.	899,895
Primary Cells, Batteries, Accumulators	86,040
Parts Railway Tramway Locomotives	68,640
Road Passenger Cars	473,517
Motor Vehicles for Road Transport Goods	30,659
Special Purpose Vehicles	29,463
Tractors Except Agricultural Except Fork Lifts	131,270
Chassis Fitted with Engines for Tractors	87,250
Parts and Accessories for Agricultural Tractors	450,980
Parts of Aircraft	210,367
Medical Dental Surgical Veterinary Instruments, Appliances	30,325
Instruments for Measuring or Controlling the Flow Depth Pressure of Liquids	86,642
Parts of Guns Motors Rifles Artillery Weapons	50,960

Source: "Foreign Trade Statistics"
Ministry of National Planning, Khartoum
Department of Statistics

Table 11
Sudan: External Debt, 1974-78
(In millions of U.S. dollars)

	1974	1975	1976	1977	1978
Total external debt outstanding, disbursed only, end of period ^{1/}	<u>903.4</u>	<u>1,181.4</u>	<u>1,605.3</u>	<u>1,797.5</u>	<u>2,076.0</u>
By type of creditor:					
Suppliers' credits	74.9	231.6	277.6	301.9	287.7
Financial institutions	230.0	257.4	336.0	351.2	547.9
Multilateral institutions	142.9	160.4	237.5	296.3	396.2
Bilateral loans	455.7	531.9	754.2	848.1	844.3

^{1/} Public medium- and long-term debt with an initial maturity of over one year.

Sources: Data provided by the Sudanese authorities, IBRD Debtor Reporting System, and Fund staff estimates.

ANNEX IICAPSULIZED PROJECT DESCRIPTIONS FOR FY 1978
AND PROPOSED FY 1979 AND FY 1980 PROJECTSI. FY 1978 PROJECTS:Project No.:

- 650-0018 Blue Nile Rural Development Project: calls for working with local government institutions to test improved agronomic practices and inputs with tractor mechanization and without mechanization. The project will also test extension approaches to transfer agricultural information, cooperative systems to provide production services, and approaches to small farmer credit. The purpose of the project is to develop a replicable model for delivery of integrated agricultural development for small farmers.
- 650-0020 Western Sudan Agricultural Research Project: with inputs from the Government of Sudan, IDA, and USAID is a comprehensive project based on a multi-disciplinary model to undertake research on five agro-pastoral production systems found in Western Sudan. It will be implemented by the Consortium for International Development (CID). Inputs of technical assistance, training, operating costs, equipment, vehicles and farm machinery, and construction costs will be made by USAID. The project should result in the development of functioning ARC research stations and a research center in the four western provinces.
- 650-0021 Southern Manpower Development Project: will strengthen the human resource base in the southern region by improved training and utilization of agricultural personnel working with the small farmers. The Yambio Institute for Agricultural Technicians, the Agricultural Training Center at Rumbek and the Ministry of Agriculture in Juba will be strengthened in their functions as training curriculum is improved and extension workers trained.
- 650-0025 Abyei Integrated Rural Development Project: experiments with participatory rural development in five major areas including: increasing agricultural production to achieve self-sufficiency in food grains; increase farm incomes and improve diets; increasing water supplies to human and animal needs in the dry season; improving communication and access; upgrading educational facilities; and

extending primary health care services in the Abyei area. The project is being implemented by three U.S. technicians in cooperation with Sudanese counterparts.

- 650-0011 Northern Sudan Primary Health Care Project: will assist the Government of Sudan to expand and strengthen delivery of primary health care services in Northern Sudan. Inputs include technical assistance, training, equipment, supplies, vehicles and construction costs for 35 Primary Health Care Units.
- 650-0019 Southern Sudan Primary Health Care Project: will assist the Government of Sudan Southern Regional Government in implementation of its Primary Health Program. USAID has provided a grant to the African Medical and Research Foundation to assist in four program areas: technical staff and training, self-help low-cost construction, information processing, and supply management.
- 650-0010 Extension Education Training for Human Resource Development Project: seeks to establish a capability to train women to deliver integrated non-formal extension services for impoverished adults living in urban and rural areas. The project is being implemented through a USAID grant to World Education, Inc., a private voluntary organization. It will design, test and revise curriculum for extension training and plan, implement and evaluate an extension program at Ahfad University College for Women.
- 650-0026 Wadi Halfa Community Development Project: will assist in creating conditions to accelerate the development and reconstruction of Wadi Halfa. Agricultural development through pilot efforts with irrigation systems, crop trials and youth agricultural vocational training, and improved health, nutrition and sanitation conditions will be attempted. International Voluntary Services (IVS) is implementing the project.

