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Sudan CIP Evaluation

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Introduction

Since FY 1980, Sudan has had a Commodity Import Program (CIP) financed from the Economic Support Fund (ESF) assistance provision of the Foreign Assistance Act (FAA) of the United States. At the present time the FY 1984 CIP's for Sudan has been signed but not dispursed and the FY 1985 CIP is under preparation. As is presented in Table 1 below, CIP obligations for Sudan have steadily increased since the program's initiation in FY 1980 and, including the FY 1984 agreement, has amounted to \$402.25 million, the largest in Africa. The Commodity component of the CIP obligations over the same 5 year period has amounted to \$299.25 million, or nearly 75% of the total ESF program. The purpose of this report is to evaluate the impact of the CIP program in relationship to its multiple objectives which include (a) support necessary economic policy changes during a period of sensitive reforms; (b) boost export performance and efficient import substitution to improve the country's balance of payments position; (c) improve infrastructure, especially power generation and transmission and transport to support agricultural and industrial production; (d) encourage greater private sector participation in the economic life of tne country; and (e) provide budgetary support for the Government of Sudan (GOS) and donor development projects via joint programming of the local currency counterpart funds.

Certainly the above stated multiple objectives of the CIP program have far exceeded the AID Handbood definition of a CIP which is a "mechanism for providing short-term relief from constraints on the economy of a less-developed country" [and] is often directed to alleviating budgetary or

Table 1: USAID/Sudan Total CIP Obligations
 FY 1980 - FY 1984
 (in \$ millions)

<u>Year</u>	<u>Program Number</u> <u>per Grant Agreement</u> <u>Document</u>	<u>Item and Amount</u>			<u>Total Amount</u>
		a) Commodities	b) Cash	c) Petroleum	
FY 1980	650-K-601	\$50.00			\$50.00
1981	650-K-602	50.00			50.00
1982	650-K-603	100.00			100.00
1983	650-K-604	62.25			82.25
	650-K-605		\$20.00		
1984	650-K-606			\$40.00	120.00
	650-K-606.B	62.00			
	650-K-607		18.00		
Total FY 1980 - 1984		<u>\$324.25</u>	<u>\$38.00</u>	<u>\$40.00</u>	<u>\$402.25</u>

- Notes:
- 1) includes a cash grant.
 - 2) this program number is sometimes given as 650-K-608.
 - 3) This program number is sometimes given as 650-K-606.
 - 4) Most of this assistance is not being disbursed due to GOS, IMF, and AID disagreements after Macro-economic policy reform steps which Sudan must implement.

"balance of payments problems". The objectives also are more specific than recent Congressional statements regarding ESF assistance to be "consistent with the policy directions, purposes, and programs" of development assistance [Senate] or that "ESF financed commodity imports meet long-term development needs of African countries". [House]. Sudan's economic circumstances clearly require such a broad and specific set of objectives. The report briefly defines this context in the following paragraphs.

Macro-economic and Policy Context

Since AID returned to Sudan in 1978, the country has been facing an increasing set of economic and political problems. Two world oil price increases within 5 years, in 1974 and 1979 lead to its becoming an ever larger share of the import bill. In 1972 it comprised about 3% of total imports. Prior to 1979, it comprised about 10% of total imports whereas in 1983 its measured share was in excess of 27% (see Figure 1 for the details). The share comprised of such capital goods as machinery and transport equipment suffered the principal decline, from about 43% in 1977 to 25% in FY 1984.

Second, the ambitious development programs formulated by Sudan in the mid 1970's were being implemented by 1980, thus leading to an ever increasing total import bill which was not financed by export growth. This structural imbalance which began in the mid-70's had become an increasingly chronic problem by 1980 such that aggregate domestic demand (consumption plus investment) was 10% greater than aggregate supply (GDP). (See Table 4 in Section III and Appendix Table 1 which shows the export earnings and the increasing import gap). The chronic negative resource imbalance was being financed by a number of bilateral and multilateral donor organizations in the

Middle East and elsewhere, and this lead to an ever increasing debt servicing problem for the country by 1980. (See Table 2.) By 1983 increasing official debt arrearages created additional pressure on Sudan's limited foreign exchange earnings. In January 1985, \$82 million was due to the IMF alone.

To achieve a stable economy which has undergone restructuring necessary for long run growth, the IMF and other donors have increasingly insisted on policy reforms with respect to (a) pricing of foreign exchange, bread, agricultural inputs, such as water, (b) restricting credit expansion, (c) reducing export and import tariffs, (d) increasing user charges, (e) increasing interest rates, and (f) curbing public deficits, amongst others. Sudan has implemented several reforms to address the above identified problems.

Besides donor insistence on certain policy reforms, the GOS felt increased pressure by 1980 to initiate their own policy of providing increased autonomy to regional and local governments to address local priorities and finance them without increased fiscal pressure placed on the central government. At the same time, ethnic differences in the South and the problem of how to strike a political settlement with the South over the extraction of oil, lead Nimeiri to a course of action of Regionalization of the South as well as the North. This decision has resulted in a political breakdown between the two areas of the country and the resurrection of the guerrilla movement in the South. This political breakdown has halted oil exploration and pipeline work underway and has resulted in further delays when oil exports can begin.

After a three year period of some policy reforms such as a series of devaluations and commodity price increases, e.g. bread and petroleum, the government, in September 1983, implemented a series of policy reforms designed to further Islamize the country. The enactment of Sharia law has created great risk and uncertainty in the private business community particularly with

Table 2:

Trends in Sudan's External Debt, 1970-1984

<u>Year</u>	<u>Total Publically Guaranteed Debt Outstanding in Mill. \$</u>	<u>Total Debt Services Millions of \$</u>
1970	318.7	34.6
1971	-	-
1972	-	-
1973	500.5	56.3
1974	-	-
1975	1272.8	111.7
1976	-	-
1977	2983.9	83.9
1978	2435.7	99.6
1979	3375.7	78.2
1980	3890.6	88.6
1981	4806.4	82.5
1982	5093.5	79.3
1983	-	695.2
1984	9000.0 E.	676.4
1985		707.8
1986		625.7
1987		529.6
1988		492.5
1989		366.4
1990		243.4

- Source: (1) 1973 - 1982 and projections of Debt Service; World Bank, World Debt Tables: External Debt of Developing Countries, (Washington D.C.: World Bank, 1984)
- (2) 1984, USAID/Sudan, Concepts Paper, Country Development Strategy Statement, Sudan, FY 1986, March 1984
- (3) World Bank, Toward Sustained Development: A Joint Program of Action for Sub-Saharan Africa: Statistical Annex, Vol. II, Rept. # 5228, (Washington D.C.: World Bank, August 1984)

respect to whether the limited liability article of incorporation guaranteed under the 1925 Companies Act remained valid, and whether interest could legally be charged on loans. These uncertainties, on top of output price controls via mark up margin regulations, domestic credit restrictions, foreign exchange using input availabilities, labor market controls re: hiring and firing personnel and wage rates, have created an increasingly unfavorable private investment climate.

Finally, the existence of drought conditions in the West and parts of the Eastern provinces adjacent to Ethiopia; the influx of political and drought related refugees from Ethiopia, Uganda, and Chad; uneasy relations with Libya; and cooling relationships with many of its Arab neighbors, including Egypt and Saudi Arabia, have created an unfavorable climate within the GOS for continuing to address the multiple economic problems which it faces.

As a consequence of these above mentioned factors, the economic situation in Sudan is clearly constrained in a number of important ways. The output of certain export items, e.g., cotton, has improved since 1981. However, the drought has reduced rainfed sector production, particularly in FY 1984, and was the principle cause for a negative rate of growth in GDP in FY 1983/84 of -2%. Thus, the ability of the country to continue to improve upon the stabilization record of the last two fiscal years (refer to Table 4, pg. 40.) is severely constrained by events which it cannot control (e.g. drought and slow rates of commodity aid disbursement). The CIP is but one mechanism available for use by AID and the Government to seek a way out of the current economic and financial morass and to achieve economic recovery during the current decade.

Scope and Method of the CIP Evaluation

The purpose of the CIP evaluation is to determine the extent to which the above defined objectives of the CIP have been met and to ascertain what USAID/Sudan and the GOS might do to improve the program's future impact. Specifically the CIP evaluation was asked to (a) assess the macro-economic impact over the FY 1980-1984 period; (b) determine the impact of the CIP on the production of sectors, industries and firms in the economy with respect to (i) export promotion, (ii) import substitution, and (iii) infrastructure support, e.g., power transport and communications; (c) ascertain the developmental impact of the use of local currency generations; and (d) assist USAID and the GOS in improving future CIP allocations of both foreign exchange and local currency, with a particular emphasis with respect to how the private sector can increase productivity growth and export earnings.

In order to accomplish the evaluation's purpose, the team was asked to (a) assess the policy dialogue process embodied in the FY 1980-84 CIP documentation, e.g., covenants, conditions precedent, and side letters of agreement; (b) balance of payments and GNP effects attributable to the CIP; (c) analyze the relationship of commodity and counterpart fund allocations to USAID and GOS development strategy as defined by the CDSS and the Three Year Public Investment Program (TYPIP); (d) define the evolution of the negotiation process by which USAID and the GOS select commodities, firms and local currency uses; (e) determine the appropriate mix of capital, intermediate, and consumer goods and the relative private-public effectiveness in the utilization of CIP commodities for export growth and increased productivity within the sectors obtaining CIP allocations; (f) ascertain the distribution

of CIP benefits in comparison with those sectors which can contribute most to export earnings and increased productivity; and (g) ascertain the export competitiveness of the firms within the Sudanese industrial sector which receive CIP allocations and the policy and/or economic constraints which underlie the lack of competitiveness within the industrial sector.

A number of activities and individuals were involved for some time to satisfactorily address this scope of work. The USAID/Sudan staff not only developed the scope of work, but also worked with the GOS Ministry of Planning to develop improved accounting of and resource allocation criterion for the use of local currency generations. They have also developed an information system by which imported commodity allocations can be tracked on a commodity and firm specific basis. In addition, they designed an end-use survey questionnaire, and, in conjunction with one member of the outside evaluation team, Dr. Leslie Burgess, have conducted a number of interviews with a wide spectrum of private and public sector commodity users (N=15). It is envisioned that his end-use survey will be periodically updated as a regular CIP management tool.

An outside evaluation team consisting of two economists and one policy analyst, worked in Sudan during November 1984, reviewing and analyzing available economic material and CIP files, discussing the changing operational and policy context of the CIP with USAID officials, private entrepreneurs, the GOS, other donors, and other scholars, and conducting end-use interviews with CIP recipients. The entire USAID/Sudan was also involved in the evaluation, and the team would particularly like to acknowledge the support of Dr. Thomas Eighmy, the Mission's Evaluation Officer and the analytical effort of Ms. Valerie Dickson-Horton.

At one point it was hoped that an up-to-date, Input-Output Table of Sudan's economy could be found to conduct a more in depth quantitative analysis of the direct and indirect economic effects of the CIP program. Unfortunately, the available Tables (a) are out of date (1958 and 1973) and (b) could not be readily found. The usefulness of this analytical tool can not be over estimated for defining the optimal set of imported commodities and the use of generated local currency. Efforts to locate the old tables and develop a more updated version must be given priority by the Mission and could be an important component of the PAIP project of the Mission for use in programming all actual and envisioned resources available to AID.

The Policy Context of the CIP

The Evolution of the Policy Context

This section analyzes the development of the specific policy reforms embodied in the FY 1980 to 84 CIPs in the larger development context facing Sudan and it identifies those factors inherent to the CIP process that enhance or constrain the prospects for effective policy change. In 1979 the IMF began a three-year economic stabilization program in Sudan to counteract the declining trade balance and growing threat of repayment arrearages due to a decline in export earnings. Production and export growth had slowed from the levels achieved during the early seventies. The IMF with the agreement of the GOS and the other donors, took the lead in specifying the issues to be addressed and in negotiating the conditions under which they would be

remedied. To eliminate external arrears, the IMF helped to organize a rescheduling of debt in November 1979, and permitted the GOS to draw down on its Extended Fund Facility (EFF) on the basis of meeting annual targets for increasing the rate of economic growth, limiting the inflation rate, and holding down the current account deficit.

The strategy was based on efforts to increase cotton production for export via the rehabilitation of the large irrigation schemes. Secondly, it was expected that the completion of three new sugar mills in 1980 would lead to substantial foreign exchange savings via import substitution. Finally, the GOS planned to exploit its newly discovered oil deposits in the South. In this fashion, the GOS hoped to alleviate its balance of payments problem and remove the growing constraint to growth posed by foreign exchange shortages.

FY 1980 and 1981 CIP's

To contribute to this overall effort, AID initiated the Commodity Import Program in FY 1980. The 1980 CIP was designed to overcome foreign exchange constraints to the import of materials essential to the functioning of productive sectors of the Sudanese economy. Second, currency proceeds from the sale of the materials to end users was to be used to cover the local currency costs of GOS development projects. Third, the CIP was to evolve into a mechanism to further policy dialogue designed to remedy particular policy constraints in order to improve economic growth. In the first year of the program, 1980, no particular covenants were attached, other than those which specified that the local currencies generated by the program must be set aside in a special account for use on mutually agreed upon projects (section 5.06) and that periodic meetings be held (at least annually) between AID and the GOS

to "discuss the status of the economy, associated economic issues and the relationship of the AID program to those concerns (section 5.05)." See Table 3.A for a further elaboration of the policy context in this early period of the CIP.

A second CIP was developed and approved for FY 1981. In terms of policy-related covenants of FY 1980, there were no changes in the FY 1981 document with the exception that AID did require that the GOS take all necessary steps to make available no less than 50% of the CIP to the private sector.

At the end of 1981, the GOS again had serious problems in paying its debt and the trade deficit had grown substantially. At that point, the IMF terminated its three-year EFF agreement and began to prepare a program involving one-year Standby Agreements in order to have more flexibility in setting targets and motivating compliance in achieving those targets on the part of the GOS. The assessment of the situation at the time gave the Sudanese poor marks in almost all areas, even though the IMF acknowledged the problems which were created by external factors such as sharp increases in world energy prices and the huge influx of refugees into the southern part of the country.

In particular, the IMF focussed on the inability of the GOS to obtain increased production or productivity in either the cotton or sugar industries, and that there were severe price distortions and inadequate management of the public enterprises which operated the large irrigation schemes. Also, despite a high level of inflation, the IMF thought that exchange rates had not been sufficiently adjusted and prices on consumer commodities had not been

increased enough to reflect world prices. As a consequence, the GOS had to sustain increasingly large subsidies and corresponding budgetary deficits that constrained its ability to allocate resources to the urgently needed rehabilitation efforts in the irrigated subsector of agriculture.

FY 1982 and 1983 CIP's

As a consequence of the poor economic performance in 1981 and IMF efforts to engage the GOS in addressing the underlying problems, AID, via negotiations on the FY 1982 CIP, requested that the GOS comply with all of the fiscal and monetary targets of its agreement with the IMF as a condition for the release of commodities from the AID program. In a side letter of agreement, AID requested specific policy changes for the first time in the CIP. AID continued with its insistence that the private sector receive an adequate portion of the foreign exchange allocation (no less than 60%). Moreover, it asked that the GOS formulate a new private sector investment code to increase levels of private sector investment. In a related request, AID wanted the GOS to review its policies designed to encourage Sudanese working abroad to remit a larger share of their earnings to increase private sector investment.

Another important clause required the GOS to evaluate the efficiency of public enterprises in the agricultural and agro-industrial sectors and phase out those found to be inefficient. Finally it should be noted that the FY 1982 program marked the beginning of covenants which, in 1982, required that at least 15% of grant proceeds be used for the procurement of agricultural commodities or agricultural-related products from the U.S. (Article 6.a). See Table 3.B).

In related developments in the PL480, Title III program, AID had begun in

Table 18.1: Trends in AID/COS Policy Dialogue via the CIP FY1980-84

Table 18.2: Trends in AID/COS Policy Dialogue via the CIP FY1980-84

World Bank (Continued) FY1982

- D. Agricultural Issues
 - i. Increase yields via improved technical package
 - ii. Increase produce prices
 - iii. Increase input cost recovery
 - iv. Rehabilitate equipment via CIP
 - v. Do not expand irrigated agriculture until state of irrigation has been fully analyzed
 - vi. Increase agricultural wages
 - vii. Use more mechanization to reduce labor bottlenecks
 - viii. Make inputs more available
 - ix. Expand research knowledge
- E. Agro-Industrial Issues
 - i. Improve pricing
 - ii. Encourage more private sector activity
- F. Industrial Issues
 - i. Improve availability of economic inputs
 - ii. Improve financing
 - iii. Improve flexibility of wages especially of management
 - iv. Improve power supply consistency
 - v. Price imported petroleum at "market" rate
- G. Transport Issues
 - i. Increase rail tariffs
 - ii. Reduce public sector involvement where there are no attributes of a public good to the service
 - iii. Increase petroleum tax to maintain funds
 - iv. Increase vehicle and license fees
 - v. Do not build new airports in Guatemala
- H. Population and Labor Issues
 - i. Have a presentation on laws for impact of rapid population growth
 - ii. Start develop MCH
 - iii. Reduce quality of education especially for housing and food or housing reform
 - iv. Increase wages for skills in short supply
 - v. Review marketing policy for those in whom the government and society have invested

IMF FY1982

IV. External Financing Policies

- A. Exchange rate policy go for the free market rate on all imports.
- B. Encourage exports as above
- C. Monetary Imports
 - i. Increase customs valuation for duty levying purposes
 - ii. Facilitate imports via air/rapid clearance especially for consumption items. Only capital goods
- D. Delimit private enterprise commitments. Ban private foreign currency denominated savings accounts yielding (conventional) rates of interest
- E. Balance of payments has passed the post-war high increase and others increase
- F. Reconcile external debt service

V. Prerequisites

- A. Net savings on operations in net domestic credit and credit to government
- B. Prohibit operating new public or publicly guaranteed foreign debt at commercial rates maturing within ten years. Export retooling existing debt.
- C. Do not put on more import restrictions
- D. Eliminate wheat and pharmaceutical subsidies
- E. Custom reform changes on water and land in irrigated schemes

1982 to focus on the issue of the GOS's budget deficit and the role of consumer subsidies, particularly for bread. AID's concern extended beyond the issue of the deficit. The direct budget subsidies to bread consumers had the effect of reducing demand for, and hence consumption of, domestic wheat and other coarse cereals (e.g. sorghum). A series of studies were conducted under the Agricultural Planning and Statistics Project which indicated that the subsidies on wheat/bread had adverse production effects on domestic wheat. Discussions with the GOS over the PL480 Program initiated the movement to remove those subsidies to reduce GOS budget deficits and to begin to provide increased incentives for domestic production. All bread price subsidies were finally eliminated in mid-1983.

In January 1983, the Consultative Group for Sudan was convened in Paris by the World Bank. [World Bank. Consultative Group for Sudan. Chairman's Report on Proceedings; January 12-14, 1983. April 18, 1983] That meeting had been asked to cover the net current account deficit through a combination of cash grants, commodity import programs, suppliers credits and normal bilateral assistance in the form of project aid [development assistance]. The Consultative Group meeting was then followed by another debt rescheduling meeting by the Club of Paris in February 1983 which rescheduled 100 percent of principal payments and interest due that year. From this series of meetings emerged the 1983/84 Standby Agreement and the development of the Joint Monitoring Committee (JMC) to be convened quarterly in Khartoum to review the GOS' macro-economic performance and its development performance in the context of the donor assisted Annual TYPIP. It had been suggested that concerned donors be included in the IMF's Country Implementation Reviews in which

compliance with performance targets is assessed and initial determination concerning quarterly drawdowns on funds is made. However, such coordination was not institutionalized.

The 1983/84 Standby Agreement with the IMF set the overall framework for macroeconomic policy changes. The Standby Agreement (SBA) established conditions covering policies in the areas of production, domestic finance, the GOS budget, and external financing levels. In the agricultural sector, the IMF asked for increased price levels to increase production of the major traded crops. It sought to increase the returns to cotton and peanut production via the removal of export taxes and a devaluation of the Sudanese pound, thereby enabling an increase in farmgate prices in the local currency. In terms of domestic financial policies, it requested the limitation of credit to parastatals. Credit priority was given to irrigated agriculture which contributed to foreign exchange earnings. The GOS was instructed to reduce consumer food subsidies and prevent the introduction of any new subsidies. It also discussed the wheat/bread subsidy and the foreign exchange subsidy provided to pharmaceuticals. The general thrust of all these policy reforms was to move the GOS toward a free market foreign exchange rate policy which would discourage imports and encourage exports.

AID's FY 1983 CIP for the period to be covered by the 1983/84 Standby was initially prepared in October and November, 1982 and approved in December 1982. The PAAD for that Program provided the first specific, openly published economic performance covenants and tied the release of the funds to compliance with the IMF's SBA performance targets on a quarterly basis. It made the further point that "...earnest commitment to reform and rational planning are

not enough," and then listed the same covenants required in the side-letter of agreement for the FY 1982 Program. It proposed to link "...the allocation and disbursement of ESP funds and GOS progress toward improved management performance." (FY 83 PAAD. pp. 10-11.)

The FY 1983 CIP called for the removal of the foreign exchange subsidy on all GOS controlled imports except wheat flour and medicines. This covenant was part of the IMF's Standby Agreement for that year and its inclusion in the CIP covenants reflects a direct concern with budget deficits. Its inclusion also more accurately reflected USAID's increased concern over Sudan's overvalued exchange rate and the divergence between the official and free exchange rates.

The involvement of USAID in exchange rate policy via the CIP was an expansion from the PL480 program policy dialogue. FY 1983 marked an accelerated period of activity concerning the removal of subsidies on imported wheat and the adjustment of exchange rates to enable increased farmgate price incentives to farmers. These concerns followed naturally from USAID's FY 1982 CDSS which was designed to direct the program toward an emphasis on expanding production in rainfed agriculture. This program's focus was to have been reflected in the allocation of CIP commodities and the use of local currency. (See below for an analysis of actual CIP commodity allocations relative to the CDSS objective. See pg. 76 and Table 15.)

GOS performance during the IMF 1983/84 Standby Agreement (February 23, 1983 through February 22, 1984) did not meet the expectations of the IMF. One critical measure of economic performance, GDP, declined by 2 percent despite considerable increase in cotton output due to a fall in output in the rainfed

agricultural sector caused by the increased severity of the drought. The manufacturing sector continued to produce below capacity, although the sugar industry output improved. Development of oil exports, a key hope for alleviating the foreign exchange problem, was stopped by anti-government attacks in the South soon after the government announced the policy to divide the former Southern Region into three regions, rather than maintain it as one region (June 1983).

Other major policy developments launched by the GOS in 1983 included the announcement of Sharia law (September 1983) which has had an adverse affect on domestic savings, investment, and capital accumulation and private sector expansion. Also the Military Economic Board (MEB) was launched early in 1983. This development has further complicated efforts to increase private sector savings and investments. (The impact of the MEB with respect to the objectives of the CIP program is discussed at various points below.)

On the positive side, the GOS sought to implement policies to further expand cotton production, limit budget deficits and credit expansion. It also established the terms of reference for the study of agricultural prices and a comprehensive study of the industrial sector. (JMC Quarterly Report, March 1984.) Finally, in conjunction with the World Bank, it sought restructuring of the textile industry while initiating some stop gap measures to ease the severe liquidity problems being faced by both the public and private sector firms in the industry.

The FY 1984 CIP

In 1984, AID approved three CIPs, one similar to earlier CIPs, one for cash and one establishing a fund for the importation of petroleum. The FY

1984 CIPs represent a marked departure from the earlier CIPs in their concentration on exchange rate reforms and in the development of a petroleum import program aimed at rationalizing the existing import system. It was estimated that the petroleum CIP alone would result in sizeable foreign exchange savings of about \$60 million per year. The covenants to these three agreements not only contain all of the previous CIP covenants, i.e., supporting the IMF standby agreement, local currency deposits and their timing, including deposits by public sector organizations, but also a number of additional specific items. (See Table 3.C). The most important of these covenants are defined below.

First, the GOS agreed to jointly undertake a study of the then current 75/25 Foreign Exchange Rate Formula governing the conversion of agricultural export earnings. The purpose of the study was to determine how production and export incentives would be improved by increasing the proportion of foreign exchange earnings converted into local currency at a higher foreign exchange rate than the official exchange rate. The GOS also pledged to change its conversion regulations to permit peanut exporters to convert 50 percent of their 1984/85 export proceeds at the legal commercial bank rate.

The FY 1984 CIP drew heavily on the analyses done for the PL480 Program. Those analyses had revealed that the dual-tiered exchanged rate system also provided an implicit subsidy to the importation of wheat and an implicit tax on exporters of agricultural commodities. The studies revealed that merely increasing the price of bread would not by itself dampen the demand for imported wheat. The studies also found that in order to increase the incentive to farmers to produce more wheat the producer price of wheat had to

1978

	Macroeconomic
1978	220
1979	200-220
1980	200 million
1981	200-220
1982	200 million
1983	200-220
1984	200 million
1985	200-220
1986	200 million
1987	200-220
1988	200 million
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2017	200-220
2018	200 million
2019	200-220
2020	200 million
2021	200-220
2022	200 million
2023	200-220
2024	200 million
2025	200-220
2026	200 million
2027	200-220
2028	200 million
2029	200-220
2030	200 million

	Other
1978	608
1979	600-620
1980	600 million
1981	600-620
1982	600 million
1983	600-620
1984	600 million
1985	600-620
1986	600 million
1987	600-620
1988	600 million
1989	600-620
1990	600 million
1991	600-620
1992	600 million
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2019	600-620
2020	600 million
2021	600-620
2022	600 million
2023	600-620
2024	600 million
2025	600-620
2026	600 million
2027	600-620
2028	600 million
2029	600-620
2030	600 million

	Miscellaneous
1978	108
1979	100-110
1980	100 million
1981	100-110
1982	100 million
1983	100-110
1984	100 million
1985	100-110
1986	100 million
1987	100-110
1988	100 million
1989	100-110
1990	100 million
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2021	100-110
2022	100 million
2023	100-110
2024	100 million
2025	100-110
2026	100 million
2027	100-110
2028	100 million
2029	100-110
2030	100 million

	World Bank
1978	118
1979	110-120
1980	110 million
1981	110-120
1982	110 million
1983	110-120
1984	110 million
1985	110-120
1986	110 million
1987	110-120
1988	110 million
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2022	110 million
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2024	110 million
2025	110-120
2026	110 million
2027	110-120
2028	110 million
2029	110-120
2030	110 million

	IMF
1978	128
1979	120-130
1980	120 million
1981	120-130
1982	120 million
1983	120-130
1984	120 million
1985	120-130
1986	120 million
1987	120-130
1988	120 million
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2024	120 million
2025	120-130
2026	120 million
2027	120-130
2028	120 million
2029	120-130
2030	120 million

	OS
1978	138
1979	130-140
1980	130 million
1981	130-140
1982	130 million
1983	130-140
1984	130 million
1985	130-140
1986	130 million
1987	130-140
1988	130 million
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2021	130-140
2022	130 million
2023	130-140
2024	130 million
2025	130-140
2026	130 million
2027	130-140
2028	130 million
2029	130-140
2030	130 million

No agreement on 1984 Standby Agreement

No in 1982 and 1983 agree-

be increased to reflect the world producer price for wheat valued at the free market exchange rate between Sudanese pounds and U.S. dollars.

Second, AID and the GOS agreed to eliminate the 15 percent discount on all commodities financed via the CIP. AID felt that the bank rate then current was already a subsidized rate and that the 15 percent discount, originally put in place to reduce the impact of the high dollar exchange rate, would only be adding another level of unnecessary subsidy.

Attached to this covenant was the proviso that the GOS could request analytic work on the effects of this measure under the newly created Policy Analysis and Implementation Program. This project was supported by the the same ESP monies that are the basis of the CIP.

Third, AID moved to further accent regional development by establishing a Regional Development Support Fund based on the local currency generated by the CIP. In line with its program emphases on agricultural development, and particularly the development of rainfed agriculture, this Fund was to be allocated to activities to increase agricultural production. This regional emphasis supported the overall initiative that AID has previously taken in the Regional Finance and Planning Project and other programs and is consistent with the 1982 CDSS.

Fourth, further emphasis on regional, rainfed-zone agricultural development was provided in another covenant. "At least \$7 million of imports funded under this CIP shall be allocated to private production-oriented enterprises which increase exports or substitute for imports..." These enterprises must be outside of Khartoum Province, the Central Region and the Port Sudan urban areas and "at least \$2 million of this sum shall be allocated

to the southern regions."

Additionally, "a local currency grant, sufficient to cover the counterpart costs of this sum," (\$7 million) "shall be jointly programmed by USAID and the GOS for the Agricultural Bank of the Sudan and the Industrial Bank of the Sudan...These funds shall be re-lent to private sector agricultural enterprises according to standard ABS and IBS practices." Finally, the GOS is to take steps to increase its lending operations through these two banks in the three southern regions of the country.

Fifth, AID, as a condition for further disbursement of commodities to the National Electric Corporation, asked that the NEC achieve significant economies and substantially increase revenue collections.

Finally, in response to a marked increase in the role of the Military Economic Board in the economy, AID declared that all MEB corporations, subsidiaries, and joint ventures would be ineligible to import or transport CIP commodities.

The major covenants of the FY 1984 CIP reflect, above all, the Mission's conclusion that it was critical to obtain a foreign exchange rate policy that would provide the necessary price incentives to encourage agricultural exports. The adequacy of the 75/25 conversion formula to stimulate production had been questioned by USAID. An in-house study, among others, had established the basis for this concern. (See P. Winch and D. Martella, 1984.)

The Mission included this particular covenant despite the fact that the lead role in macro-economic policy changes had, to that point, been taken by the IMF. According to a summary of the events leading to the development of the PAAD, AID decided to initiate the macroeconomic policy dialogue on the

formula with the GOS when it became evident to USAID/Sudan that the existing Standby Agreement between the Fund and GOS was going to break down. Under Article IV, of the Standby Agreement it is specified that, all dialogue ceases when a government moves into a condition of arrears with the Fund. The Agreement did in fact break down in July, 1984 when the GOS formally became in arrears to the fund.

Other covenants of the FY 1984 CIP largely reflect a continuing concern with commodity allocations to the private sector and particularly to the agricultural private sector. The regional focus appears for the first time in this CIP to support other regional efforts in rainfed agricultural zones. Local currency funds for re-lending would conceivably benefit the areas covered by the Kordofan Regional Agricultural Grant Project.

USAID has clearly become fully involved with the macro-economic problems facing Sudan. The Mission has gone a long way from a position of an annual dialogue on AID's program in relation to the macro-economic situation and a requirement that a local currency special account be established in FY 1980. It has taken on basic macro-economic reform measures such as foreign exchange rate policy, dealt with government budget subsidies, and a host of other matters delineated above and included in Tables 3. A, B, and C. In addition, its analytical support to the policy dialogue has become increasingly sophisticated and respected by the GOS and donor community, including the IMF, despite the increasing possibility of a moribund patient - at least in the short-run.

In the section which follows, a more detailed evaluation of the effectiveness of the policy dialogue process is presented. In this analysis,

specific focus is placed on the extent to which policy reforms have been implemented, given that covenants have been incorporated into specific CIP grant agreements since FY 1980.

Effectiveness of Covenants and Policy

Dialogue in Achieving Policy Reforms

Foreign Exchange Rate Policy

The CIP was successful in bringing about policy change in the important area of the exchange rate formula and the general bank rate of exchange. In October 1984, the Governor of the Bank of Sudan abolished the 75/25 exchange rate formula for all crops except cotton and gum arabic, thus increasing the effective exchange rate by nearly 48 percent. The adjustment to the commercial bank rate amounted to 16.7 percent (Winch, 1984). This policy change was directly brought about by the analyses done under the initiative of the PL480 program and by the inclusion of covenants to change the exchange rate formula in the FY 1984 CIP. USAID/Sudan took the unusual step of becoming involved in macroeconomic policy issues because of the breakdown of the IMF standby agreement and because it had developed the economic rationale in a series of studies.

These policy changes served USAID's wider program objective of stimulating agriculture, and particularly export agriculture, by removing distortions to the pricing system. The exchange rate formula changes followed on modifications in the prices of bread and wheat flour which had been part of the self-help measures of the PL480 program. Thus, as one of the several policy dialogue tools available to the Mission, the CIP provided important

complementarity to the process of adjusting price distortions. These actions affected the export economy in providing additional incentives to producers; continuing devaluations also help to reduce implicit subsidies to items imported by the GOS.

In the PL480 Title III program, USAID had begun to focus on the issue of the GOS's budget deficit and the role of consumer subsidies, particularly for bread. USAID's concern extended beyond the issue of the deficit. The subsidies to bread consumers had the effect of increasing the demand for, and hence consumption of, low cost imported wheat and reduce the demand for other coarse cereals, eg. sorghum. In addition, studies were conducted under the aegis of the Agricultural Planning and Statistics Project which indicated that the subsidies to wheat/bread lead to production disincentives with respect to domestic wheat. The PL 480 Program moved to remove those subsidies and to raise the domestic producer price. Both reforms were accomplished by 1984.

The FY 1983 CIP called for the removal of the foreign exchange subsidy on all GOS-controlled imports except wheat flour and medicines. This covenant was part of the IMP's Standby Agreement for that year and its inclusion in the CIP covenants reflects a direct concern with budget deficits. But, it more accurately reflects the Mission's increasing concern over Sudan's overvalued exchange rate and the divergence between the official and free exchange rates, both of which were hurting Sudan in the world market. At the end of 1983 in preparing for the next CIP PAAD, the Mission felt that the foreign exchange rate issue area was of paramount importance. Movement on this issue was a principal item on the IMP agenda when the SBA was suspended. In a review of

USAID's involvement in macroeconomic policy issues, Fred Winch, the Associate Director for Economic Policy and Program, describes the Mission's feelings at the time, based on analyses done to that point.

"Identification and analysis of implicit foreign exchange rate subsidies on imported wheat and petroleum, and the fact that the overvalued exchange rate was built into the pricing of domestically produced commodities forced us to deal with the major macro-price directing the economy (i.e., the exchange rate). Sudan could never achieve realistic import parity pricing, improve the structure of economic incentives, and direct resources to their most efficient use without adjusting its overvalued exchange rate." (Pg 17, Winch, 1984)

The FY 1984 CIP drew heavily on the analyses done for the PL480 Program. The studies revealed the need to improve the financial incentives to wheat producers. Those analyses had also revealed that the dual-tiered exchange rate system also provided an implicit subsidy to the importation of wheat and an implicit tax on exporters of agricultural commodities through the denomination of export earnings at an exchange rate well below the commercial bank rate.

With the impending collapse of the IMP 1983/1984 SBA, USAID moved to become involved in the exchange rate issue in its CIP to pick up on the important policy issues that would be left hanging if the GOS went into arrears with the IMP. Discussions were held with the GOS which indicated that the Bank of Sudan was considering a number of exchange rate adjustments. USAID proposed to focus on the 75/25 conversion formula to eliminate price distortions in the agricultural sector. USAID carried out an internal analysis of the formula as the basis for further discussion. (P.E. Winch and D. Martella, "An Evaluation of Sudan's 75/25 Foreign Exchange Rate Formula." October 1984).

Several important conclusions emerged from the study. According to Winch's review of the analysis:

"If the government were to abandon the foreign exchange rate conversion formula and price commodities and imported inputs at international prices as reflected by a more appropriate exchange rate, present implicit foreign exchange rate subsidies on imported inputs and the implicit taxes on commodity import prices could be eliminated, and at the same time provide attractive prices to farmers." (pp. 23, Winch, 1984).

As a result of this study, the GOS moved quickly to alter exchange rate policy. The policy change resulted in substantial increases in production incentives. Movement is expected to unify the rate for all crops and to price imported inputs at imported parity instead of the lower rate.

Public Enterprise Reform

The GOS pledged to make two policy changes according to the FY 1982 and 1983 CIP Agreements:

- Review the management of public enterprises in the agricultural and agro-industrial sectors, and
- Make progress in phasing out inefficient public enterprises with first priority in the agricultural sector...

The policy actions required to satisfy this covenant seem never to have been spelled out by USAID in any particular analytic document such as those done for the exchange rate formula. Therefore, USAID's expectations remained general.

Public enterprise reform has occurred primarily as a result of World Bank activities. For example, the Bank has made progress in reducing budget

subsidies to the major agricultural parastatals, i.e., the Rahad and Gezira irrigation schemes. This progress was largely accomplished under the auspices of the Bank's Agricultural Rehabilitation Program.

Other policy progress involved the removal of user subsidies for land and water supplies and the privatization of a significant proportion of the irrigated holdings. The GOS promulgated a decree in January, 1984 that put small scale White and Blue Nile irrigation operations under the control of the private sector, and medium scale operations under private or company ownership in joint ventures with the government of the Central Region. There continued to be stronger emphasis on physical rehabilitation than on management restructuring in the irrigation schemes. While this evaluation has not been able to review the detailed record of the GOS in the area of management improvement of the public agricultural enterprises, it is important to note that the issues raised in the FY 1983 CIP are to be found in the Second PPPED prepared in October 1983 in preparation for the Consultative Group Meeting held in January 1984 [GOS, PPPED-II, October 1983]. Review of the JMC documents show that these issues continued to be discussed throughout the year.