II. PROPOSED FY 1979 PROJECTS:

Project No.:

- 650-0012 Rural Development Planning Project: seeks to improve skills in planning, designing, implementing and evaluating agricultural development projects in the traditional sector, develop institutional mechanisms to feed

applied research results into the regional planning process and improve data collection, analysis and integrated planning capacity at the provincial level. Expertise to conduct courses, seminars and workshops and funding for participant training will be provided.

- 650-0013 Agriculture Sector Support Project: will provide grant funds to finance foreign exchange costs of agricultural imports to the traditional sector and help defray local costs associated with programs extending services to rural people. The people should help strengthen government institutions related to traditional agricultural research, education, extension, credit, rural infrastructure, marketing and storage, input supply and rural agricultural industry.
- 650-0031 Southern Sudan Rural Infrastructure Project: will rehabilitate the roads from Mundri to Rumbek, Rumbek to Wau and Rumbek to Shambe to minimum commercial access standards. Technical assistance will be provided for road construction, and training to improve the Ministry of Communication, Transport and Roads capability to plan, coordinate and implement road projects.
- 650-0030 Health Sector Support Project: will provide foreign exchange and local currency resources to foster effective and timely implementation of the primary health care program and ensure the dependable availability of financial resources for the general expansion of health facilities and services throughout the country.
- 650-0028 Literacy Training Project: will reorient education in southern Sudan to the development needs of the area and bring the quality of education up to national primary school standards. Pre-primer, primer and post-primer materials will be produced in 16 languages, and curriculum development and teacher education will be emphasized. The project will be implemented by the Summer Institute for Linguistics, a U.S. private voluntary agency.
- 650-0035 Yambio Research Station Project: will reestablish the Agricultural Research Corporation's Yambio Agricultural Research Station by rehabilitating the buildings, re-equipping the laboratories, and fostering research and development activities to complement PDU and Southern Region Ministry of Agriculture programs. The project will be implemented by the International Voluntary Services, a U.S. private voluntary agency.

650-0033 Housing Investment Guaranty Project: may provide a loan on long-term arrangements to provide services to building sites, upgrade water, sewerage, road and community services in squatter areas, and possibly a revolving home improvement loan fund in Port Sudan and Juba. Details of the project have not yet been worked out.

III. PROPOSED FY 1980 PROJECTS:

Project No.:

- 650-0017 North Kordofan/Darfur Agricultural Production and DECARP Project: will attempt to develop an agricultural production package that minimizes the degradation of environmentally fragile land, emphasize anti-desertification measures, identify renewable energy supply innovations and address other impediments to increased agricultural production in a combined research and development effort. It would restore degraded sites, increase crop production, improve agricultural development planning and evolve socially feasible systems of improved farm and resource management.
- 650-0029 Western Sudan Agricultural Extension Project: will field a technical assistance team to work with the Ministry of Agriculture and provincial officials to reorganize and redirect the extension effort in the western four provinces. The goal would be the establishment of a comprehensive agricultural extension network manned with a trained staff.
- 650-0032 Western Sudan Feeder Roads Project: will field a technical assistance team to undertake feeder road planning and design to be followed by institution building and road construction activities. Feeder road activities will be selected on the basis of quick return and maximum support to other agricultural development activities.

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The Democratic Republic of the Sudan
Ministry of National Planning

MINISTER'S OFFICE
P.O. Box 2092 KHARTOUM
Cables (EIMAR)
TELEX 324

Ref: MNP/330/8/121
Khartoum, August 9, 1979

Mr. Gordon K. Pierson
AID Director,
Khartoum.

Ref. : Commodity Import Programme
(CIP) Grant

Dear Mr. Pierson,

Thank you for your letter dated August 1, 1979 and referring to the discussions at the meetings of August 1, and August 8, 1979 in the Ministry of National Planning with your goodself and the CIP Design Team, I would like to convey to you that the views we exchanged yesterday were fruitful and constructive.

It gives me pleasure to attach herewith a list of our proposals and we hope that all items will be eligible for financing against the CIP grant. Once again, I would like to emphasize that the Government attaches a high priority for Item 1. re "Wheat for Consumption".

I avail myself of this opportunity to express our deep gratitude for the aid you extend to us which will - no doubt - strengthen the good relations between our two countries as well as enhance development efforts presently undertaken by the Sudan Government.

We look forward to the finalization and implementation of the CIP Grant Agreement as soon as possible.

With best regards.