Other public enterprise policy reforms have also been undertaken by the GOS. First, the GOS has acted to put Sudan Airways, the new sugar mills and several of the textile firms onto private sector regimes. Cotton, textiles, and sugar parastatals were reincorporated under the Company Act in early 1984. Some limited financial restructuring occurred during that period making some firms ineligible for direct lines of credit for the purchase of cotton and sugarfeedstock for processing.

Second, progress in reviewing the financial performance of the sugar

industry has also taken place under the World Bank's programs. Overall performance has been greatly improved and there have been considerable savings of foreign exchange because of increased sugar production. Finally, the textile industry has been subjected to certain reforms to the degree that the GOS has cut off direct treasury subsidies to privately owned textile mills.

While the privatization of the irrigation schemes is significant, there is reasonable doubt concerning the ability of the other recently privatized firms to remain in the private sector in any but the legal sense. It is not possible to assess the degree of direct treasury support for these firms because their accounts do not appear on the GOS budget. However, it is highly probable that they are all highly illiquid, as is true throughout the private sector, because of government-created high cost structures and restrictive price policies. (See section V.8 for analysis of the impact of these policies on a particular private textile firm.)

In terms of further restructuring the parastatal sector, the GOS only recently announced at the September 1984 Joint Monitoring Committee (JMC) meeting that it had established a panel to review the public enterprise sector. However, the World Bank work on the textile industry, initiated in 1981, is only now getting underway. Further, rapid growth of the MEB since its formation in 1983 has led to the assessment by AID that the public enterprise sector was continuing to grow at the rate of 25 percent per year, a rate far higher than that for the private sector.

In general, public enterprise reform has not been an area of highly visible activity on the part of USAID, with good reason. Firstly, the GOS has expressed its intent to insure the proper functioning of the public sector and has moved to make some significant management reforms. At the same time, President Nimeiri has expressed his commitment to maintaining the preeminent

position of the parastatals in the economy (see Dunlop, PL480 Evaluation, pp. 18-19). Secondly, the World Bank has largely been taking the lead in this policy area, and particularly so in the area of agricultural parastatals. Finally, the GOS and the donors, while agreeing on removing budget subsidies to parastatals, have not been able to readily agree on a more general movement to privatization or on measures to increase the levels of private investment. Under AID policy guidelines, USAID/Sudan chose to work in policy areas that would develop private sector initiatives within Sudan rather than to work on improving the performance of public sector enterprises. (See further discussion below.)

Private Sector Development

USAID has consistently attempted to assist the private sector through the channelling of a portion of CIP commodities to the private sector. Its attempts to directly insure allocation of sufficient foreign exchange to the private sector through its own program were accompanied by several policy initiatives. First, in the FY 1981 and 1982 CIP agreements, covenants were specified which reserved minimum shares (50 percent and 60 percent respectively) of the available foreign exchange via the CIP. Second, the FY 1982 and FY 1983 CIPs included a covenant to review the functioning of the foreign exchange and import licensing system to see that the private sector was adequately served. Third, the FY 1983 CIP specified that \$7 million of CIP imports go to private sector firms that increase exports or substitute for imports and that \$2 million of local currency proceeds go to the establishment of a loan fund for private sector agricultural enterprises through the agricultural and industrial banks.

AID began to move from the posture of simply supporting the IMF program and moved toward a more active role in the allocation of funds and the change of policies that constrained growth. It inevitably became involved in making judgements about the kind and amount of capital assistance that would effectively lead to increased economic growth and foreign exchange earnings. However, as is presented later (Section III), even in its own CIP, AID was not able to allocate targetted percentages of the CIP to the private sector as it planned to in the PAADs. In all years the differences between planned and actual allocations is considerable.

In addition, as is discussed in Section IV of this evaluation, the process through which USAID has attempted to allocate commodities from the CIP to priority industries and sectors has evolved considerably since 1980. The Commodity Aid Committee (CAC) has only recently been organized (late 1983) and consolidated to permit the centralization of all requests for commodity assistance. However, whether the CAC can operate to effectively allocate foreign exchange on an economically efficient basis to the private sector or to rainfed agriculture remains to be seen particularly without direct private sector representation on the committee. Private sector representations were required in the FY 1984 CIP.

Since its organization in 1983, the CAC sought to strengthen its capacities to develop a priority listing of commodities to be imported under the various import programs. This prioritization is very important since the CAC has received over \$300 million of commodity requests for FY 1984. Since an increasing share of donor assistance is available to Sudan on a commodity import basis from various donors, the CAC's decision making capacity with respect to the priority use of these resources is of considerable importance

to the economy. It appears that the analytical ability of this unit, in coordination with other parts of the GOS and the private sector is currently too thin to be able to master this situation. USAID can assist the CAC by using some of its local currency and funds from the Policy Analysis and Implementation Project and the Agricultural Planning and Statistics Project to perform some of the analysis needed to make sound allocative decisions, as long as foreign exchange scarcity persists. These analyses would both incorporate private and public uses of foreign exchange commodities made available via the CIP and other similar bilateral programs.

USAID has also attempted to increase the level of total private capital formation. To do this the PY 1982-1983 CIPs requested the GOS to: formulate a new investment code that would encourage increased levels of private sector investment. This initiative was directly supported by the donor community at the Consulting Group meeting in Paris in December 1983.

Despite this agreement there has been no new investment code. A Ministry of Finance committee has been established to examine means to encourage private sector investment. In addition, the GOS's fourth TYPIP included a section on encouraging private sector development which can hardly be said to constitute a major program emphasis (GOS Prospects, Programs and Policies for Economic Development, 1983/84-1985/1986).

Moreover, the holdings of the MEB have greatly expanded and Sharia Law has altered existing business and banking laws. Both actions act to worsen the climate for private sector investment (Carey Gordon, "The Impact of Islamic Sharia and the State of Emergency in the Economy of Sudan, 1984."). The enlargement of the public sector enterprise under the aegis of the MEB, and

the possibility that they would command a larger portion of the available foreign exchange for imports, led USAID, in its FY 1984 CIP, to specify that MEB corporations were ineligible to import or transport CIP commodities.

Although private sector assistance and policy change has been a recurrent theme of CIP initiatives, there has been only very slight movement of the GOS toward creating a more supportive economic and legal environment for business. As of November 1984 USAID has chosen to principally act in the area of removing price distortions rather than in removing legal constraints to private sector development. Since Sudan's economy is highly dependent on agriculture, USAID's focus on pricing issues is wise. The resolution of these issues clearly predicate any movement to a market economy which is the necessary condition for business development. However, the present trend in the growth of the MEB may act as a serious constraint to any sustained private sector growth.

Beyond foreign exchange rate policy that the CIP is currently confronting, there are a number of other GOS policies that influence input and output prices in all sectors, including agriculture and manufacturing. In the manufacturing sector for example, the government has established policies which (a) control output prices and profit margins; (b) specify minimum wages; (c) make it difficult for firms to fire workers once hired, even if production slumps due to a reduction in demand; and (d), created uncertainty about taxes, interest payments, and whether the limited liability corporate form is still legal via the enactment of Sharia law. These policies have created an untenable situation for many firms, and a number are caught in a cost-price squeeze that puts them in a position of barely being able to cover variable

squeeze that puts them in a position of barely being able to cover variable costs. (See Section V.B for a further analysis of the reaction of one firm caught in this situation.)

To conclude, while USAID has supported private sector developments via the policy covenants here-to-fore incorporated into the CIP's since FY 1981, there remain many specific hurdles to overcome before a vibrant private sector will materialize in Sudan. Certainly a private sector exists in rainfed agriculture. USAID has supported a number of macro-economic policy changes which is conducive to private producers in rainfed agriculture and the FY 1984 CIPs covenants further support the rainfed sector. Considerable work remains to be done to improve the private business climate in other sectors.

Rainfed Agriculture and Regional Development

In the 1983 and 1984 CIPs, there is a programmatic focus toward rainfed agricultural and regional development. The change in Mission program focus was to have been reflected in the allocation of CIP commodities and the use of local currency. The emphasis however differed from the GOS's investment budget as stated in the Annual TYPIP in that the GOS investment plan called for most of the agricultural investment to go to the rehabilitation of the irrigation schemes. Since the schemes were perceived as the major source of foreign exchange. As foreign exchange generation was one of the critical needs of the economy the other members of the donor community had also agreed to the priority given to investment in irrigated rehabilitation.

Simultaneously with this increased emphasis on rainfed agriculture after the 1982 CDSS, there was an increased emphasis on regional development in the

context of the new sectoral programming under regular development assistance. While AID has programmed considerable resources for use in the western and southern regions of the country, the efforts to move the GOS allocative process in that direction has not been clearly successful. Although the CIP was not directly tied to achieving a change in investment allocations by the GOS, it is notable that at the level of policy dialogue created by the CIP, the issue of investment allocation to the other regions is not specifically dealt with. It was not until later in 1983 that the issue of regional investment policy really comes to the fore in the discussions of the Consultative Group (CG) or the Joint Monitoring Committee (JMC) discussions with the GOS.

Expansion of CIP allocations to rainfed zones will again depend largely on the effectiveness of the CAAC and the viability of the Regional Development Funds to be established in the 1984 CIP. Moreover, hostilities in the southern regions and the political impasse over revenue sharing between the central government and those administrative units effectively blocks movement of CIP resources to those areas.

Conclusions

The policy dialogue process associated with the CIP in Sudan has evolved through three phases. During the first two years, the level of dialogue was minimal and the covenants reflected little policy initiative. It was only in FY 1982 that the CIP negotiations began to address significant macro-economic

policy issues. Its initial foray, however, was largely one of supporting the IMF's efforts to obtain policy changes via the conditions embodied in the annual Standby Agreements. Those conditions included the restriction of demand, the expansion of exports and the limitation of GOS's budgetary deficit.

It was only in FY 1984 that USAID has begun to take a more independent and according to some, a leadership position in the policy dialogue area. Beginning with the FY 1984 PAAD and Letters of Agreement, USAID's policy dialogue began to concentrate on the more limited, but also more central policy concerning foreign exchange. The Mission concluded that the existing policy limited the incentives to agricultural producers of export products. Through the funds made available for analytic studies in the PL 480 Program and the CIP, AID was able to analytically make the case for modification of the foreign exchange rate conversion formula. This modification resulted in positive price incentives to the agricultural sector. Additionally, the exchange rate reforms moved the GOS closer to import parity pricing for agricultural imports, thus reducing subsidies.

The general conclusion is that as USAID moved toward a more analytically justifiable and perhaps more focussed set of policy changes it became more effective in achieving policy reform. In FY 1984 the policy reform component of the CIP became more focussed on the foreign exchange rate formula and this policy change initiative was supported by the presence of an active Mission economic staff that was able to prepare the necessary analytic documents to support the policy change initiative.

With respect to the private sector policy initiatives, USAID was less than successful. Its efforts to bolster the private sector through the development of a new private sector investment code have yet to bear fruit. Moreover,

there are strong indications that the anti-private sector biases of the GOS are becoming stronger. However, efforts by all donors to move more of the agricultural sector to private sector control have been successful. Actual commodity imports allocations from the CIP have generally not gone in the direction that would have supported the policy change initiatives. (See Section III) However, to the extent that basic infrastructure in the power and transport sections were supported, the private sector benefitted.

Efforts to direct commodities or local currencies to the private sector must necessarily be complemented by changes in policies affecting the functioning of enterprises. Pricing regimes, wage laws, banking laws and corporate regulations are among the business policy areas to be reviewed. Further, if USAID would like to see an increase by private sector investment, considerable attention must be redirected at the policies affecting the investment climate. Studies to ascertain the size use of remittances represent a useful first step in this regard. Similarly the set of policy studies launched by the Princeton Group will provide a foundation for improved and policy development in this important area.

In summary, in order to support ongoing and future policy dialogue, USAID should continue to strongly support the set of analytical policy studies initiated through the Agricultural Planning and Statistics project and the Policy Analysis and Implementation project. The studies done under these projects have permitted the Mission to move point-by-point through a policy change process by providing the analytic justification for reform. This process, and the considerable analytic capacity of the USAID staff, have greatly enhanced the credibility of USAID as a negotiating partner in policy change.

The maintenance of resident USAID capability to identify the technical bases for and direction of policy change is important for delineating future policy initiatives to build on those already concluded. As USAID continues in areas of parastatal reform and a series of policy changes affecting agriculture, this policy management capacity will remain critical. Moreover, the capacity of the GOS to increasingly manage policy change must be addressed within the context of the CIP and similar non-project assistance programs. In this regard the CAC analytical capacity must be improved.

Finally at the Consultative Group Level, it appears evident that the Mission and the donor community in general will have to use their combined analytic capabilities to identify next steps in the policy change process. Given the above review of policy issues, it is important that for USAID to successfully remove constraints facing the dryland agriculture sub-sector, a long-run plan must be developed, both in terms of the necessary policy issues to be addressed as well as the technical and implementation constraints which must be overcome.

The Economic Impact of the CIP

Macroeconomic Effects

Structural Adjustment Process

Sudan's economy has undergone substantial structural change since independence. Table 4 depicts the trends in that change. These data show that until the first major oil price rise in 1973, the economy was basically in balance, with aggregate demand (consumption plus investment) nearly being equal to aggregate supply (GDP) and with a corresponding near equilibrium in the trade balance. However, in FY 1974, the country began to develop a serious resource imbalance and, by FY 1975, demand was greater than production (supply) by about 11.4 percent.

The structural imbalance peaked in FY 1982 at nearly 18 percent of GDP and has declined to an estimated, but still high level of 13.8 percent. Most of the reduction in demand has occurred due to a substantial drop in real gross fixed capital investment by about 8 percent during FY 1984. The related trade imbalance has also narrowed due to a decline in real imports in FY 1984 by about 10 percent and an increase in real exports by about 17 percent. Thus, while Sudan's economy has not regained structural equilibrium, the trend of the last two years is positive and reflects a certain degree of policy reform success. These gains, however, must be tempered by the fact that per capita incomes have declined during the decade of the 1980's. In addition, the present drought in Sudan, in conjunction with political and economic problems

Table 4: Trends in the Composition of Aggregate Demand and Supply in Sudan, 1958 - 1983

Item	Year:	(Mill LS., Current LS)							Est. FY 1984 ^{1/}
		1958	1964	1970	FY 1975	FY 1980	FY 1982	FY 1983	
Private Consumption		276.7	361.4	479.1	1210.4	3201.1	6424.2	3072.7	8957.4
Public Consumption		23.0	47.9	147.1	207.8	636.0	960.0	1229.0	1537.4
I Consumption - Total		290.7	409.3	626.8	1418.2	3837.1	7384.2	9301.7	10494.3
II Gross Fixed Capital Formation (Public and Private Investment)		43.1	69.5	69.7	265.1	735.0	1161.0	1399.0	1674.0
III Domestic Demand (I+II) (Absorption)		333.8	478.8	696.5	1633.3	4572.1	8545.2	10700.7	12168.3
IV GDP (Aggregate Supply)		329.0	464.1	701.5	1510.3	4122.6	7246.1	9222.2	10693.1
V Resource Balance (RB) + (IV-III)		- 4.8	-14.7	5.0	-172.5	-449.5	-1299.1	-1478.5	-1475.7
% of Total GDP		1.5	3.2	0.7	11.4	10.9	17.9	16.0	13.8
VI Exports		64.6	90.3	113.2	183.4	469.1	626.0	1030.7	1517.7
VII Imports		76.2	104.9	108.2	355.9	913.6	1925.1	3509.2	2993.4
VIII Trade Balance (VI-VII)		-11.6	-14.6	5.0	-172.5	-449.5	-1299.1	-1478.5	-1475.7

NOTE: ^{1/} Est. from data presented in Table 3.3, p. 105, Ministry of Finance & Economic Planning (Planning), Prospects, Programmes and Policies for Economic Development - II, 1993/84-1985/86, (Khartoum, GOS, Oct. 1983) and Tables 3.5 and 3.10, World Bank, Sudan: Towards an Uncertain Future, Draft Paper, July 26, 1984.

SOURCES: 1958-76 - IMF, Int'l Financial Statistics Yearbook, Washington DC, 1982
 1980 - World Bank, Investing for Stabilization and Structural Change, Report #3551a-SU, Feb. 16, 1982
 1980-83 - World Bank, Sudan Pricing Policies & Structural Balances, Vol. II Statistical Annex, Report #4523a-SU (Washington D.C., World Bank, 11/10/83)

facing many of its neighbors which has led to many people taking refuge in Sudan, places further pressures on Sudan's economy which has just begun the process of being restructured. In addition, more rapid capital flight since the enactment of Sharia Law in September 1983 and particularly since mid 1984 has further exacerbated efforts to successfully restructure the economy via the expansion of private sector production in all sectors.

CIP's Role in the Economy of Sudan

(1) Balance of Payments Support

A principal role of the CIP is to provide balance of payments and/or government financial support. A major component of the balance of payments is the trade balance, i.e., exports minus imports. In Table 5 data are presented to show the trend in Sudan's trade balance since 1960 and the share which the CIP has financed since 1980 in terms of total imports and the trade balance. The data show that the CIP share of total imports was between two and five percent and the negative balance of trade has varied between 3 and nearly 9 percent over the 1980-83 period. From these two macro perspectives the CIP program has made only marginal contributions to financing the country's trade imbalance.

Further, as Table 6 shows, while the CIP is intended to be quick disbursing, and some undoubtedly is, e.g., the cash grants as presented above in Table 1 (see introductory section), the time between the signing of a CIP grant agreement and full disbursement is between three and four years. Thus,

Table 5: Balance of Trade and CIP's Role in Financing the Gap, 1960-1984 (LS millions)

Year	(1) Total Exports	(2) Total Imports	(3) Trade Balance	(4) CIP Financing of Imports	(5) % CIP Financing of Total Exports (4) ÷ (2)	% CIP Financing Trade Balan (4) ÷ (3)
1960	63.4	56.9	6.5	-		
1965	68.0	64.5	3.5	-		
1970	103.9	89.4	24.5	-		
71	114.4	115.4	-1.0	-		
72	124.4	117.9	6.5	-		
73	151.2	151.8	0.4	-		
74	122.0	247.5	-125.5	-		
75	152.5	359.9	-207.4	-		
76	193.0	341.4	-148.4	-		
77	230.0	376.5	-146.3	-		
78	195.6	449.5	-253.9	-		
79	232.7	471.3	-244.6	-		
80	271.3	788.2	-516.9	24.52	3.11	4.74
81	357.0	866.7	-509.7	15.64	1.80	3.07
82	483.1	1,213.8	-730.7	65.67	5.41	8.99
83	810.7	1,760.9	-950.2	68.53	3.99	7.21
84				26.38 9mths.		NA

Sources: Bank of Sudan Annual Report; IMF, International Financial Statistics Yearbook, 1984 and USAID, Internal Memoranda.