Sincerely Yours

Nasr El Din Mustafa
Minister of National Planning

SECURITY SUPPORTING ASSISTANCE/COMMODITY
IMPORT PROGRAMME
FINAL PROPOSALS

I. Wheat for Consumption

II. AGRICULTURE

- i. Foundation and certified wheat seed
- ii. Spares for spray airplanes
- iii. Tractors
- iv. Spares for Tractors and other Agric. equipment
- v. Baling Hoops
- vi. Land Levelling Equipment

III. TRANSPORT & COMMUNICATIONS

- i. Spares for Railroad Locomotives
- ii. Raw Materials for Sudan Railways
- iii. Spares & Equipment for Boeing Aircrafts for Sudan Airways

IV. A) INDUSTRY (PUBLIC AND PRIVATE)

Tallow
Plastic Bags (Sugar/Flour)
Tinplate
Delinting Unit
Canning
Chemicals
Tyres and Tubes
Iron and Steel

B) INDUSTRY (PRIVATE)

Spare Parts
Raw Materials

V. SERVICES

- i. Spares for Khartoum North Sewerage System
- ii. Medical & Scientific Equipment

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N.B. : The above represents the final proposed list submitted in the final meeting held in the Ministry of National Planning between Ministers of (a) National Planning, (b) Cooperatives, Trade and Supply (c) Minister of State for Finance and National Economy and the AID Director (KHM.) and the CIP Design Team on August 8, 1979.

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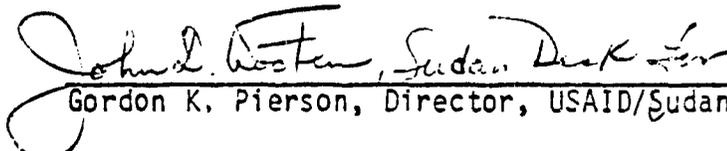
ANNEX IV
INITIAL ENVIRONMENTAL EXAMINATION

Project Country: Sudan
 Project Title: Sudan Commodity Import Grant
 Funding: FY(s) 80 \$ 50,000,000
 Period of Project: The terminal date for requesting disbursement authorization is 18 months from the date of the grant agreement. The terminal disbursement date is 24 months from the grant agreement date.

IEE Prepared by: Forest Duncan

Environmental Action Recommended: Negative Determination

Concurrence:


 Gordon K. Pierson, Director, USAID/Sudan

Date:

Assistant Administrator Decision:

APPROVED 6/14/78

DISAPPROVED _____

DATE 12/1-78

Examination of Nature, Scope and Magnitude of Environmental Impacts

I. Description of the Project

The project proposes to provide a commodity import grant of \$50 million to the Government of Sudan from Economic Support Funds on standard A.I.D. terms. The primary purpose of the grant is to provide balance of payments assistance by financing high-priority imports of equipment, manufacturing materials, and spare parts. This will provide foreign exchange to help the GOS overcome a serious, but temporary, balance of payment problem.

Eligible commodities are those on the A.I.D. Positive List, all of which have been screened for any adverse effects they may have on the environment. In particular no pesticides or herbicides will be imported under this grant.

II. Recommended Environment Action

In accordance with A.I.D. Reg 16, paragraph 216-2(f), it has been determined that a negative determination is appropriate regarding the environmental impact of this activity. As the proceeds of the grant will not be used for the purpose of carrying out a specifically identifiable project or projects, an Environmental Assessment or Environmental Impact Statement is not required.

ANNEX V

STATUTORY CHECKLISTSUDAN--FY 1980 C.I.P. GRANTI. Nonproject Assistance ChecklistA. General Criteria for Nonproject Assistance1. App. Unnumbered; FAA Sec 653(b)

(a) Describe how Committees on Appropriations of Senate and House have been or will be notified concerning the nonproject assistance;

Proposed C.I.P. Grant was included in a supplemental submission to the FY 1980 Congressional Presentation.

(b) is assistance within (Operational year Budget) country or international organization allocation reported to the Congress (or not more than \$? million over that figure plus 10%)?

Yes.

2. FAA Sec. 611(a)(2).

If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No further legislation is required.

3. FAA Sec. 209, 619.

Is assistance more efficiently and effectively given through regional or multilateral organizations? If so why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multilateral organizations or in accordance with multilateral plans to the maximum extent appropriate?

This program is not susceptible of execution as part of a regional or multilateral program. It is not expected to encourage regional development programs. Sudan is not a newly independent country.

4. FAA Sec. 601(a); (and Sec. 201(f) for development loans).

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

Program will increase the flow of international trade by providing the necessary foreign exchange for the importation of goods. A portion of the program assistance is earmarked for the Sudanese private sector and will tend to foster private initiative and competition.

5. FAA Sec. 601(b).

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

To the extent that trade patterns between the GOS and U.S. continue to grow and expand, this program will have a positive effect on trade patterns.

6. FAA Sec. 612(b); Sec 636(h)

Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.

Not applicable. Program provides foreign exchange assistance for commodity imports. No other contractual or non-commodity related services are being financed under the grant.

7. FAA Sec. 612(d).

Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?

At present the Sudan is not a country in which the U.S. owns excess foreign currency.

B. Funding Criteria for Nonproject Assistance
for Economic Support Fund

1. FAA Sec. 531 (a).

Will this assistance support or promote economic or political stability? To the extent possible, does it reflect the policy directions of section 102?

1. It will promote economic stability by providing vital foreign exchange required for Sudan's economic development.

1.a. Yes, to the extent possible.

2. FAA Sec. 533.

Will assistance under this chapter be used for military, or paramilitary activities?

2. No.

II. Country Eligibility Checklist

A. General Criteria for Country Eligibility

1. FAA Sec. 116.

Can it be demonstrated that contemplated assistance will directly benefit the needy? If not, has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights?

No. The Department of State has made no such determination.

2. FAA Sec. 481.

Has it been determined that the government of recipient country has failed to take adequate steps to prevent narcotics drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, from being sold illegally within the jurisdiction of such country to U.S. Government personnel or their dependents, or from entering the U.S. unlawfully?

No

3. FAA Sec. 620(b).
If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement? **Yes**
4. FAA Sec. 620(c).
If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government? **No**
5. FAA Sec. 620(e)(1).
If assistance is to a government, has it (including government agencies or subdivision) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? **No**
6. FAA Sec. 620(a), 620(f); FY 79 App. Act Sec. 108, 114 and 606.
Is recipient country a Communist country? Will assistance be provided to the Socialist Republic of Vietnam, Cambodia, Laos, Cuba, Uganda, Mozambique, or Angola? **No**
7. FAA Sec. 620(i).
Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? **No**

8. FAA Sec. 620(j).
Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? **No**
9. FAA Sec. 620(l).
If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason? **No**
10. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5.
If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters, **Sudan has taken no such action.**
- a. has any deduction required by the Fishermen's Protective Act been made?
- b. has complete denial of assistance been considered by A.I.D. Administrator?
11. FAA Sec. 620; FY 79 App. Act Sec.603.
(a) Is the government of the recipient country in default for more than six months on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds? **No**

12. FAA Sec. 620(s).
If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of sophisticated weapons systems?
- Yes, as reported in annual report on implementation of Sec. 620(s).
13. FAA Sec. 620(t).
Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?
- The GOS severed diplomatic relations with the U.S. in 1967, but they were resumed in 1972. The 1958 bilateral Assistance Agreement was reconfirmed in 1973 and remains in effect.
14. FAA Sec. 620(u).
What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?
- Current
15. FAA Sec. 620A, FY 79 App. Act, Sec. 607.
Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism?
- No
16. FAA Sec. 666.
Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA?
- No

17. FAA Sec. 669, 670.
 Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it detonated a nuclear device after August 3, 1977, although not a "nuclear-weapon state" under the nonproliferation treaty? **No**
- B. Funding Criteria For Economic Support Fund Country Eligibility.
1. FAA Sec. 502B.
 Has the country engaged in a consistent pattern of gross violations of internationally recognized human rights? **No**
2. FAA Sec. 609.
 If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? **Yes**
3. FY 79 App. Act Sec. 113.
 Will assistance be provided for the purpose of aiding directly the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? **No**

III. Standard Item Checklist

- A. Procurement
1. FAA Sec. 602.
 Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed? **Yes, using A.I.D. Regulation 1 procedures.**

2. FAA Sec. 604(a).
Will all commodity procurement financed be from the U.S. except as otherwise determined by the President or under delegation from him? **Yes**
3. FAA Sec. 604(d).
If the cooperating country discriminates against U.S. marine insurance companies, will agreement require that marine insurance be placed in the U.S. on commodities financed? **Yes**
4. FAA Sec. 604(e).
If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement, when the domestic price of such commodity is less than parity? **A.I.D. Regulation 1 will be incorporated into the Grant Agreement to enforce the statutory price restrictions.**
5. FAA Sec. 608(a).
Will U.S. government excess personal property be utilized wherever practicable in lieu of the procurement of new items? **Yes**
6. FAA Sec. 603,
(a) Compliance with requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. **Yes**