Table 6: Actual Disbursement from Sudan's Set of CIP Grant Agreements as of November 1, 1984¹

In Million LS

Year	CIP (1) FY 1980	CIP (2) FY 1981	CIP (3) FY 1982	CIP (4) FY 1983	CIP (5) FY 1984 ²	Total CIP Imports
1980	24.52					24.52
1981	13.77	1.87				15.64
1982	1.57	39.09	25.01			65.67
1983		6.37	37.50	24.66		68.53
1984 9 mths		2.11	7.52	16.75		26.38
Total Disburse- ments	<u>39.86</u>	<u>49.44</u>	<u>70.03</u>	<u>41.41</u>	<u>0.0</u>	<u>200.73</u>

Note: (1) Actual disbursements by importer occurs at the point of commodity imported into Sudan.

(2) Agreement signed but full disbursement authorization had not yet been provided.

until several CIP agreements are in place, the actual importation of goods is considerably less than the authorized amount of a given fiscal year CIP agreement.

(ii) A Disaggregated Analysis

While aggregate data presented in Table 5 suggest that the CIP contribution to overall balance of payments support via import financing has been relatively modest, there are other ways to consider the nature of its contribution. A more disaggregated and inter-industrial perspective is instructive. A disaggregated analysis of imports financed via the CIP is presented in Table 7. This analysis provides the foil by which one can consider the inter-industrial economic impact of the CIP program.

Table 7 provides detail regarding the structure and timing of imports financed via the CIP. First, about two-thirds of the \$150 million of CIP financed imports over the FY 80-84 period arrived in FY 82 and 83. Second, during the first two years, FY 80 and 1981, consumption items in the form of food and tallow were the principle items imported. Capital items in the form of machinery (agricultural implements) and equipment and other manufactured goods such as tools began to enter in FY 1982. Transport equipment and related spare parts of all types, with the possible exception of aircraft spare parts for Sudan Air, were relatively under represented. Finally, the data suggest that intermediate items such as jute bags and baling hoops, necessary for the exportation of cotton and other agricultural commodities,

Table 7: Imports Under S. 167-103, FY 1980 - 1984

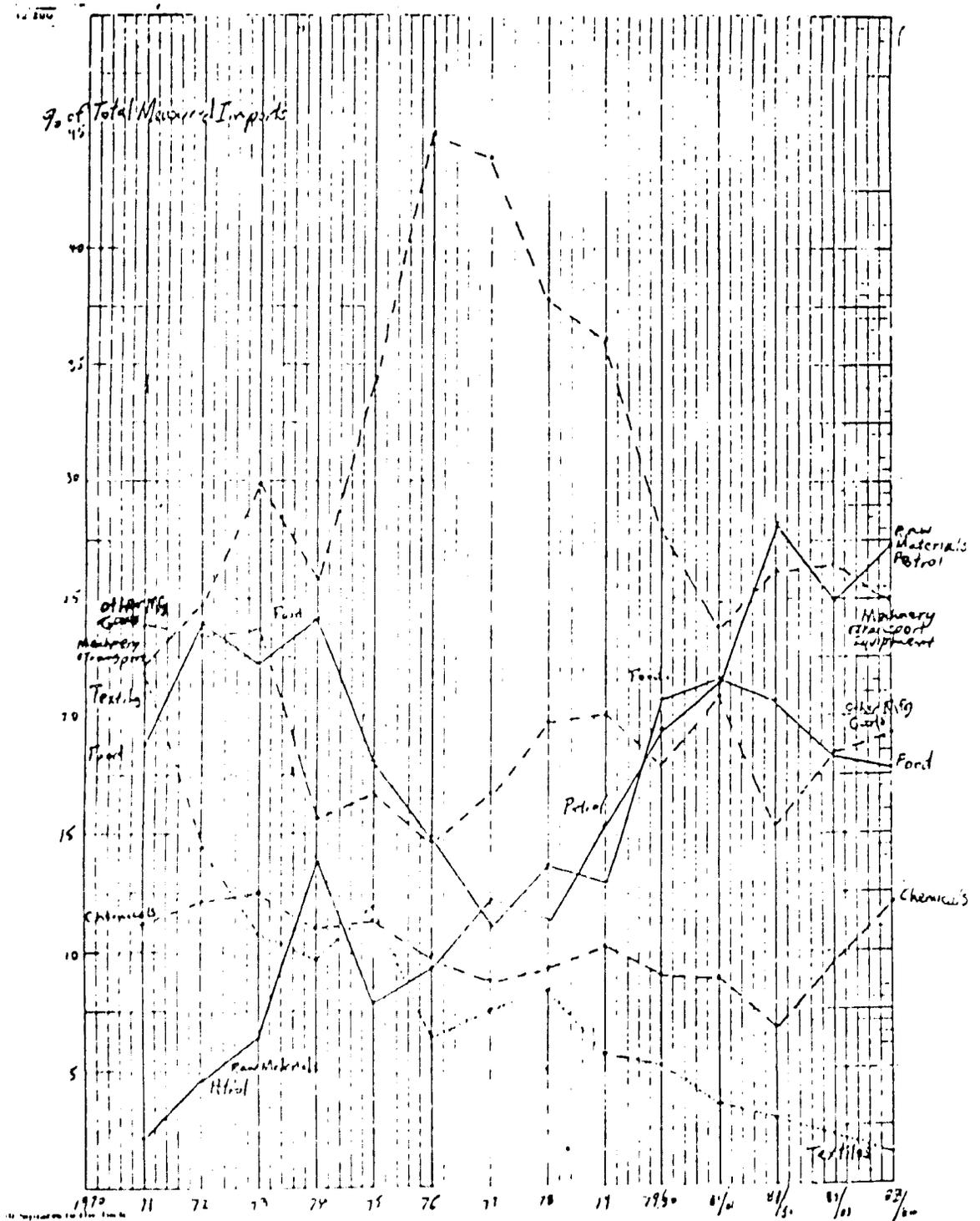
Year	FY 1980		FY 1981		FY 1982		FY 1983		FY 1984		FY 1980-1984	
	Amt. \$ of	Total	Amt. \$ of	Total								
I. Food-Wheat	9.9	72.3	-	-	-	-	29.9	55.6	Neg	-	29.9	55.6
Wheat	9.9	-	-	-	-	-	29.9	-	-	-	29.9	-
Other	-	-	-	-	-	-	-	-	Neg	-	Neg	-
II. Crude Materials	-	-	14.0	71.1	11.0	22.8	5.4	10.0	0.1	0.6	30.5	20.0
Tallow	-	-	12.2	-	10.9	-	5.1	-	-	-	28.2	-
Other	-	-	1.8	-	0.1	-	0.3	-	0.1	-	2.3	-
III. Textiles	-	-	-	-	1.6	3.3	0.5	0.9	0.1	0.5	2.1	1.4
IV. Chemicals	-	-	-	-	4.5	9.3	6.2	11.5	0.9	5.3	11.7	7.7
Fertilizer	-	-	-	-	-	-	3.4	-	-	-	3.4	-
Medical	-	-	-	-	1.2	-	0.5	-	-	-	1.7	-
Ind. Chem.	-	-	-	-	3.3	-	2.3	-	0.9	-	6.5	-
V. Mfd. Goods	2.5	18.2	3.4	17.3	10.5	21.7	3.5	6.5	11.4	66.7	31.3	20.5
Jute Bags	-	-	-	-	4.8	-	0.5	-	7.0	-	12.3	-
Baling Hoops	2.5	-	-	-	2.0	-	-	-	2.0	-	6.5	-
Other (tools)	-	-	3.4	-	3.7	-	3.0	-	2.4	-	12.5	-
VI. Mach. & Equip.	1.2	8.8	0.9	4.6	17.4	36.0	6.8	12.6	4.6	26.9	31.0	20.3
Ag. or Ag Processing	-	-	0.5	-	10.9	-	4.6	-	0.8	-	16.8	-
Elec. Power	-	-	-	-	5.0	-	-	-	2.9	-	7.9	-
Other	1.2	-	0.4	-	1.5	-	2.2	-	0.9	-	6.2	-
VII. Transport Equipment	0.1	0.7	1.4	7.1	3.3	6.6	1.5	2.8	-	-	6.3	4.1
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Spares	-	-	0.2	-	0.8	-	0.4	-	-	-	1.5	-
Rail Spares	0.1	-	0.5	-	0.2	-	-	-	-	-	0.8	-
Aircraft Spares	-	-	-	-	1.0	-	1.1	-	-	-	2.1	-
Other	-	-	0.7	-	1.3	-	-	-	-	-	1.9	-
TOTAL	13.7	100	19.7	100	48.3	100	53.8	100	17.1	100	152.8	100

Source: Appendix Table C:2

and industrial chemicals and spare parts received greater emphasis toward the latter years of the FY 80-84 period. In FY 1984 these import categories comprised up to two-thirds of all imports financed via the CIP. This share is undoubtedly larger than that for all imports into Sudan during that year. (See Figure 1, pg. 47 and Appendix Table C:3 pg. 107.)

Turning to the data presented in Table 8, the CIP financed imports are disaggregated according to (a) whether they were imported by a public or private entity, and (b) their end use, i.e., consumption, intermediate good used in production or the maintenance of the existing capital stock, or a capital item. The data first show that the private sector received nearly 44 percent of all CIP financed items over the FY 1980-84 period. If the two large wheat shipments to the Ministry of Commerce, Cooperation and Supply financed via the CIP in FY 1980 and 82 are subtracted from the total imported items, the private sector share over the period increases to about 58 percent of the remaining items. In addition, the wheat shipments also benefitted private millers and bakeries as well since they procured a large share of the shipment from the Ministry of Commerce, Cooperation and Supply, which is the public agent responsible for import procurement from external donors. The specific items principally imported via public entities were used by the large irrigated agricultural entities such as the Gezira Board to export cotton and other commodities or by the National Electricity Corporation and the government operated airline and rail system. All other imports financed by the CIP were primarily for use by private entities.

Figure 1: Trends in the Structure of Imports, Sudan, 1970-1983/84



Source: Bank of Sudan.

Table 3: Distribution of CIP Financial Imports by Sector and Type of Item, FY 1980-1984 (\$ Millions)

(A) Sectoral Distribution

	FY1980		FY1981		FY1982		FY1983		FY1984		FY1980-84	
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%
Public	13.8	100.0	7.5	38.0	16.4	33.9	36.6	68.0	12.1	72.9	86.4	56.6
Private	-	-	12.2	62.0	31.9	66.1	17.2	32.0	5.1	28.1	66.4	43.4
Total	13.8	100.0	19.7	100.0	48.3	100	53.8	100.0	17.2	100.0	152.8	100.0

(B) Item Type. FY 1980 - 1984

	Public		Private		Total	
	Amt.	%	Amt.	%	Amt.	%
Consumption	40.41	46.8	31.46	47.4	71.87	47.0
Intermediate	31.00	35.9	19.61	29.5	50.61	33.1
Capital	14.97	17.3	15.32	23.1	30.29	19.8
Total	86.38	100	66.39	100	152.77	100

Source: Appendix Table C:2.

The annual share of CIP financed private sector imports, however, varied considerably. During the first year of the program (1980) the public sector received all the imports, most of which came in the form of wheat/flour and cotton baling hoops. However, over the next two years, the private sector received a larger share of imports. The trend again reversed in 1983, and by FY 1984, the private sector share had declined to less than 30 percent of total CIP financed imports. (See Appendix Table C:2 for the details regarding specific commodity imports disaggregated by sector). Another reason for the changing trend has also been due to the development of the GOS Commodity Assistance Committee, one task of which has been to develop the approved set of imported items. No one directly represents the private sector on that committee.

Efficacy of import item use, however, is not readily revealed by the type of importer, be they public or private, especially today. In Sudan the policy constraints under which sector firms operate are considerable and appear to be growing. The implementation of Sharia law in September 1983 has exacerbated the situation. Excess capacity exists in all industries with the possible exception of the sugar industry. (See Appendix A by Leslie Burgess and pp. 81 to 84.)

Finally, the continued growth of the MEB via the take over of private firms in many sectors of the economy during the last year does not bode well for a vibrant private sector. Two of the private firms which have received CIP allocations in previous years have recently been acquired by the MEB. Increased capital flight has been occurring during 1984 since the enactment of

Sharia law in September 1983 and the increased political uncertainties in Southern Sudan are combined with the halting of oil development. As a consequence of the capital flight there are increasingly fewer private entities. Few entities in Sudan which remain to acquire industrial and trading firms besides the MEB. Thus, an AID policy posture which emphasizes increased support to the private sector may in fact be tacit support of the MEB in the present context of the Sudan.

Table 8 also provides a CIP commodity disaggregation on the basis of its use as a capital, intermediate, or consumption good, depending on whether it was publicly or privately imported. The data show a fairly similar set of proportions between the private and public sector re: the mix of commodities, with the private sector having imported perhaps a slightly larger share of capital items, with the public sector importing a bit larger share of intermediate items, e.g., baling hoops and jute bags and spare parts. However, both the public and private sector have imported a larger share of capital related items than the real gross investment share of GDP of about 11 percent in 83/84 via the CIP over the FY 80-84 period (pg. 55, World Bank, July 25, 1984). Considering that a substantial share of the intermediate goods imported by both private and public entities is also used to repair and maintain existing capital items, the program has contributed to the longer run productive capacity of the country. Given that the principal consumption items imported by both the private and public sectors, tallow and wheat, respectively are no longer so imported (PL 480 being used for food grains), it is expected that in future CIPs, including FY 1984 and 1985, the capital and intermediate item share related to the maintenance of the capital stock will

increase above those shown in Table 8.

When reviewing the structure of imports as monitored by the Bank of Sudan (BOS) over the FY 80-84 period,* in comparison with the structure of CIP financed imports into Sudan, the shares are relatively similar.

(Review the CIP shares presented in Table 7 and the GOS shares in Figure 1.) The general structural similarities, however, belie considerable differences which exist when analyzing the figures on an item by item basis. Perhaps the most important difference exists in raw material imports. The principle raw material imported into Sudan is petroleum and it comprises nearly 98 percent of all raw material imports into Sudan and about 27 percent of total recorded imports in FY 1984. However, the principal raw material item imported via the CIP over the FY 1980-1984 period has been tallow. (This allocation variance may change with the establishment of the Petroleum Facility C.I.P.)

With respect to manufactured goods, machinery and equipment, and transport equipment, considerable differences exist as well. In these three import categories, there are only five specific item categories where the CIP financed imports comprised a large share of total imports. These categories are shown in Table 9. They include jute bags, baling hoops, agricultural equipment and spare parts, electric power generation and transmission

*The IMF has estimated the Bank of Sudan (BOS) impact figures captured 88.5 percent of the country's total FY 1984 imports. (pg. 43, Joint Monitoring Committee Report, Khartoum, October, 1984).

Table 9: Items Imported Via CIP Where Item Share of Total Imports Is Large 1/

<u>Category</u>	<u>Item</u>	<u>Comment</u> <u>(Years Imported)</u>	<u>Total Amount</u> <u>Imported Via CIP</u> <u>During FY 1980-84</u>
Food	Wheat/Flour	FY 1980 and FY 1983	139.8
Crude Materials	Tallow	FY 1981, 1982, 1983	28.2
Manufactured Goods	Jute Bags	FY 1982, 1984	12.3
	Bailing Hoops	FY 1980, 1982, 1984	6.5
Machinery & Equip.	Ag. Equip. incl. Tractors, Parts, Equip. Spares	FY 1982, 1983, 1984	16.8
	Electric Power Equip.	FY 1982, 1984	7.9
	Transport Equip.	Aircraft Spares	FY 1982, 1983
TOTAL			<u>\$ 113.6</u> -----

Notes: (1) A large share is defined as greater than 15% of total recorded imports into Sudan. Most items have larger shares.

Source Appendix Table G:2

equipment, and aircraft spare parts. At the same time, the remaining 40 plus categories of non-consumption items imported via the CIP over the FY 1980-84 period required about 46 percent of the total financing used in actual importation of commodities via the CIP. (See Appendix Table C:2 for the details.) These five item categories as shown in Table 9, comprised about 30 percent of the total CIP financed imports into the country during FY 1980-84.

In the next section various aspects of an inter-industry approach to analyzing the macro-economic impact of the CIP program is developed. This analysis focuses particular attention on the economic contribution of the above five category items which comprise large shares of total imports of those specific items.

(iii) Inter-Industry Linkages

Since the development of the input-output method of analysis by Leontief in the mid-1940's, economic planners have used it for determining the direct and indirect effects of various resource allocation decisions. The analysis presented in the section above provides an indication of the predominate commodity focus of the CIP program over the FY 1980-84 period. It would be desirable to trace through an input-output table of the Sudanese economy the set of direct and indirect effects of the importation of these predominant commodities financed via the CIP. Unfortunately, the input-output analytical work conducted by the Sudanese in the past could not be located to review it for possible use by the evaluation team.

However, it is instructive to review some of the possible implications of using such an input-output analytical approach for analyzing

the macro-economic effects of the CIP. These implications are based on input-output tables for the economies of Nigeria, 1959/60, Tanzania 1961, Japan, 1950, and Kenya, 1967 and 1976. While the economic structure embodied in the input-output tables of these countries differ in complexity in comparison with one another and undoubtedly with Sudan's economic structure in 1984, they probably provide a reasonable range of the likely economic effects of the CIP program. (The input-output tables for Tanzania, Nigeria and Japan are presented as Appendix Tables C:4, C:5 and C:6, and the Kenyan Tables are available separately in USAID/Sudan.)

Perhaps the most dramatic impact attributable to the importation of certain commodities via the CIP is the output which would have been foregone if CIP financed commodities had not been imported and installed with complementary technical assistance also financed by the CIP. The commodities financed via the CIP with the greatest foregone output impact in Sudan include electric power generation and distribution equipment. If these commodities had not been imported and installed in Sudan during the 1982-84 period, using the input-output coefficients for Tanzania in 1961 where a large share of the economy was characterized by small holder rainfed agriculture, over 75 percent of the economic output of Sudan would have been adversely affected for as long as these repairs would have not been made. If the simple technologies which existed in Tanzania in 1961 were adjusted to reflect the way in which electricity is used in many other productive processes, perhaps only 10 percent of the output of Sudan would be unaffected by a loss in electric power production. Similar figures are presented in Table 10 for the other countries

Table 10:

Share of Economic Output in Selected Countries
Adversely Affected by Electric Power Failure

<u>Country</u>	<u>Year</u>	<u>Affected Share</u>
Nigeria	1959/60	85.7
Tanzania	1961	75.0
Kenya	1967	83.6
Kenya	1976	94.0
Japan	1950	98.5

Source: Input-Output Tables for respective countries.

for which input-output tables were readily available. In a more complex emerging industrial economy as can be represented by Japan in 1950, only 1.5 percent of total output would have been unaffected by a loss in electric power production. The detail of the Input-Output Table of Japan in 1950 suggests that only the production of one of 29 industries would have been affected (fishing).