7. FAA Sec. 621.
 If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?
 Technical assistance will not be financed by this Grant.
8. International Air Transport. Fair Competitive Practices Act, 1974.
 If air transportation of persons or property is financed on grant basis, will provision be made that U.S.-flag carriers will be utilized to the extent such service is available?
 Yes
9. FY 79 App. Act Sec. 105.
 Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States?
 Yes
- B. Construction
 No construction will be financed by this Grant.
- C. Other Restrictions
1. FAA Sec. 620(h).
 Do arrangements preclude promoting or assisting the foreign aid projects or activities or Communist-bloc countries, contrary to the best interests of the U.S.?
 Yes
2. FAA Sec. 636(i).
 Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S. or guaranty of such transaction?
 Yes

3. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f).
To pay for performance of abortions or to motivate or coerce persons to practice abortions, to pay for performance of involuntary sterilization, or to coerce or provide financial incentive to any person to undergo sterilizations? **Yes**
 - b. FAA Sec. 620(g).
To compensate owners for expropriated nationalized property? **Yes**
 - c. FAA Sec. 660.
To finance police training or other law enforcement assistance, except for narcotics programs? **Yes**
 - d. FAA Sec. 662.
For CIA activities? **Yes**
 - e. FY 79 App. Act Sec. 104.
To pay pensions, etc. for military personnel? **Yes**
 - f. FY 79 App. Act Sec. 106.
To pay U.N. assessments? **Yes**
 - g. FY 79 App. Act Sec. 107.
To carry out provisions of FAA sections 209(d) and 251(h)? (Transfer of FAA funds to multi-lateral organizations for lending.) **Yes**
 - h. FY 79 App. Act Sec. 112.
To finance the export of nuclear equipment, fuel, or technology or to train foreign nations in nuclear fields? **Yes**
 - i. FY 79 App. Act Sec. 601.
To be used for publicity or propaganda purposes within U.S. not authorized by Congress? **Yes**

ANNEX VI

WAIVER JUSTIFICATION

I. Waiver Required

Procurement of source and origin waiver from A.I.D. Geographic Code 000 (U.S.) to Code 899 (Free World) for procurement of transportation services from U.S. to Sudan.

II. Summary Waiver Information

Cooperating Country:	Sudan
Authorizing Document:	PAAD
Activity:	Commodity Import Program
Nature of Funding:	Grant, Economic Support Funds Transportation Services from U.S. to Sudan
Approximate Total Value:	\$500,000
Proposed Source/Origin:	Code 899 Countries

III. Discussion

A.I.D. policy permits A.I.D. Geographic Code 941 source/origin procurement for grants to RLDCs such as Sudan (HB 1B 5A1c(2)). This applies to the procurement of transport services as well as the commodities themselves. Only one U.S. carrier services Sudan regularly from the U.S., Waterman, a non-U.S.-conference carrier. Central Gulf Lines also services Sudan, but only occasionally and on an inducement basis. Suppliers of large shipments under this grant will have no trouble finding U.S. flag service. However, this grant will finance many small shipments of items like spare parts which would not provide sufficient inducement for a U.S. carrier, or which may be shipped from U.S. ports not regularly serviced by one of these lines. Further, no U.S. air carrier services Sudan. Therefore, this waiver is requested for Code 899 procurement of these air and ocean freight services.

Payment of these freight costs with grant proceeds is further justified by Sudan's chronic balance of payment difficulties and severe lack of foreign exchange as described in the PAAD.

This waiver would apply only to those shipments for which COM/TR issues a Certificate of Non-Availability (CNA) of U.S. flag service. COM/TR will also keep a dollar value record of the amounts so waived. All Letters of Commitment will specify shipment by U.S. flag vessel unless a CNA has been issued.

IV. Justification

The subject transport services are essential to this A.I.D.-financed grant, and non-A.I.D. foreign exchange is not available for the purpose. For these reasons, procurement from the sources listed above is necessary to the attainment of U.S. foreign policy objectives or objectives of the foreign assistance program.

A.I.D. Grant No. 650-0037
(Draft)

GRANT AGREEMENT
Between
UNITED STATES OF AMERICA
and the
DEMOCRATIC REPUBLIC OF SUDAN
FOR
COMMODITY IMPORTS

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- Section 7.01. - Communications
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- Section 7.03. - Implementation Letters
- Section 7.04. - Information and Marking

GRANT AGREEMENT dated 1979 between the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.") and the DEMOCRATIC REPUBLIC OF SUDAN ("the Grantee").

ARTICLE I

SECTION 1.01. The Grant. A.I.D. agrees to grant to the Grantee pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed Fifty Million United States dollars (\$50,000,000) (the "Grant") for the foreign exchange costs of commodities and commodity-related services, as such services are defined by A.I.D. Regulation 1, needed to assist the Grantee in meeting a serious foreign exchange shortage, achieving development objectives, improving the standard of living and maintaining political stability. Commodities and commodity-related services authorized to be financed hereunder are hereinafter referred to as "Eligible Items," as hereinafter more fully described in Section 3.04.