The other critical industry in Sudan for the maintenance of output in all other sectors of the economy is the transport sector. The input-output table for Japan particularly reflects this dependency on transport. Not one industry in the entire economy in 1950 would have been unaffected by a breakdown of the transport sector. Until the Port Sudan-Khartoum road network had been completed in the late 1970's, Sudan's transport sector was dominated by the railroad. Despite its many problems the railroad still moves a large share of the imported and exported goods. The CIP has provided some equipment and spare parts to the railroad, and USAID/Sudan has continued to monitor its economic requirements. The World Bank has taken the lead in working to improve the efficiency of the railroad and it is anticipated that USAID/Sudan will coordinate any future efforts with the Bank.

USAID/Sudan has also provided certain selective CIP financed inputs into other aspects of the transport sector, most importantly, into Sudan Airways. (Refer to Table 7 and Appendix Table C:2). While the airline helps to knit a poor communications system together and thus improve the management of the country, including its economic life, it makes a marginal contribution to the general economic life of the country particularly when most of the country's output, and particularly exports, is relatively bulky and has low

value per unit of weight. The initial construction and maintenance of roads, particularly in existing and emerging rainfed agricultural areas would be a priority area for future CIP activities.

The other priority non-consumption commodity items which AID has imported via the CIP have been jute bags, baling hoops, and various types of agricultural and agricultural processing equipment and spare parts. All of these items contribute directly to the maintenance of existing export earnings via cotton and to a lesser extent ground nuts and sesame, and local food production, e.g., sorghum. To the extent that agricultural processing equipment, e.g., oil seed crushing equipment, can continue to be included on the list of imported commodities financed via the CIP program, as occurred in 1983 and 1984, it would contribute value added to exports, increase domestic employment, create backward linkages in the economy and utilize scarce export transport capacity more efficiently. Where possible, other similar targets of opportunity should be similarly exploited.

In summary, while a complete analysis of the inter-industrial linkage economic impact of all imported commodities financed via the FY 1980-84 CIP program cannot be conducted during the short time available to the evaluation team, certainly the CIP has made several important contributions to the economy of Sudan over the FY 1980-84 period, particularly in maintaining electric power production and distribution and facilitating the export of key agricultural commodities.

Some might argue that in order to completely justify the above claims of impact, it is essential to demonstrate the additionality of the CIP financed items. Certainly the Sudanese allocated scarce foreign exchange to

the electric power grid in Sudan and would have allocated additional foreign exchange to maintain it if power production had deteriorated. However, it is clear that export earnings were declining precipitously in FY 1981 due to a poor cotton crop when the electric power grid problems began to emerge. In addition, the Sudanese requested U.S. assistance at that time for the power grid. The problem of ascribing additionality to the CIP financed imports is more difficult in the case when imports are financed by steady or rising export earnings. In this situation, however, the empirical evidence is rather pervasive in support of the case for additionality.

(iv) The Fourth Investment Budget
of the CIP

In order to achieve long term sustainable economic growth in Sudan the financial stabilization program underway at present and the medium term structural adjustment process must be successfully implemented. The current GOS investment program as defined by the Fourth TYPIP for FY 1984-86 (GOS, S/B PPPED-II, 83/84 - 85/86) has been developed in conjunction with the assistance of the World Bank and the IMF to set the framework for long run growth within a stable economic context. Counterpart local currency generated via the CIP financed imports has been allocated to various development activities reviewed by the Ministry of Finance and Economic Planning (MOFEP) for development purposes. The CIP sectoral allocation in comparison the the TYPIP allocation is presented in Table 11. During FY 1984-86 its expected that the CIP will provide an amount of over LS 230 million (local currency receipts), which represents nearly 10 percent of the total TYPIP envisioned expenditures. When the foreign exchange component of the envisioned development activities is

Table 11: Sectoral Distribution of Total Investment During Fourth TYPIP, FY 84 - 86 (In Mill. IS)

Sector	FY 84-86	%	FY 84-86 CIF	%	% 84-86 CIP is of 84 - 86 TYPIP
Agriculture	757	31.8	14.5	6.3	1.9
Manufacturing	180	7.5	0.0	0.0	NA
Energy/Power	194	8.1	23.4	10.2	12.1
Transport/Roads	438	18.4	50.8	22.0	11.6
Water	114	4.8	9.2	4.0	8.1
Education/Training	191.4	8.0	0.3	0.1	0.2
Health	22.7	0.9	2.4	1.0	10.6
Services/Policy Studies	12.9	0.6	3.3	1.4	25.6
Refugees	-	-	1.6	0.7	NA
Regional Development	348	14.6	120.0	52.1	34.5
Multi Sectoral Infrastructure	-	-	5.0	2.2	NA
AID Administrative	-	-	-	-	-
Other	126	5.3	NA	-	-
Total	2,384.0		230.5		9.7

Source: 1. MOFEP, Prospects, Programmes and Policy for Econ. Dev. - II, 83/84 - 85/86.
2. USAID/Sudan Records (Khartoum) COS, October 1985.

removed from the TYPIP the CIP share of local currency costs increases to 31.1 percent of envisioned expenditures. Given that the level of envisioned expenditures in previous TYPIP's has exceeded actual expenditures by about 25 percent, the CIP share further increases to a not insubstantial share of about 30 percent of total local currency expenditures.

Sectorally, the CIP allocations differ from those of the envisioned FY 1984-86 TYPIP. It is envisioned that agriculture will receive the largest allocation by the GDS, with nearly 32 percent of the total, followed by transport and roads, regional development, energy and power, education and manufacturing. The CIP allocations are more heavily concentrated in regional development projects (over 50 percent), transport and roads, and energy power. The principal differences between the two envisioned allocations lie in agriculture and manufacturing. The principal reason for this difference is that AID's preferences in these two sectors have tended to focus on private producers rather than on the public corporate entities such as Banad and Gezira in agriculture and other manufacturing parastatals. As a consequence, AID's local currency allocative preferences as revealed by the allocations of the FY 1984-86 CIP local currency funds are concentrated in social infrastructure activities of the central or increasingly the regional governments.

Distributional Effects of the CIP

One of the most important distributional effects of the CIP has already been addressed above regarding the distribution between the private and public

sectors. As was mentioned, the private sector has imported approximately 45 percent of the total items financed via the CIP between FY 1980 and 1984. Excluding the wheat imports in FY 1980 and 1982 financed via the CIP, the share of private sector imports was about 58 percent over this period. However in the most recent year, 1984, the public sector share increased to over 75 percent. (See Table 8 for details.)

A second distributional aspect of the CIP program is the geographic distribution of imported commodities via the CIP and their end use. According to USAID/Sudan records, 59 public and private corporations and government agencies have received CIP allocations and have actually imported items into the country between FY 1980 and 1984 from a possible set of over 2000 registered public and private firms and agencies. The actual breakdown according to type of benefitting agency is presented in Table 12 below.

**Table 12: Distribution of Firms and Agencies
Which Have Actually Imported Items Into Sudan
Financed Via the CIP FY 1980-84, Khartoum**

<u>Entity</u>	<u>Khartoum and Central Region</u>	<u>Regions Other</u>	<u>Total</u>
Private Firms	37	2	39
Government Ministries	9	-	9
Public Entities, but not a Government Ministry	<u>15</u>	<u>6</u>	<u>21</u>
TOTAL	<u>61</u>	<u>8</u>	<u>69</u>

The data show that more private firms have benefitted but that the number of private entities which have benefitted is less than two percent of all registered private firms in Sudan. (Refer to Table 8 for the annual amount of private sector imports between FY 1980-84.) The data also show that a large share (greater than 88 percent) of the direct beneficiaries in terms of the organizations who have imported the commodities at subsidized foreign exchange rates are primarily located in the Khartoum or the Central Region. The location of related employment opportunities in such institutions are also so distributed.

A certain share of the actual imported commodities are utilized throughout the entire country. For example, the imported tallow which was imported via the CIP was made into soap which was then sold throughout the country. In addition, spare parts imported for industrial, agricultural, and transport equipment have also been sold and traded throughout the country. However it is unclear the extent to which the non-urban and non-central region population have benefitted from such imports relative to Khartoum and the Central Region.

The final distributional issue pursuant to the CIP is the use of counterpart local currencies generated via the sale of CIP foreign exchange financed commodities. A partial answer to this question is provided by reviewing the data presented in Table 13. Between FY 1982-84, the largest development allocations have been used to (a) rehabilitate the electric power grid, (b) develop more water resources in rural areas, and (c) complement the foreign exchange resources used in various agricultural development projects primarily in the western part of the country. From FY 1984 until FY 1987 it

Table 13:

SECTORAL ANALYSIS OF CIP LOCAL CURRENCY ALLOCATIONS
FY 1982-87 (In 000 LS)

Sector	FY 82 Amt.	% of Total	FY 83 Amt.	% of Total	FY 84 Amt.	% of Total	Est. FY 85 Amt.	% of Total	Est. FY 86 Amt.	% of Total	Est. FY 87 Amt.	% of Total	Total FY82-87 Amt.	% of Total	Total % of AID Ad.
Agriculture	240	18.2	695	8.7	2,548.6	6.7	7,976.4	6.1	3,936.9	4.7	1,836.9	2.3	17,270.0	5.0	6.1
Energy/Power	105	8.0	1,700	21.4	13,026.3	33.9	10,334.2	7.9	116	0.1	69	0.1	25,350.5	7.4	9.8
Transport/Roads	-	-	-	-	2,870	7.5	29,150	22.2	18,700	22.3	18,200	22.4	68,920.0	20.0	24.4
Water	-	-	1,000	12.6	3,890.9	10.1	5,224.4	4.0	130.1	0.2	-	-	10,245.4	3.0	4.0
Education/Training	100	7.6	378.2	4.8	116.3	0.3	190.9	0.1	-	-	-	-	785.4	0.2	0.3
Health	40	3.0	220.7	2.8	668.7	1.7	1,177	0.9	515	0.6	560	0.7	3,181.4	0.9	1.2
Services/Policy Studies	-	-	-	-	89	0.2	3,255	2.5	-	-	-	-	3,344.0	1.0	1.3
Refugees	-	-	-	-	-	-	550	0.4	1,000	1.2	1,000	1.2	2,550.0	0.8	1.0
Regional Development	-	-	-	-	-	-	40,000	30.5	40,000	47.8	40,000	49.2	120,000.0	35.9	46.1
Multi-Sectoral Infrast.	-	-	-	-	2,088.9	5.4	1,855.0	1.4	1,059.9	1.3	422.5	0.5	5,426.3	1.6	2.1
AID Administrative	685.0	51.9	3,750.0	47.2	12,473.1	32.5	31,000.0	23.8	18,000.0	21.5	19,000.0	23.4	84,908.1	25.1	30.7
Other	150.0	11.4	200.0	2.5	6,500	1.7	300.0	0.2	250.0	0.3	250.0	0.3	1,350.0	0.3	0.7
Total	1,320.0	100.0	7,943.9	100.0	38,448	100.0	131,012.9	100.0	83,708.0	100.0	81,338.4	100.0	343,771.3	100.0	100.0

Notes: Includes (a) Counterpart Project Accounts, (b) Counterpart Trust Accounts, and (c) Allocations to GOS Development Budget Projects.

Source: USAID/Sudan records.

is expected that two other sectors will receive substantial counterpart local currency allocations. These sectors include (a) regional development and (b) transport and road development. With the exception of the energy and power sector allocations the other four sectors receiving sizeable allocations principally benefit rural areas or areas outside the more developed Khartoum and Central regions. Between FY 1982-87 these four sectors have spent or are expected to spend about 83.7 percent of the local currency funds generated via the CIP financed imports, excluding AID administrative requirements.

These above actual and expected local currency allocations during the FY 1982-87 period suggest that from a distributional equity perspective, and possibly from a longer term economic development perspective, the local currency allocations are more consistent with USAID/Sudan's CDSS objectives than what has occurred to date via the initial imports financed via the CIP. USAID/Sudan is aware of this dichotomy and is investigating ways to improve its performance in this regard. (See conclusions and recommendations section below for further discussion of this point.)

An Analysis of the Planning and Implementation of the CIP

Process for Developing Eligible Commodities List

The commodity selection process for developing the list of eligible commodities under the CIP has evolved since the FY 1981 program.

Modifications to the process were made as a result of Standby Agreements with the IMF, the World Bank Agricultural Rehabilitation Programs and particularly, the establishment of the Consultative Group (CG) in January 1983. Further refinements of the commodity selection process were incorporated into the design of the FY 1984 CIP, and were institutionalized with the introduction of the Commodity AID Committee (CAC) in November 1983. These adjustments were made to smooth out the process and adapt to bureaucratic paper processing delays and attempts have been made to limit the constant stream of "emergency" requests. The 1984 CIP produced the most important refinements after consultation with the U.S. Congressional Foreign Assistance Committee staff to informally incorporate their concerns into the program to the extent possible. Government of Sudan

The GOS, Ministry of Finance and Economic Planning (MOFEP) (formerly the Ministry of Planning at the time of the FY 1981 CIP 650-K-002) leads discussions about CIP allocations. The CAC, established in 1983 by the GOS and supported by USAID, now serves as the coordinating point within the MOFEP for all commodity aid to the public and private sectors in Sudan. The CAC now monitors and coordinates the entire process with a staff of eleven.

Upon initiation of its role as lead organization in 1983, the CAC sent letters to each GOS ministry and agency announcing the commodity program and asked them to indicate their needs. It made a similar request to the private sector via the media announcements. As public and private requests are received, the CAC logs in commodity specifications, amounts and alternative sources of origin, and reviews and priorities them based upon Sudan's rolling TYPIP. The investment program has established its priorities, and goals, and

provides indicators for increased productivity through import substitution and export promotion. The CAC then disaggregates the total list according to each donor with a commodity import program on the basis of origin of the commodities needed and the known requirements of the prospective donor. The CAC meets approximately once a month, although to date always on an ad-hoc basis, to discuss the allocations which have been submitted. Since the first announcement of the FY 1984 program was made in late 1983, no additional advertising has been necessary because the current number of requests exceed the available resources announced by donors.

Once the final list allocation is compiled, the CAC then must present it to the GOS's Interministerial Economic Commission to get their final approval before any request is submitted to the donors. This commission is made up of senior government officials of ministerial rank from key ministries.

Donors

(i) IMF, UNDP and IBRD

The International Monetary Fund (IMF) works with teams from the GOS, UNDP and the IBRD and draws up the "Essential Commodity List" based upon goals of social and economic stabilization. The objective is to keep Sudan's economy going at the current level while trying to redirect imports where possible for investment to increase production and export.

(ii) United States

Prior to commodity selection, formulation of the conditions precedent and covenants begin with analyses of the economy, GOS policies, and IMF agreements. In addition, the administrative procedures and results of the prior year program is reviewed by USAID and refinements are made in connection with SER/COM (AID/W).

While the GOS is developing the list of essential commodities, USAID simultaneously holds internal meetings to develop USAID's position on which commodities would promote greater economic growth, strengthen the private sector, and support USAID's strategy for development via projects and policy dialogue. Meetings are held with each sector office to determine what the greatest constraints are to development in their respective areas and how the CIP can be used to address them. Suggestions are made about the types of commodities, the appropriate mix, allocation distribution in the public sector as well as mix and allocation distribution in the private sector. Therefore, the illustrative list and allocations which result reflect the initial consensus within the GOS process on the one hand and the U.S. on the other.

Consultations - USAID/GOS

Consultations between the GOS and USAID begin following the internal meetings of each group. These consultations usually involve a series of proposals and counter-proposals starting with the submission to USAID by the

GOS of an indicative list of allocations which has been compiled by the CAC and approved by the Interministerial Economic Commission. This list is usually arranged by sector and reflects the priorities of the GOS. USAID reviews the list and makes counter proposals involving adjustments in commodity mix, distribution among sectors, levels, and mix and level of public and private sector allocations.

Finalization/Approval of PAAD

USAID finalizes the PAAD upon general agreement, between the GOS and USAID regarding the eligible list of commodities and their allocation among the public and private sector. At that point, USAID submits the PAAD to AID/W for their review and approval.

Negotiation and Signing of Grant Agreement

Once USAID is advised of AID/W's approval, the Grant Agreement negotiations begin. The conditions precedent (CP's) to grant disbursement and the terms and covenants of the Grant are reviewed and negotiated. This process usually entails several sessions involving various branches and levels of the GOS with proposals and counter proposals being made as was the case during the consultations on the allocations. AID/W is kept advised of the process. The Grant agreement is signed when final agreement is reached on the CP's and covenants.

Implementation Process

The first project implementation letter (PIL) is issued shortly following the signing of the grant agreement. This first letter simply asks that the CP's be met. The CP's usually are (a) opinion by the GOS Attorney General that this Agreement has been duly authorized and ratified, and (b) a statement representing and warranting that the named person or persons have the authority to act as the representative or representatives of the Grantee, together with a specimen signature of each person.

The second PIL is issued once the CP's have been satisfied. This PIL goes into more detail about what is expected to take place during the period of the grant. The commodity procurement instructions (CPI) are part of the PIL #2 package. The PIL spells out the rules and regulations which must be followed under the CIP. These items include (a) which commodities are ineligible, (b) shipping regulations, and (c) other similar regulations. A specimen Financial Request (FR) is also included. The GOS then submits their (FR) asking USAID to issue Letters of Commitment (L/COM). A direct L/COM is issued for transactions less than \$1.0 million. USAID countersigns the GOS's financing request and then sends it to AID/W for processing, ie., issuing of a letter of commitment.

Direct Letter of Commitment

The direct letter of commitment is principally used by and for the public

sector which normally is required to follow AID's formal competitive bid procedures. The public sector entity submits technical specifications to USAID which are sent to AID/W and reviewed. An Invitation for Bids (IFB) is prepared by AID/W and issued by the Sudanese Embassy in Washington D.C. pursuant to an announcement published by AID/Office of Small Business. The bids are received and reviewed by the public sector purchaser and an award is made to the lowest responsive bidder with the prior approval of USAID. The GOS submits a FR for the issuance of a direct letter of commitment in favor of the supplier who has been awarded the contract. Finally, in some isolated cases, the same procedure may be followed for private sector importers if AID decides it is in the best interest of the program.

Bank Letter of Commitment

The bank letter of commitment is used mostly for procurements by the private sector because most of the transactions are less than \$1.0 million, and because AID encourages the private sector to follow standard commercial practices applicable to international trade. Unlike the direct letter of commitment the bank letter of commitment is opened for a global amount to cover a multitude of transactions. USAID receives the FR from the GOS, and sends it to AID/W for processing and the issuance of a letter of commitment to a U.S. bank. The FR indicates the approved applicant (local commercial bank) and the U.S. banking institution selected by the GOS. The U.S. bank advises the bank in Sudan that a letter of commitment has been accepted, thus enabling the local bank to open letters of credit. It is at this point that

the private importer solicits a reasonable number of offers from potential suppliers. USAID reviews these offers and approves the importer's selection by issuing an authorization letter which is the basis by which import licenses are delivered by the MCCA, and letters of credit opened by the local commercial bank.

Depositing Local Currencies into the Special Account

For the private sector, at the time of opening the letter of credit, the firm/business must make an advance deposit based on the "client margin" established by the Bank of Sudan. The balance of local currency is paid to the commercial bank by the importer prior to receiving the original shipping documents. At present, this advance deposit amounts to between 10 and 50 percent of the total price of the transaction. It is the responsibility of the commercial bank to transfer the local currency proceeds to the GOS special account.

In addition, since June 28, 1983 all commodity imports by the public sector via the CIP must generate local currency counterpart. Depending on the method of financing the public sector entity will either make an advance counterpart payment or will pay the full amount into the GOS special account prior to obtaining the shipping documents. To improve the system for counterpart collection, Sudan's Export/Import Bank has now been assigned the responsibility for collecting local currency counterpart directly from the public sector and from the commercial bank for the private sector.

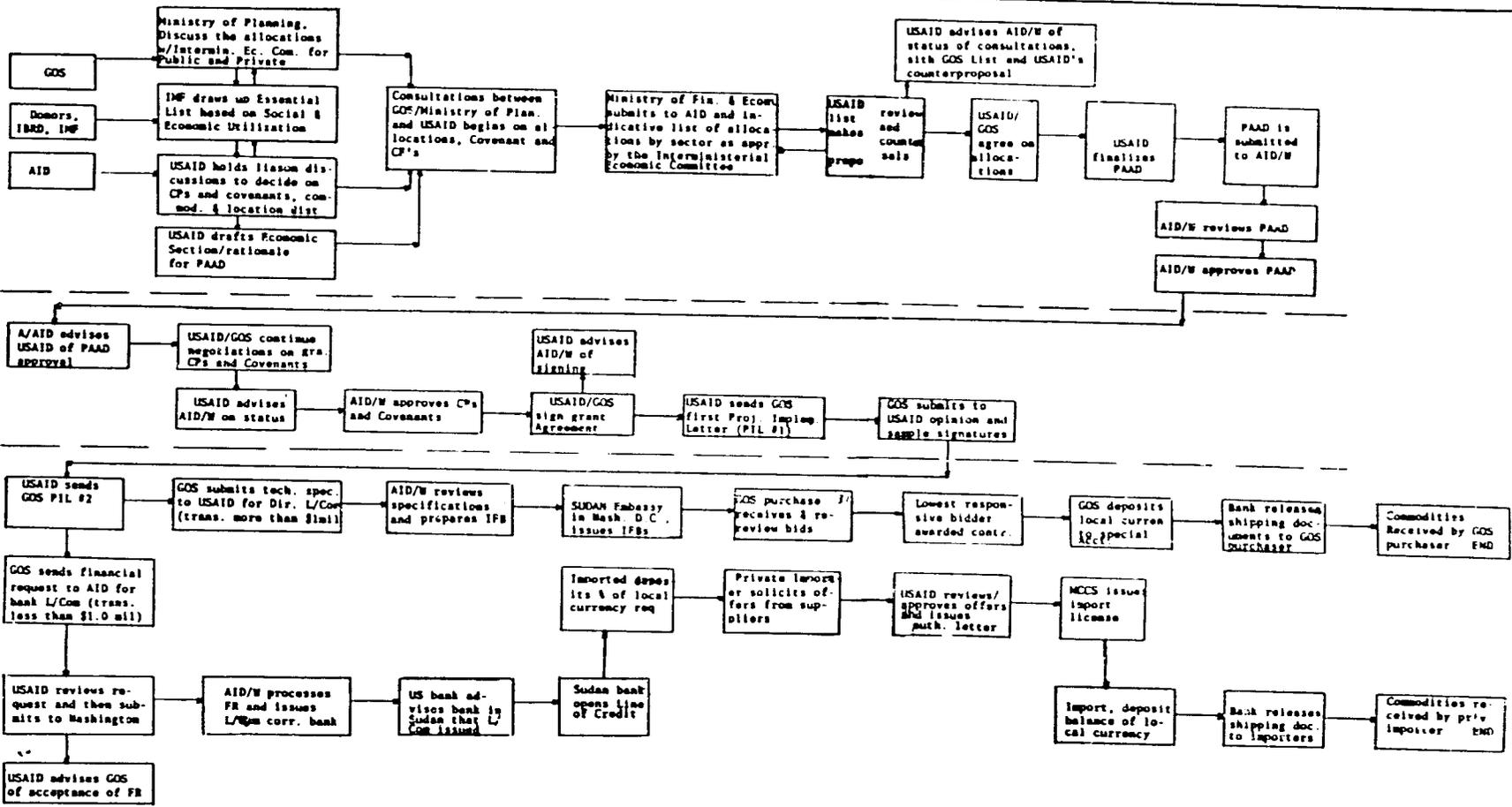
Summary of CIP Implementation

The above described process is summarized in Figure 2. It shows the flow of activities defined above which encompass the development and implementation of each CIP agreed upon by the GOS and AID. Given that this process has many steps, and that the analysis presented above and below show that considerable time is involved before the commodities begin to enter Sudan, it would be instructive to determine the cost and possible benefits of this lengthy process which accrue to Sudan and the U.S.

Analysis of the CIP Implementation Allocation List

One of the most important decisions made in the development and implementation of a CIP is the determination of the list of commodities to import. Presumably the agreed commodity list between the GOS and USAID/Sudan and presented in the annual CIP PAAD document reflects the development strategies of the government as defined in the development/investment budget and USAID/Sudan's CDSS. Since FY 1982, the Mission's CDSS has emphasized its complementary agricultural strategy with the World Bank and other donors by focussing its program on the traditional and mechanized rainfed agricultural sectors of the West and, to the extent possible, the South. The GOS has also emphasized agriculture in its annually developed TYPIP, but has focussed most of its attention and resource commitments to the irrigated sector, primarily in the central and adjacent regions, which has traditionally contributed the

Figure 2: CIP Allocation Process



largest share of foreign exchange earnings to the country. In Table 14, the recommended commodity lists in the FY 1980-84 PAAD's are presented to ascertain the relationship between the agreed CIP commodity lists and the general development policy guidelines of the GOS and USAID/Sudan over the period.

Several salient points can be made regarding the data presented in Table 14. First the set of recommended commodities has changed rather substantially from year to year. Second, the categorization of potential commodities varies from year to year. The FY 1983 amendments to the CIP further exacerbated the problem by lumping a number of possible imports into one category. Perhaps the most unusual category used was "transport equipment and parts, telecommunication and railroad spares and maintenance equipment." Other lumping categories can also be found in the list.

Third, the precision of the quantity of any commodity to be imported varies considerably, with the range of estimates embodied in Amendment No. 2 to the FY 1983 program being the least precise of any. Fourth, some lists e.g., FY 1980, 1983 and the GOS initial 1984 list add up to amounts substantially above the amount allocated to the PAAD. The meaning of such lists for ascertaining the logic embodied in the underlying resource allocation decision is unclear.

Finally, and perhaps most importantly from the perspective of using the CIP for significant policy dialogue, is the inconsistency of purpose or strategy signal embodied in the annual variance of which items appear and the amounts allocated to them. Certainly flexibility in programming is important. However, one of the important lessons learned from the policy dialogue process

Table 14: Commodities Recommended for Import via CIP, FY 1980-84.

(in millions US\$)

Item	PAAD	PAAD		PAAD				Illustrative		
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
				Upper	Franchise	Upper	Upper	Initial	Upper	Present
				Limit	(1)	Limit #1	Limit #2	Aid	Limit	Aid
				1980					1980	1980
Food	10.0									
1. Rice		5.0								
2. Pasta Concentrate										0.5
Non-Agriculture										
1. Petroleum				30.0					40.0	
2. Lubricants & Base Oils								6.0		
Agriculture		(3)	6.0							
1. Wheat Sows	7.0									
2. Spray Airplane										
3. Tractors	0.2							2.0		
4. Tractor Spares	10.0							2.0		
5. Tractor Spares	2.0									
6. Baling Hoods	3.0									
7. Land Leveling Equipment	5.0									
8. Cotton Pickers										
9. Cotton Strippers										
10. Cotton Planters	6.0									
11. Tractors, Ag. Equip., Inputs & Wheat		7.0	10.0							
12. Agri-Industry Parts - Equipment						3-6				
13. Fertilizer				60.0	20				20.	15
14. Urea Baling Hoods				9.0	6				20.	17
15. Ag Machinery & Related				34.0					30.	4.5
16. Fertilizer Mfg. Equipment						0.5-1				
17. Urea Oil Refineries									1.0	
18. Cold Storage									2.0	
19. Sorghum Milling									2.0	
20. Ag. Implements									1.0	
Transport & Communications			3.0							
1. Railroad Locomotive										
2. Spares	1.5			4.0						
3. Sudan Air Spares	2.0					1-2		2.0		2.0
4. Raw Materials for Sudan Air (Petrol)	3.0									
5. Sudan Tele Comm. Equip. Road & Earth Moving Equipment		1.0	4.0	3.0	6.0				6.0	
6. Trucks & Buses				7.0	7.0			2.0	5.0	
7. Transport Equipment				6.0	10					
8. Tele. Comm. & Rail Spares & Maint. Equip.						6-10			10.	
Industry (Public/Private)			12.0							
1. Tallow	3.0	5.0		18.0	16.0			100%	5.0	20
2. Plastic Bags										
3. Sugar/Flour	0.2									
4. Tin Plates	1.0	2.0							1.0	
5. Chemicals	2.0	2.0							1.0	
6. Coaming	1.0									2.0 (initial)
7. Milling Unit	2.7									
8. Milling Machinery		12.0								
9. Other Commodities										
Other										
1. Shortland Sewer System Spares	0.2									
2. Med. & Vet. Equip.	0.2									
Industry Private										
1. Spare parts	12.0	2.7	8.0	14.0	14.0					5
2. Spare parts		2.0							4.0	4.0
3. Pharmaceuticals/Inputs		2.0								
4. Indust. Inputs MEC			6.0	10.0	9.0				21	2.0
5. Drilling Equip. & Pump					11.0					
6. Diesel Caravan									2.0	
7. Composite Flour Equip.									3.0	
Electric Power										
1. MEC		1.0	4.0	20.0					18.0	20.0
Total	64.7	46.0	50.	100	70	30	18	12.25%	62	100
Range							15-24			

Source: Annual USAID/Sudan, CIP PAADs and as Amended, FY 1980-1984

embodied in the annual PL 480 Title I and III program negotiations is that program consistency and policy change consistency is crucial for long term policy change success.

The analysis embodied in Table 14 was further refined. For FY 1983, the allocation process was traced through four steps; (a) the GOS (and perhaps USAID) positive list of commodities; (b) the actual commodities listed in the first tranche and two amendments to the 1983 PAAD; (c) the list of commodity allocation p/r letters of commitment to specific public and private importers, and (d) the actual set of imported commodities which have arrived in Sudan as of November 1984. This analysis is presented in Table 15.

First, the analysis indicates considerable programming flexibility given the changing items and resource intensities from step to step and throughout the CIP process. However, these and the above program changes indicated in Table 11 also suggest inconsistencies in the priority focus of the Mission and call into question the Mission's commitment to the CDSS strategy as defined in FY 1982, rainfed agriculture.

Second, while agriculture acquired a substantial allocation in the form of fertilizer, jute bags, and baling hoops in FY 1983, most of the letters of commitment defined allocations and actual imports reveal that irrigated agriculture has been the principle beneficiary. Similarly transport received little in the way of actual allocations, despite the fact that it represents one of the principle inputs required to export any commodity, whether from the irrigated or rainfed sectors.

Third, while the private sector had received substantial rhetorical support throughout the FY 1980-84 period, and had obtained two thirds of the

Table 25:

AN ANALYSIS OF THE FY 1983 CIP ALLOCATION AND PROCUREMENT
(in Million \$)

Imported Items	I - FY 83 PMAD		II - FY 83				FY 83				III - Actual FY 83				IV - Imports under FY 83			
	Positive List of Commodities Upper Limit	% of Total	Tranche #	Amendment # 1	Amendment # 2	Total Allocations	% of Total	Allocations Pri.	Per. Pub.	LC Total	% Total	Pri.	Pub.	Total	% Total			
Foodstuffs, Drinks & Tobacco																		
Cruke Materials		23	-	-	-	-	-	0.78	-	0.78	1.30	0.36	-	0.36	2.37			
Lettuce	16	8	-	-	-	-	-	-	-	-	-	-	-	-	-			
Petroleum Products	30	15	-	-	-	-	-	-	-	-	-	0.36	-	0.36	-			
Feed Concentrate	-	-	-	-	-	-	-	0.28	-	0.28	0.46	-	-	-	-			
Raw Materials	-	-	-	-	-	-	-	0.50	-	0.50	0.84	-	-	-	-			
Textiles - Polyester Fiber	-	-	-	-	-	-	-	0.20	-	0.20	0.33	-	-	-	-			
Chemicals		22.5				60.9-32.9		2.19	20.00	22.19	36.85	3.40	0.95	4.35	28.04			
Industrial Chemicals & Inplements	5	2.5	-	2.5-5	-	2.5-5	6.8-8.4	2.19	-	2.19	3.64	-	0.95	0.95	-			
Fertilizer	10	20	20	-	-	20	54.1-76.3	-	20.00	20.00	33.21	3.40	-	3.40	-			
Manufactured Items		4.5				-23.7		0.07	18.76	18.83	31.27	7.02	0.78	9.80	64.52			
Jute Bags	9	4.5	B	-	UT 10	UT 18	-23.7	-	15.90	15.90	26.40	7.00	-	7.00	-			
Baling Hoops	-	-	-	-	-	-	-	-	2.86	2.86	4.73	2.02	-	2.02	-			
Tinplate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Other								0.07	-	0.07	0.12	-	0.78	0.78	-			
Machinery & Equipment		65.5				9.5-9.2		7.31	7.41	14.72	24.44	-	0.63	0.63	4.15			
Ag Mach. Equip	34	17						-	-	-	-	-	-	-	-			
Road Maint. Equip	7	3.5						-	-	-	-	-	-	-	-			
Drilling Equip & Pumps	15	7.5						-	-	-	-	-	-	-	-			
Industrial Spare Parts (NEC)	14	7						0.67	-	0.67	1.11	-	0.26	0.26	-			
Fertilizer Mfg. Equip				0.5-1		0.5-1	1.4-1.3	-	-	-	-	-	-	-	-			
Indu. Inputs & Equip	15	7.5						1.03	-	1.03	1.71	-	0.37	0.37	-			
Tele. Com. Equip.	6	3						-	6.20	6.20	10.30	-	-	-	-			
Agro-Input Parts & Equip				3-6		3-6	8.1-7.9	5.61	-	5.61	9.32	-	-	-	-			
Electrical Equip/Power								-	1.21	1.21	2.00	-	-	-	-			
Transport Equip		4.5				26.3-18.4		-	3.50	3.50	5.21	-	-	-	-			
Auto Equip & Spares	4	2		8-10		8-10	21.6-13.2	-	2.50	2.50	4.15	-	-	-	-			
Trucks, Trailers, Cuses	5	2.5						-	-	-	-	-	-	-	-			
Flight Safety Equip				1-2		1-2	2.7-2.6	-	-	-	-	-	-	-	-			
Vehicle Spare Parts				UT 2		UT 2	2.6	-	-	-	-	-	-	-	-			
Aviation Testing/Ship Equip								-	1.00	1.00	1.66	-	-	-	-			
Other		0.0				5.4-15.8		0	0	0	0	-	-	-	-			
Industrial Spares, Chemicals																		
Inorganic Steel Products																		
Fertilizer				UT 10		UT 10	-13.2											
Chemical Commodities		2				2	5.4-2.6											
Total	200	100.0	30	18 15-24	18.25 UT 22	62.25 37-74	100-100	10.55	49.67 87.5	60.22	100.0	12.42 81.8	2.77	15.19	100.00			

imported items from the FY, 1982 CIP as of November 1984, the analysis of actual allocations and the receipt of imports reveal the dominance of the public sector. The private sector was allocated in stage III (letters of commitment stage) around 17.5 percent of the \$60.25 million and had obtained only 18.7 percent of actual imports of \$15.19 million from the FY 1983 CIP as of the end of November 1984. (See stage III, Table 12.)

Fourth, the data suggest that the time involved in the actual importation of commodities is considerable. Only 25 percent of the commodities have been received to date financed via the FY 1983 CIP and its amendments. There appears to be no significant difference between the rapidity of the private or public sector to import commodities once letters of credit allocations have been issued, with the private sector importing only 18.2 percent of the total set of commodities financed under the FY 1983 CIP. This delay in importation can raise doubt regarding the quick dispersing element attributed to the CIP. The balance of payments gap for any given year can remain open by a considerable margin due to the demonstrated procurement lags in the CIP.

End Use of CIP Commodities

Summary of End Use Survey Interview Findings

One member of the evaluation team, Mr. Les Burgess, in cooperation with Mr. Girgis Seidaros of USAID/Sudan conducted twelve "end use" surveys of firms which had received approximately \$40 million CIP financed imports over the FY

1980-84 period. (A list of firms interviewed is contained in the Burgess Report, Appendix A and the interview schedules are available from Dr. Thomas Eighmy, Education Officer USAID/Sudan.) An additional "end use" survey was conducted at Sudan Textile Company, and have been planned for Rahad Corporation, the Gezira Board, Sudan Railways, and Sudan Airways, and will be used for further US AID management and evaluation purposes.

Based on the end use surveys conducted to date, several findings and conclusions can be drawn. First, Burgess concluded that no economic sector other than agriculture would have a global comparative advantage in production, even if all the economic infrastructure such as the power supply, roads, and communications worked at high productivity levels. However, the "endorse" survey findings suggest that few firms provided CIP financed imports are producing at or near full plant capacity. Without realizing production economies of scale it is almost impossible to demonstrate a comparative advantage. In addition, with most manufacturing firms requiring imported raw materials, equipment and spare parts, there is little value added margin on which to realise a comparative advantage.