ARTICLE II

Conditions Precedent to Disbursement

SECTION 2.01. Conditions Precedent to Initial Disbursement. Prior to any disbursement or to the issuance of any Letter of Commitment or other authorization of disbursement under the Grant, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) an opinion or opinions of the Attorney General of the Democratic Republic of Sudan that this Agreement has been duly authorized and/or ratified by and executed on behalf of the Grantee and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms; and

(b) a statement of the names of the persons holding or acting in the office of the Grantee specified in Section 7.02 and a specimen signature of each person specified in such statement.

SECTION 2.02. Terminal Date for Meeting Conditions Precedent to Disbursement. If all the conditions specified in Section 2.01 shall not have been met within sixty (60) days after the date of this Agreement or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to the Grantee.

SECTION 2.03. Notification of Meeting Conditions Precedent to Disbursement. A.I.D. shall notify the Grantee upon determination by A.I.D. that the conditions precedent to disbursement specified in Section 2.01 have been met.

ARTICLE III

Procurement, Utilization and Eligibility of Commodities

SECTION 3.01. A.I.D. Regulation 1. Except as A.I.D. may otherwise specify in writing, this Grant and the procurement and utilization of Eligible Items financed under it are subject to the terms and conditions of A.I.D. Regulation 1 as from time to time amended and in effect, which is incorporated and made a part hereof. If any provision of A.I.D. Regulation 1 is inconsistent with a provision of this Agreement, the provision of this Agreement shall govern.

SECTION 3.02. Source of Procurement. Except as A.I.D. may specify in Implementation Letters or Commodity Procurement Instructions, or as it may otherwise agree in writing, all Eligible Items shall have their source and origin in the United States of America.

SECTION 3.03. Date of Procurement. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Grant for which any order or contract was firmly placed or entered into prior to the date of this Agreement.

SECTION 3.04. Eligible Items.

(a) The commodities eligible for financing under this Grant shall be those specified in the A.I.D. Commodity Eligibility Listing as set forth in the Implementation Letters and Commodity Procurement Instructions issued to Grantee. Commodity-related services as defined in A.I.D. Regulation 1 are eligible for financing under this Grant. Other items shall become eligible for financing only with the written agreement of A.I.D. A.I.D. may decline to finance any specific commodity or commodity-related service when in its judgment such financing would be inconsistent with the purpose of the Grant or of the Foreign Assistance Act of 1961, as amended.

(b) A.I.D. reserves the right in exceptional situations to delete commodity categories or items within commodity categories described by Schedule B codes on the Commodity Eligibility Listing. Such right will be exercised at a point in time no later than commodity prevalidation by A.I.D. (Form 11 approval) or, if no commodity prevalidation is required, no later than the date on which an irrevocable Letter of Credit is confirmed by a U.S. bank in favor of the supplier.

(c) If no prevalidation is required and payment is not by Letter of Credit, A.I.D. will exercise this right no later than the date on which it expends funds made available to the Grantee, under this Agreement for the financing of the commodity. In any event, however, the Grantee will be notified through the A.I.D. Mission in its country of any decision by A.I.D. to exercise its right pursuant to a determination that financing the commodity would adversely affect A.I.D. or foreign policy objectives of the United States or could jeopardize the safety or health of people in the importing country.

SECTION 3.05. Procurement for Public Sector. With respect to procurement hereunder by or for the Grantee, its departments and instrumentalities:

(a) The provision of Section 201.22 of A.I.D. Regulation 1 regarding competitive bid procedures shall apply unless A.I.D. otherwise agrees in writing; and

(b) Grantee will undertake to assure that public sector end-users under this Grant establish adequate logistic management facilities and that adequate funds are available to pay banking charges, customs, duties and other commodity-related charges in connection with commodities imported by public sector end-users.

SECTION 3.06. Financing Physical Facilities. Except as A.I.D. may otherwise agree in writing, not more than \$1,000,000 from the proceeds of this Grant shall be used for the purchase of commodities or commodity-related services for use in the construction, expansion, equipping, or alteration of any one physical facility or related physical facilities without prior A.I.D. approval, additional to the approvals required by A.I.D. Regulation 1. "Related physical facilities" shall mean those facilities which, taking into account such factors as functional interdependence, geographic proximity and ownership, constitute a single enterprise in the judgment of A.I.D.

SECTION 3.07. Utilization of Commodities.