Second, while few if any firms are presently demonstrating a comparative advantage, firms in some sectors clearly reduce final commodity imports, e.g. in textiles and sugar. Thus, the World Bank and some other donors have concluded that firms in at least these two industries warrant some further foreign exchange support to improve their efficiency in production and thereby increase plant capacity utilization, even if the comparative advantage rationale for their existence does not hold given present output levels. To the extent that certain government policy reforms in the areas of (a) output

pricing, (b) personnel policy regarding hiring and firing, and (c) wage rate determination based on productivity, can be altered by virtue of policy dialogue pursuant to such support, the entire manufacturing and other private business sector can benefit. Without such reforms, however, greater inefficiencies may result.

Third, most CIP recipient firms were interested in acquiring CIP financed imports in the past due to the official exchange rate subsidy and the 15 percent additional discount embodied in the CIP. Even though foreign exchange in the CIP is now valued at the commercial bank rate of LS 2.08 = \$1.00 and the 15 percent discount has been removed it is still below the present free rate of LS 3.1 - \$1.00 (as of November 27, 1984). Thus, firms are undoubtedly interested given the remaining subsidy. However, as Burgess points out, U.S. commodities cost more, given (a) the present high relative price of the U.S. dollar in comparison with currencies from other industrial countries, and (b) the additional transport handling and time costs associated with U.S. commodities relative to items procured from other industrial countries in European Asia. The net effect of the continuing foreign exchange subsidy in comparison with the higher cost of U.S. commodities is unclear.

Finally, Burgess found a number of anomalous firms and commodities being subsidized via the CIP. Examples of commodities include a feed concentrate for a poultry company, Taiwanese carbon black, rubber, and chemicals for a tire company, and imported raw materials for the production of dry cell batteries. While some of these firms were producing "efficiently" within the context of Sudan, none demonstrated a comparative advantage.

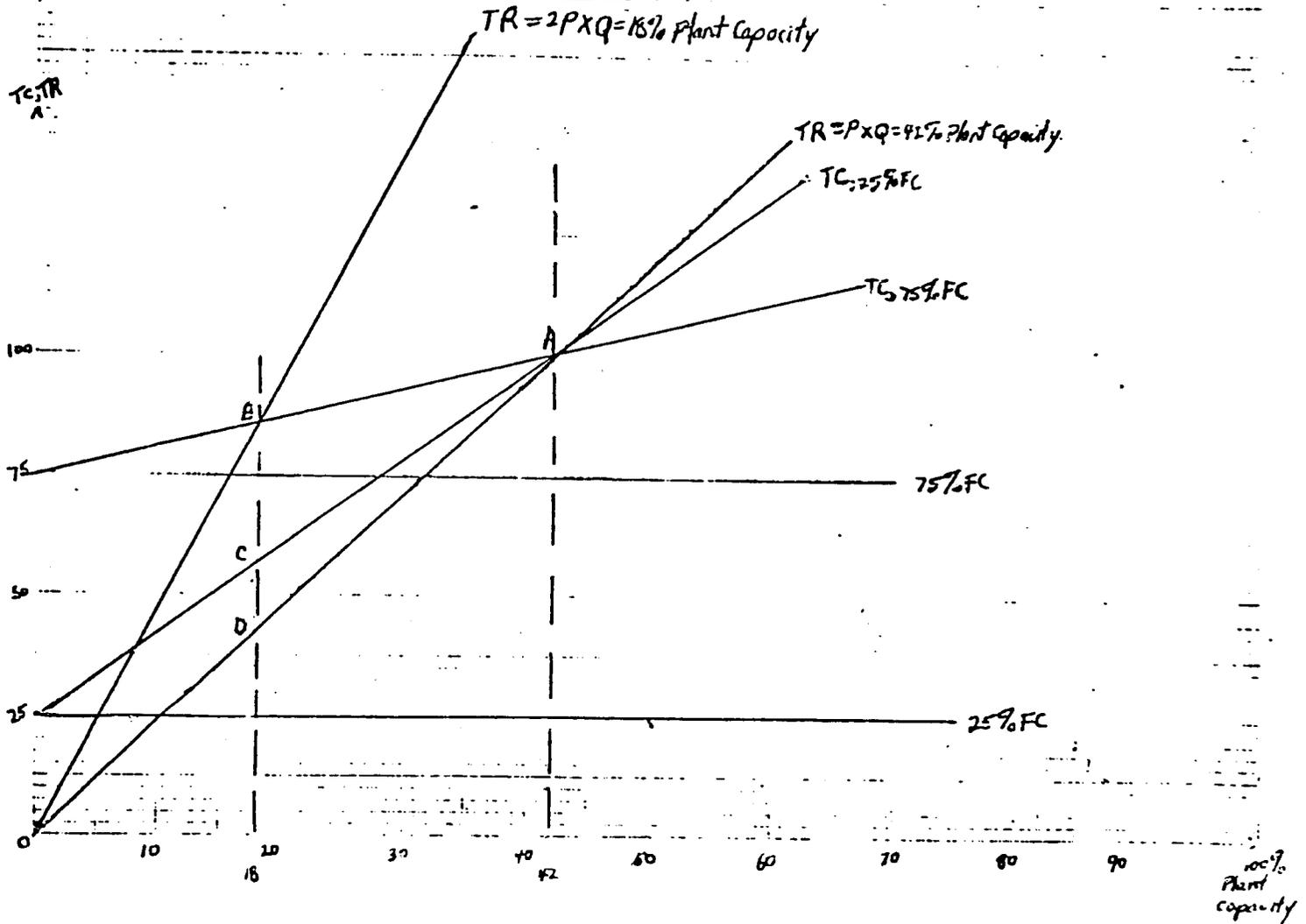
Breakeven Analysis Applied to

One CIP Recipient Firm

In order to more graphically present the decision making dilemma faced by Sudanese firms some of whom receive CIP financed imports, and, assuming that they would like to make a profit, it is instructive to review the situation of one firm which is operating in the textile industry: Sudan Textile. It decided to expand its plant capacity in the mid 1970's. Its management determined that given (a) the larger plant capacity, (b) its structure of fixed and variable costs, including depreciation on its equipment and interest on working capital, and (c) present output prices, it would break even at production level of 42 percent of plant capacity output. In Figure 3, this output level is depicted as point A, such that total revenue and total cost are equal.

Initially the firm's management determined that its cost structure at that level of output is equal to 42 percent of capacity, was 25 percent fixed cost and 75 percent variable cost. Thus, the relevant total cost function under which the firm's management was operating is depicted in Figure 3 as TC, 25% FC. (The analysis has assumed for reasons of simplicity, that the firm operates under constant returns to scale.) However, as a consequence of increased governmental control over employment and wage decisions, in reality,

Figure 3: Breakeven Analysis: Applied to Sudan Textile 1984



the firm in 1984, faces a different total cost curve depicted as TC, 75 percent FC. Under this cost structure, the government has effectively reallocated labor from a variable to a fixed cost by abrogating management responsibility in making personnel hiring and firing decisions. As a consequence, the share of fixed cost at its break even output level of 42 percent of plant capacity, has increased three fold to 75 percent of total cost (implying that labor costs represent 50 percent of total cost at that level of production).

Unfortunately in 1984 Sudan Textile cannot sell all it produces at its breakeven level of output. Thus, in recent years it has had to reduce output levels to 18 percent of plant capacity, represented in Figure 3 along the dashed line which includes points B, C, and D. At that production level (18 percent of plant capacity) under the old cost structure, represented by line TC, 25 percent FC, the firm would be losing the equivalent of the distance between C and D, or 15 percent of the break even level of total revenue or cost. However, due to government policy in the labor area, it is actually facing an even larger loss equal to the distance between points B and D, or about 43 percent of the breakeven level of cost and revenues as depicted by point A.

In order for the firm to breakeven at the lower plant capacity output level and given the fact that its cost structure is depicted by TC, 75 percent FC, the price per unit of output sold would have to double (assuming that the price elasticity of demand was very inelastic). Unfortunately, since the firm is under price controls, it is unable to pursue its desire to increase

prices. As a consequence of only these two policies, and totally irrespective of the increased cost of foreign exchange which only affects the small share of variable costs (equal to about 12 percent of total costs at point B), it is clear that over time capital flight is inevitable. In the short run, since the variable cost share of total cost was reduced due to government labor policy, the firm has been able to cover its variable costs and make a small but insufficient contribution to fixed costs. Therefore, the firm may even be hopeful that the situation will improve before deciding to terminate operations. However, if such a policy environment continues, capital maintenance stops and the small contribution to fixed costs is exported. This scenario is pervasive throughout the private sector in Sudan today.

Conclusions and Recommendations

Economic Impact

(1) The CIP has had a very significant impact on the economy of Sudan. Perhaps its most important impact was via its support provided to the electric power grid of the country by maintaining the power generating capacity of the Rosieres Dam and by improving the power distribution grid from the dam throughout the country and particularly into Khartoum. The team estimated, using various input-output tables, that perhaps as much as 75 percent of total output recorded in GDP estimates would be adversely affected by a severe interruption to power generation in the country. The adverse impact would have centered on the irrigated agricultural sector, the dominant foreign exchange earning sector of the economy.

Using a similar inter-industrial linkage approach it is possible to have the impact of other CIP financed inputs into roads, transport equipment and certain key raw materials such as petroleum. The team recommends that the lack of appropriate data to revise the 1956 and 1973 input-output table be rectified and that adequate resources exist within the mission Policy Analysis, and Implementation project to handle this deficiency.

(2) Even though a significant economic impact could be attributed to the Sudan CIP program, the CIP cannot be viewed as making a significant contribution to closing the short-run balance of payments gap. Over the FY 1980-84 period its contribution to improving the total trade balance amounted to about 5 percent per year.

Without continuing the CIP even this modest contribution to the balance of trade is likely to diminish since disbursement is slow in Sudan (disbursement typically occurs over a three year period with a significant share of such imports entering the country at least 18 months after signing a CIP grant agreement). Thus, the economic impact of a CIP is delayed. This is demonstrated by the fact that of the nearly \$300 million of commodity specific CIP support over the FY 1980-84 period, only \$150 million of CIP financed imports entered Sudan as of November 1984.

(3) Over the FY 1980--84 period, there has been a wide range of imported items, from wheat and wheat flour to heavy agricultural equipment and

virtually everything in between. There has also been inconsistency in terms of focus of the items imported from one year to the next, as well as in the sectoral focus (public vs. private) which reveals a general lack of allocating focus within the CIP over the FY 1980-84 period. (More on this point below.) For only five import categories in the intermediate and capital goods categories has the CIP contributed a significant share of total imports such that our economic impact could potentially be realized.

(4) There are several points to be made regarding distribution of the CIP beneficiaries. First, the private sector has imported about 45 percent of the total imports financed via the CIP and that share is 58 percent if one excludes the two large wheat shipments in FY 1980 and 1982, which were funded via the CIP. However, the annual share of private sector imports has varied from as low as 10 percent (FY 1980) to nearly 70 percent in FY 1982, with the FY 1984 share being around 25 percent.

Second, most of the importers are located in the relatively advantaged areas of the country, i.e., Khartoum and Central Regions. On the other hand, the programmed counterpart local currencies generated via the CIP has a decidedly developmental, rural and agricultural focus. Many of the counterpart funded rural focused programs, however, have not yet been fully implemented.

CIP Allocation and Implementation Process

(1) It is apparent that efforts are being made to improve the process for developing the allocations. The CAC, with its staff of eleven, has the awesome responsibility of coordinating the process from beginning to end. They have done a remarkable job and must be commended for the progress that they have made in just a year and a half. Therefore, their continued efforts to further refine the process should be encouraged and supported. However, several steps in the process could use strengthening. In addition, improved analysis, data collection and methods of prioritization is required.

The following aspects of the CAC process warrant particular attention. First, because the CAC receives requests far and above the available resources, it is imperative that the analysis of each request reflect those considerations which promote the objectives of the program, i.e., increase productivity through export promotion and viable import substitution. Improving the analytical ability of the CAC requires several inputs. The information requested by CAC includes a description of the commodity requested, the quantity required, and its origin. In the absence of information about costs per unit, particularly when several origins are possible, the chances for effectively programming donor commodity resources are significantly reduced. Four recommendations are made which address this issue.

- (a) If a given commodity can be procured from several countries, the CAC should require quotations from each source.

- (b) CAC should establish links with commercial commodity operations/offices/experts in several countries so they can have the information to make an informed decision about which donor to approach regarding each requested commodity.
- (c) CAC should acquire micro-computer for collecting, cataloging and referencing information contained in each request. This will improve the data base and framework in which decisions about prioritizing are made. Related to this is the design of appropriate software for the types of analysis required.
- (d) Some technical assistance is required to review the total system and make recommendations particularly if the above recommendations are accepted. The purpose is to speed up the system not slow it down because of an overload in responsibility and bureaucratic processes.
- (2) The current system for receiving needs requests, reviewing, prioritizing and submitting them to the donors is handled on an "ad hoc" basis. This limits the chances for quality analysis. By establishing a schedule for submission of requests, and perhaps limiting the number of allocation meetings to a more manageable number, the CAC's ability to conduct comprehensive analysis of allocation options would improve.

(3) Interests of the private sector do not appear to be adequately addressed by the current system for allocations in the GOS. CAC should institute a policy to announce the program to both the public and private sector on a regular basis; announcements should also include an indication of what particular donors can and cannot fund. The scheduling of the announcements should coincide with the schedule for submission of requests suggested above. Finally, a system for impacting the private sector through the CIP program should be studied in depth by the Sudanese with some technical assistance.

(4) Finally the mission is encouraged to continue its end use survey monitoring. The relevant issues for policy dialogue can be tested at the level of beneficiary and much can be learned about the firm level effects of the policy environment and changes which occur in it. A process of regularly updating the instrument would be desirable as the need for specific information for policy dialogue reasons is a continuing one.

Appendix A
Leslie Burgess Report

November 10, 1984

MEMORANDUM

REPLY TO: Leslie Burgess

SUBJECT: CIP Evaluation End Use Questionnaires

TO: Thomas H. Eighmy, EPP

You will have been apprised by Director Brown of a sudden change in plans that cut short the work on the tasks we were performing in regard to the CIP Evaluation.

The attached material comprises the twelve completed reports, and a preliminary analysis of the CIP from my perspective.

I trust that you will find these constructive, and that the remainder of the evaluation will proceed smoothly and productively.

You have been most constructive and helpful in getting me off to a productive approach. I believe that, with twelve private/mixed sector firms comprising almost \$40 million in CIP funds out of \$200 million total, only the public sector, and perhaps Mobil and Cotton Textile Mills will be required additionally. Girgis Seidaros knows where we left the Cotton Textile Mills Form.

Please give him my kindest regards. He was an excellent guide and colleague in finding our way around Khartoum.

With kind regards.

cc: W. Brown, DIR
C. Adams, CONT
P. Elissabide, GMO
F. Winch, AD/EPP
D. Dunlop ✓
A. Magnuson

November 10, 1984

CIP Evaluation

Summary of Industry Interviews

In accordance with the provisions of Unclas Khartoum 11713 in regard to CIP Evaluation, the Institutional Economist, L.M. Burgess, arrived in Khartoum on November 4, 1984 to undertake a program of direct interviews with a representative sampling of CIP recipients in Khartoum. A list of those firms interviewed is attached on Schedule "A".

Of the total CIP list of recipients since the program's origin 36 were from private sector and 78 from public sector.

Of total grants made (\$199 million)* to date, \$140 million (68%) has gone to public sector and \$59 million (40%) to private sector. However, \$27.5 million of private sector grants were for tallow used in small Sudanese soap making plants. Current price conditions make uneconomical the import of US tallow for this purpose. Palm oil is cheaper.

The sample of twelve enterprises listed on Schedule "A" was focused deliberately on the private sector CIP recipients. I understand that the Mission will conduct surveys of Kinnana Sugar, Sudan Railways, and other public sector bodies.

*A \$25 million cash grant to GOS in 1982 is not included in this total.

A broad overview of CIP resource allocation shows that the agriculture sector received the largest proportion at \$87.2 million (44%). Next was manufacturing at \$51 million (26%). But, again the input of \$27.5 million of tallow to soap manufacturing distorts this picture as noted above.

Following manufacturing, the infrastructure* sector received \$26.5 million (13%) whereas commodities for direct personal consumption, principally wheat and flour received \$31 million or (16%) of total.

*Sudan Railways, Sudan Air, NEC, El Roseires Dam, etc.

Adequacy of CIP to Impact Sudan's GNP

The CIP program began in 1980 and has apparently disbursed about \$200 million in grants to the present time. Large portions of this amount have been allocated to meet a shortage crisis. For example, \$27.5 million for tallow to make soap. Or - \$30 million for wheat and flour in 1982.

In this country where the agricultural sector is so critical, there is almost no comprehensive knowledge of the mechanized capital stock employed in that sector.

We do know that the category of tractor and farm implement spares is eagerly used by Sudanese trading companies and tractor importers.

What we do not know is what import level of spare parts and services would be adequate or optimal to maximize farm output. Correcting this blank in our knowledge is an urgent matter if we are to behave rationally in trying to influence the CIP allocation process.

CIP Composition

From the private sector, I have found no one interviewed who was unaware of the program. But the private sector is not systematically solicited for their suggestions for the program content.

For example, in 1982 some \$800,000 of pharmaceuticals were allocated for import to private sector importers. However, they were not allowed to determine imports on the basis of market demand because the Ministry had made that decision without consultation. There were allegedly large scale dumping of unsold medicines as the shelf-life prescription expired.

There is a strange mix of companies in the list on Schedule "A".

For Example

The Sudanese Kuwaiti Poultry Co. has imported \$497,000 of concentrated chicken feed to raise broilers and to produce eggs for the Khartoum market. (1,250,000 broilers and 670,000 dozen eggs annually). At sales a retail price of LS 5/Kilo (the weight of a chicken) and LS 2.85/dozen eggs the product is too highly priced for most consumers.

International Tyre Manufacturing & Distributing Co., Ltd.: This is a Korean-run plant controlled by Daewoo - a Korean conglomerate. Forty-five Korean Managers and technicians manage this 700 employee enterprise. US CIP input over the past years have been about \$3.3 million primarily for carbon black, rubber and chemicals from Taiwan.

Union Carbide Sudan, Ltd. is the only manufacturer at dry cell batteries in Sudan and has the capacity to fully meet demand for "D" cells in Sudan. This is a modern superbly run operation, but it is wholly unable to produce a "D"

cell battery at a cost remotely close to what the product would cost if imported. Were it not for the prohibition of imports, this firm would close immediately.

Union Carbide has received almost \$2 million in 1982/83, and will continue to require commodity assistance. Carbide is continually in a profit squeeze as inflation erodes the dollar price of the Sudanese pound.