(a) Grantee shall insure that commodities financed under this Agreement shall be effectively used for the purpose for which the assistance is made available. Such effective use shall include:

(i) the maintenance of accurate arrival and clearance records by customs authorities and the prompt processing of commodity imports through customs at ports of entry and removal from customs and/or customs-bonded warehouses of such commodities, the total time for which (from date commodities arrive at port of entry to date importer removes them from customs) shall not exceed ninety (90) calendar days unless the importer is hindered by force majeure or A.I.D. otherwise agrees in writing;

(ii) the consumption or use not later than one (1) year from the date the commodities arrive at the port of entry unless a longer period can be justified to the satisfaction of A.I.D. by reasons of force majeure or special market or other circumstances; and

(iii) the proper surveillance and supervision by Grantee to reduce breakage and pilferage in ports resulting from careless or deliberately improper cargo handling practices, as specified in detail in Implementation Letters.

(b) Grantee shall use its best efforts to prevent the use of commodities financed under this Agreement to promote or assist any project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such projected use except with the prior written consent of A.I.D.

SECTION 3.08. Motor Vehicles. Except as A.I.D. may otherwise agree in writing, none of the proceeds of this Grant may be used to finance the purchase, sale, long-term lease, exchange or guaranty of a sale of motor vehicles unless such motor vehicles are manufactured in the United States.

SECTION 3.09. Procedures. A.I.D. will issue binding Implementation Letters and Commodity Procurement Instructions which will prescribe the procedures applicable in connection with the implementation of this Agreement.

SECTION 3.10. Private Sector. In recognition of the importance of the development of the private sector in promoting its overall economic growth the Grantee agrees to take all necessary steps to make available to the private sector as much of the proceeds of the Grant as possible.

ARTICLE IV

Disbursements

SECTION 4.01. Disbursement for United States Dollar Costs Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Grantee may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to the Grantee or any designee of the Grantee through the use of Letters of Credit or

otherwise, for costs of Eligible Items procured in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges of the United States bank or banks incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Grantee and may be financed under the Grant.

SECTION 4.02. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means and by such other procedures as the Grantee and A.I.D. may agree to in writing.

SECTION 4.03. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur, in the case of disbursements pursuant to Section 4.01, on the date on which A.I.D. makes a disbursement to the Grantee, to its designee, or to a banking institution pursuant to a Letter of Commitment.

SECTION 4.04. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or other commitment documents which may be called for by another form of disbursement under Section 4.02 shall be issued in response to a request received by A.I.D. after twelve (12) months, and no disbursement of grant funds shall be made against documentation received by A.I.D. or any bank described in Section 4.01 after twenty-four (24) months from the date the Grantee satisfies the Conditions Precedent in Section 3.01.

SECTION 4.05. Documentation Requirements. A.I.D. Regulation 1 specifies in detail the documents required to substantiate disbursements under this Agreement by Letter of Commitment or other method of financing. The document number shown on the Letter of Commitment or other disbursing authorization document shall be the number reflected on all disbursement documents submitted to A.I.D. In addition to the above, Grantee shall maintain records adequate to establish that commodities financed hereunder have been utilized in accordance with Section 3.07 of this Agreement. Additional documents may also be required by A.I.D. with respect to specific commodities, as may be set forth in detail in Implementation Letters.

SECTION 4.06. Records. Grantee shall maintain or cause to be maintained in accordance with sound accounting principles and practices consistently applied such books and records relating to this Agreement as may be prescribed in Implementation Letters. Such books and records shall be made available to A.I.D. for such periods and at such times as A.I.D. may require, and shall be maintained for three (3) years after the date of last disbursement by A.I.D. under this Agreement.

ARTICLE V

General Covenants and Warranties

SECTION 5.01. Reports. Grantee shall furnish to A.I.D. such information and reports relating to the goods and services financed by this Grant and the performance of Grant's obligations under this Agreement as A.I.D. may reasonably request.

SECTION 5.02. Disclosure of Material Facts and Circumstances. The Grantee represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Grant are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Grant and the discharge of its obligation under this Agreement. The Grantee shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, this Grant or the discharge of the Grantee's obligations under this Agreement.

SECTION 5.03. Taxation. This Agreement, and the Grant, shall be free from any taxation or fees imposed under the laws in effect within the country of the Grantee.

SECTION 5.04. Commissions, Fees and Other Payments

(a) Grantee warrants and covenants that in connection with obtaining the Grant, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to the Grantee's full-time officers and employees or as compensation for bona fide professional, technical or comparable services. The Grantee shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical, or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) The Grantee warrants and covenants that no payments have been or will be received by the Grantee, or any official of the Grantee, in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in the country of the Grantee.

SECTION 5.05. Periodic Discussions. Periodically, but no less than annually, the Grantee and A.I.D. will meet to discuss the status of the economy, associated economic issues and the relationship of the A.I.D. program to those concerns.

SECTION 5.06. Use of Local Currency. Grantee will establish a Special Account in the Bank of Sudan and deposit therein currency of the Government of the Democratic Republic of Sudan in amounts equal to proceeds accruing to the Grantee or any authorized agency thereof as a result of the sale or importation of the Eligible Items. Funds in the Special Account may be used for such purposes as are mutually agreed upon by A.I.D. and the Grantee from time to time, provided that such portion of the funds in the Special Account as may be designated by A.I.D. shall be made available to A.I.D. to meet the requirements of the United States.

ARTICLE VI

Termination and Suspension

SECTION 6.01. Termination. This Agreement may be terminated by mutual agreement of the Parties at any time. Either Party may terminate this Agreement by giving the other Party thirty (30) days written notice.

SECTION 6.02. Suspension of Disbursements, Transfer of Goods to A.I.D. In the event that at any time:

(a) Grantee shall fail to comply with, or correct a default in carrying out any provision of this agreement within 60 days; or

(b) any representation or warranty made by or on behalf of Grantee with respect to obtaining this Grant or made or required to be made under this Agreement is incorrect in any material respect; or

(c) an event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purposes of the Grant will be attained or that the Grantee will be able to perform its obligations under this Agreement; or

(d) any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or

(e) a default shall have occurred under any other agreement between Grantee or any of its agencies and the Government of the United States or any of its agencies; then A.I.D., in addition to remedies provided in A.I.D. Regulation 1, at its option, may (i) decline to

issue further Letters of Commitment or other disbursing authorization, (ii) suspend or cancel outstanding Letters of Commitment or other disbursing authorizations to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit, or (iii) to the extent that A.I.D. has not made direct reimbursement to Grantee thereunder, giving notice to Grantee promptly thereafter, decline to make disbursements other than under Letters of Commitment; and (iv) at A.I.D.'s expense, direct that title to goods financed hereunder shall be transferred to A.I.D., if the goods are in a deliverable state and have not been offloaded in ports of entry of the Democratic Republic of Sudan.

SECTION 6.03. Cancellation by A.I.D. Following any suspensions of disbursements pursuant to Section 6.02, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Grant that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 6.04. Refunds. In addition to any refund otherwise required by A.I.D. pursuant to A.I.D. Regulation 1, in the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement as determined by A.I.D., or of any disbursement not made nor used in accordance with the terms of this Agreement or is in violation of the laws governing A.I.D., as determined by A.I.D., A.I.D. may require the Grantee to refund such amount in United States dollars to A.I.D. within thirty (30) days after receipt of a request therefor. Refunds paid by Grantee to A.I.D. resulting from violations of the terms of this Agreement shall be considered as a reduction in the amount of A.I.D.'s obligation under the Agreement, reducing the amount available for future disbursement, and shall not be available for reuse under the Agreement.

SECTION 6.05. Nonwaiver of Remedies; No delay in exercising or omission to exercise any right, power or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers or remedies.

ARTICLE VII

Miscellaneous

SECTION 7.01. Communications. Any notice, request, document, or other communication given, made, or sent by the Grantee or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable, or

radiogram and shall be deemed to have been duly given, made, or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable, telex, or radiogram at the following addresses:

To Grantee:

Mail Address: Ministry of National Planning
P. O. Box 2092
Khartoum, Sudan

Cable Address: EIMAR Khartoum

Telex No. 324

To A.I.D.:

Mail Address: United States Agency for International
Development
American Embassy
P. O. Box 699
Khartoum, Sudan

Telex No. 619 AmEmbassy Km.

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications, and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

SECTION 7.02. Representatives. For all purposes relative to this Agreement, the Grantee will be represented by the individuals holding or acting in the offices of Minister of National Planning and the Undersecretary for National Planning, and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID, Khartoum, Sudan. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Grantee shall submit a statement of the new representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice irrevocation of the authority of any of the duly authorized representatives of the Grantee designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument is duly authorized.

SECTION 7.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement. Except as permitted by particular provisions of this Agreement, Implementation Letters will not be used to amend or modify the text of this Agreement.

SECTION 7.04. Information and Marking. The Grantee will give appropriate publicity to the Grant as a program to which the United States has contributed, and require goods financed by A.I.D. to be marked as described in Implementation Letters.

IN WITNESS WHEREOF, Grantee and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

DEMOCRATIC REPUBLIC OF SUDAN

UNITED STATES OF AMERICA

BY : _____

BY : _____

NAME : _____

NAME : _____

TITLE: _____

TITLE: _____

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