Carbides last CIP commodities cost (LS 1.80) - 15% = LS 1.53/\$. Other imported commodities not covered on CIP are purchased with dollars bought on the free market. Their price has been about LS 2.3/dollar in recent months. Since the mix of CIP commodities and non-CIP commodities is about 1:7, Carbide will be operating over the next quarter with materials and inventory price at:

$$\begin{array}{rcl} 1 \times 1.53 & = & 1.53 \\ 7 \times 2.3 & = & 16.10 \\ & & 17.63 \div 8 = \text{LS } 2.01/\$ \end{array}$$

Selling price of batteries is closely controlled by the Ministry of Industry, Commerce and Finance. Carbide does not have the opportunity to capture marketing profits through irregular intervention.

Therefore, Carbide is now beginning to build raw material and inventory at the current LS/\$ rate: They believe the new rate for CIP commodities will be LS 2.3/\$ with no 15% discount which gives the following rate:

$$\begin{aligned} 1 \times 2.3 &= 2.3 \\ 7 \times 2.8 &= \underline{19.6} \\ 21.9 \div 8 &= \text{LS } 2.45/\$ \\ \% \text{ Increase} &= \frac{2.45 - 2.01}{2.01} \times 100 = 22\% \end{aligned}$$

During the next months, Carbide management must secure a price increase for their batteries, or incur losses. To the extent that the free market LS/\$ ratio deteriorates, Carbide's problems compound.

If the rate continued to worsen, as some speculate, a level of LS 4/\$ would result in the following rate:

$$\begin{aligned} 1 \times 3.2 &= 3.2 \\ 7 \times 4.0 &= 28.0 \\ 31.2 \div 8 &= \text{LS } 3.90/\$ \\ \% \text{ Increase} &= \frac{3.90 - 2.45}{2.45} \times 100 = 59\% \end{aligned}$$

The entire modern Sudanese manufacturing industry confront similar circumstances for imported raw materials, intermediate goods, or capital equipment.

CIP List Formulation: No interviewee has suggested that the composition of the list is determined by any systematic review of inputs or other rational analysis. I concluded that the list is determined randomly and through momentary GOS/AID priorities.

Comparative Advantage of Sudan's Manufacturing Sector:

If Sudan had reliable and modern electric power supply; modern roads and transport; dependable communications, and other required utilities, it is doubtful that any sector, other than agriculture, would have a global comparative advantage.

Many factors account for this state of affairs. Training and education in manual and technical skills does not provide a minimum stock of manpower. Many Sudanese otherwise capable of skilled industrial work are attracted by higher wages abroad.

Basic industry and required raw materials to support a modern industrial sector are lacking. Almost all required inputs in the manufacturing sector are imported.

Comparative Advantage of US Exports to Sudan:

Without exception, importers of US commodities would prefer non-US source commodities on the basis of cost and delivery. The U.S. requirement of shipping part of US-sourced commodities in US bottoms works a cost and time penalty on importers. Shipments are often trans-shipped through out-of-the-way ports, and unpredictable delays in delivery ensue.

Which Categories of CIP are Most Productive.

There needs to be more investigation, research, and analysis on the composition, makeup, age, and productivity of capital stock in the Sudanese economy. This is particularly true in the mechanized agriculture, transport, and power generation sectors.

What is clear by casual inspection is the enormous cost of high-capital intensity machinery and equipment, inoperable because the required spare parts and skills to repair it are unavailable. One successful Sudanese operator of transport equipment observed that the annual cost of maintaining and repairing engine driven machinery was in the range of 15-30% per annum largely in foreign exchange.

We have no ready estimate of capital stock, but a clue as to the size of the machinery-spare parts market can be found in examining the equipment, machinery, spare parts component of the CIP to date. The total is \$60 million, or 30%. Of the \$60 million, \$27.5 million (13.7% of Total CIP Commodities) is categorized as "spares", and appear, with some exceptions, to be agriculturally oriented.

If we apply a 15% ratio of spares to replacement cost, this suggests a capital stock served by these spares of $\$27.5 \text{ Million} \times 0.15 = \4.125 million . Actual operating agricultural machinery is undoubtedly very much higher in value than \$4.125 million, but the positive leverage to be gained through timely maintenance and repair is clear.

The problem is compounded by the broad practise of providing "standby" electrical generating capacity to cover power outages. The emergency generating units in turn require extensive provision of spare parts and mechanical maintenance. Thus placing further strains on an already inadequate supply of mechanics and skilled labor.

There can be no general satisfactory solution to this complex problem until the electric power industry can deliver power with sufficient reliability to dispense with redundant emergency generators.

I suggest that rapid movement toward an efficient and dependable electric utility sector receive highest pricrity.

Schedule A

<u>Firm Name</u>	<u>Sector/Output</u>	<u>Category</u>	<u>\$ (1,000's) to Date</u>	
			<u>Aid Input</u>	<u>Factory Output</u>
1. Sudanese Kuwaiti Poultry Co. Mfg.		Private Personal Consumptions	Feed Grains (\$497 m)	Eggs Chickens
2. Sudanese Oilseeds Processing Co. Mfg.		Mixed Consumption Export	Machinery & Spares (1,118 m)	Peanuts
3. Sheet Metal Industries Ltd. Mfg.		Private Consumption Personal	Sheet Metal & Air Cooler Parts (\$3,100m m)	Air- Coolers
4. Waliab Oil Mills Ltd. Mfg.		Private Intermediate Mfg. Dir. Ins.	Chemicals & Tallow (\$24,200 m)	Tallow
5. Tana El Roubi Transport Co. Transport		Private Agric. Services	Tractors & Spares (\$2,273 m)	Tractors Spares
6. Union Carbide Sudan Ltd. Mfg.		Private Consumption Personal	Raw Mtl. & Spares (\$1,968 m)	D-cell Batteries
7. G.F. Kabbabe & Sons Distribution		Private Consumptions Personal	Pharmaceuti- cals (\$359 m)	Same
8. Kambal Intl. Agencies Distribution		Private Consumption Personal	(\$341 m)	
9. El Gezira Trade & Service Ltd. Distribution		Public Agriculture	Ploughs Tractor Parts (\$1,750 m)	

Table A (Con't)

<u>Firm Name</u>	<u>Sector/Output</u>		<u>\$ (1,000's)</u> <u>To Date</u>	
	<u>Category</u>		<u>Air</u> <u>Input</u>	<u>Factory</u> <u>Output</u>
10. Intl. Tyre Mfg. Distr. Co. Ltd.	Private		Carbon	Tires
	Mfg.	Transportation	Black, Rubber Chemicals (\$3,258 m)	
11. El Roubi Accumulator Co. Ltd.	Private		Machinery	Lead
	Mfg.	Transportation	& Spares (\$141 m)	Acid Batteries
12. Sudan-Ren Chemicals Arid Fertilizers Ltd.	Mixed		Chemicals	None
	Mfg.	Agriculture	& Spares (\$594 m)	

Total use of CIP Funds

\$39,599,000

Appendix B
List of Persons Interviewed

List of Persons Interviewed

Washington

I. AID

Richard Blue	NE/E
Donald Bowles	PPC/E
Joe Carol	NE/PD
Michael Crosswell	AS/DP
Georgia Fuller	SER/COM
Peter Hagen	SER/COM
Alan Reed	AFR/EA
Monica Sinding	NE/PD
Jerome Wolgin	AFR/DP

II. IMF

Peter Heller
Robin Kikuka

III. Bureau of Census

Michael Hartz

Khartoum

I. AID

Ravi Aulakh
Robert Brown
Thomas Cornell
Valerie Dickson-Horton
Thomas Eighmy
Pierre Elissabide
Anthony Funicello
William Ibrahim
Frank Martin
Mary Ann Micka
Carlos Pascual
Anne Pence
Girgis Seidaros
Keith Sherper
Donna Stauffer
Mel Van Doren
Jack Warner
Fred Winch
Eric Witt

II. Dutch Embassy

Richard Brown, Dutch Economist at University of Khartoum, DSRC
Ian de Jorge, Charge d'Affairs
Bert Ronhaar, Second Secretary, Dutch Embassy

III. GOS

Farouque Abdul Aziz, Macro-Economist in Egypt PAT MOFEP
CAC Chairperson
CAC Chairperson's Assistant
Victor Wahab

IV. Private Sector

Ahmed Mohamed Abdalla
Salad Ibrahim Ahmed
Dennis Chappell
Mohammed E. El Bakri
Yahia El Roubi
Hassan M. Ismail
G. J. Kabbabe
S. A. O. Kambal
C. J. Lazar
Mohammed S. Milani
M. Mahmoud Mohamed

Mr. Mustafa
Donald Radley
Salih Monhaed Salih
Sung Yang Cho

El Roubi Accumulator Co.
Rahad Engineering Co.
Sudan-Ren Chemicals and Fertilizer
Gezira Trade & Services Co.
El Roubi Accumulator Co.
Sudanese Kuwaiti Poultry Co.
G. F. Kabbabe & Sons
Kambal International Agencies
The Sheet Metal Industrial Ltd.
Taha El Roubi Transport Co.
Gulf International, Parent Co. of
Sudan Textiles
Sudan-Ren Chemicals & Fertilizers
Union Carbide
Sudan Oil Seeds Co.
International Tyre Mfg. & Dist. Co.

Appendix C
Appendix Tables

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Appendix Table C.1: Balance of Trade in Sudan

Exports - in LS millions

Year	Cotton	Volume of Cotton Exports 1980=100	Ground- nuts	Sesame	Gum Arabic	Total Exports	Total Imports
1960	33.2	144	4.4	4.6	6.6	63.4	56.9
1965	31.1	138	8.6	4.8	7.5	68.0	64.5
1970	63.7	308	5.5	6.5	9.1	103.9	89.4
71	69.9	423	9.3	8.0	8.0	114.4	107.1
72	72.8	357	9.7	9.2	9.1	124.4	105.3
73	84.3	289	13.0	10.7	7.4	151.2	135.5
74	43.3	88	18.2	16.5	14.3	122.0	221.0
75	70.2	181	34.4	11.9	7.6	152.5	321.3
76	97.8	233	37.0	17.3	11.2	193.0	304.8
77	133.2	213	28.8	18.3	13.5	230.2	336.1
78	122.9	136	20.7	19.2	14.8	195.6	401.3
79	151.3	152	10.0	6.3	18.5	232.7	426.2
80	121.9	100	5.9	24.9	17.9	171.3	703.7
81	66.5	44	66.5	35.3	33.7	357.0	749.8
82	122.0	76	33.2	38.1	37.8	483.1	1,083.8
83	395.9	183	16.4	70.0	73.6	810.6	1,572.1
83 /84		196					

Source: IMF, International Financial Statistics, 1984

1988	11 1989			11 1991			11 1992			11 1993			11 1994			11 1995			11 1996					
	Total	Pub.	Priv.	Total	Pub.	Priv.	Total	Pub.	Priv.	Total	Pub.	Priv.	Total	Pub.	Priv.	Total	Pub.	Priv.	Total	Pub.	Priv.			
Food	9,945.3	9,945.3	-	3.88	-	-	-	-	-	22,479.3	22,499.3	-	13.93	48.0	-	48.0	0.00	22,499.3	22,499.3	-	48.0			
Meats/Floors	9,945.3	9,945.3	-	12.22	-	-	-	-	-	28,897.4	28,899.3	-	67.11	-	-	-	-	28,896.6	28,896.6	-	48.0			
Sorghum (For animal food)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Crude Materials	-	-	-	12,956.3	1,765.7	12,190.6	7.47	11,037.7	0.9	11,046.7	5.33	5,378.1	-	5,378.1	1.70	139.3	-	139.3	0.00	20,331.2	1,776.8	28,711.7		
Lubricants/Oils	-	-	-	-	-	-	100.0	-	100.0	0.05	-	-	-	-	-	-	-	-	-	100.0	-	100.0		
Tallow	-	-	-	12,190.6	12,190.6	682.00	10,946.7	-	10,946.7	326.78	5,111.0	-	5,114.0	37.10	-	-	-	-	-	28,251.3	-	28,251.3		
Seeds for Ag. Sowing	-	-	-	1,765.9	1,765.7	-	73.65	10.9	110.9	4.90	-	-	-	-	-	-	-	-	-	1,776.8	-	1,776.8		
Animal Food Concentrate	-	-	-	-	-	-	-	-	-	-	266.1	-	266.1	NA	139.3	-	139.3	NA	403.4	-	403.4			
Textiles	-	-	-	1,532.0	-	-	1,532.0	2.13	-	-	451.9	-	451.9	1.52	52.3	-	52.3	0.33	2,056.4	-	2,056.4			
Polyester and Blended	-	-	-	-	-	-	1,532.0	-	1,532.0	N/A	451.9	-	451.9	-	52.3	-	52.3	-	2,056.4	-	2,056.4			
Chemicals	-	-	-	4,451.2	45.1	4,396.1	45.1	4,396.1	45.1	4,396.1	2,722.8	3,168.7	2,755.4	2.00	945.0	-	945.0	0.64	11,602.1	3,967.0	7,635.1			
Medicinal & Pharmaceutical	-	-	-	-	-	-	1,166.1	491.8	649.3	13.20	499.8	67.1	632.7	1.41	-	-	-	-	-	1,567.9	365.9	1,162.0		
Fertilizer	-	-	-	-	-	-	-	-	-	-	2,401.1	2,401.1	-	68.64	-	-	-	-	-	2,401.1	2,401.1			
Industrial Chem. (OEE)	-	-	-	-	-	-	1,663.0	-	1,663.0	N/A	1,573.4	-	1,573.4	NA	945.0	-	945.0	NA	4,181.4	-	4,181.4			
Carbon Black	-	-	-	-	-	-	990.5	-	990.5	N/A	748.3	-	748.3	NA	-	-	-	-	-	1,747.8	-	1,747.8		
Dye	-	-	-	-	-	-	439.9	-	439.9	N/A	-	-	-	-	-	-	-	-	-	439.9	-	439.9		
Textile Chemicals	-	-	-	-	-	-	222.0	-	222.0	N/A	-	-	-	-	-	-	-	-	-	222.0	-	222.0		
Manufactured Goods	3,322.0	3,322.0	-	1.00	3,423.0	3,423.0	-	1.00	10,327.2	6.78	1,213.6	9.30	1,213.6	710.7	2,740.5	1.48	11,799.9	9,021.5	2,375.4	4.8	21,361.2	22,474.7	8,847.5	
Iron Bars	-	-	-	-	-	-	4,762.2	6.76	6.76	77.63	645.0	645.0	-	1.06	6,969.0	6,969.0	-	NA	12,887.0	12,887.0	-	-		
Rolling Slabs	2,427.2	2,427.2	-	-	-	-	3,621.3	2,021.5	-	N/A	-	-	-	-	2,824.7	2,824.7	-	-	4,521.0	-	4,521.0			
Sheet	-	-	-	-	-	-	303.9	-	303.9	N/A	-	-	-	-	-	-	-	-	-	303.9	-	303.9		
Laminated	-	-	-	-	-	-	106.5	-	106.5	N/A	-	-	-	-	-	-	-	-	-	106.5	-	106.5		
Structural Steel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	370.7	-	370.7	-	-	370.7	-	370.7		
Profile Shapes	-	-	-	-	-	-	314.2	-	314.2	N/A	135.9	-	435.8	NA	-	-	-	-	-	970.1	-	970.1		
Crucible	-	-	-	-	-	-	106.4	-	106.4	N/A	-	-	-	-	-	-	-	-	-	106.4	-	106.4		
Thinplate	-	-	-	-	-	-	1,012.1	-	1,012.1	N/A	1,237.6	-	1,237.6	NA	300.2	-	378.2	NA	2,657.9	-	2,657.9			
Synthetic Rubber	-	-	-	-	-	-	-	-	-	-	348.5	-	348.5	NA	-	-	-	-	-	348.5	-	348.5		
Writing Paper	-	-	-	270.9	270.5	-	1.81	-	-	-	-	-	-	-	-	-	-	-	-	270.5	-	270.5		
Scientific Instruments	-	-	-	-	-	-	-	-	-	-	51.4	-	51.4	0.42	-	-	-	-	-	51.4	-	51.4		
Lifting Appliances	-	-	-	-	-	-	-	-	-	-	249.3	-	249.3	NA	-	-	-	-	-	249.3	-	249.3		
Auto Parts & Accessories	-	-	-	-	-	-	1,300.0	-	1,300.0	N/A	55.0	-	55.0	NA	1,016.0	-	1,016.0	NA	2,271.5	-	2,271.5			
Tires	65.0	65.0	-	NA	7,143.7	2,183.5	-	-	-	-	65.0	-	65.0	NA	-	-	-	-	-	5,512.0	-	5,512.0		
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	80.0	-	80.0		
Machinery & Equipment	1,220.7	1,220.7	-	0.51	941.7	2,143.5	-	0.41	17,427.9	4,707.7	2,771.2	18.37	2,771.2	5,431.8	2.02	7,467.7	1,077.3	1,420.0	1.0	19,652.0	14,520.0	16,271.4		
Tractors	-	-	-	-	-	-	5,423.6	-	5,423.6	42.64	-	-	-	-	40.9	0.32	66.1	-	66.1	NA	5,330.6	-	5,330.6	
Ag. Equip. & Parts	-	-	-	-	-	-	2,783.5	697.3	2,163.2	N/A	1,044.7	3.3	6,980.4	NA	536.9	-	536.9	NA	7,406.6	605.8	800.3			
Ag. Spares	-	-	-	496.7	496.7	-	N/A	2,741.2	1,919.2	721.6	73.0	-	73.0	NA	191.8	-	191.8	NA	2,503.1	2,637.7	263.4			
Food Processing Equip. & Spares	-	-	-	-	-	-	-	-	-	-	400.0	-	400.0	NA	67.0	-	67.0	NA	467.6	-	467.6			
Elect. Power Equip.	-	-	-	-	-	-	4,966.6	4,966.6	-	44.77	-	-	-	-	-	-	-	-	-	-	-			
Industrial Spares Parts	-	-	-	343.3	343.3	-	N/A	1,301.3	348.6	932.7	N/A	1,220.5	399.3	84.0	NA	569.0	-	369.0	NA	7,816.4	7,816.4			
Air Compressors	1,240.7	1,240.7	-	N/A	26.3	26.3	-	N/A	-	-	-	-	-	-	-	-	-	-	-	2,234.9	1,991.6	2,143.3		
Communication Equip.	-	-	-	-	-	-	-	-	-	-	21.1	-	21.1	-	-	-	-	-	-	1,265.0	1,265.0			
Spares Parts for Comm. Equip.	-	-	-	-	-	-	39.0	39.0	-	N/A	19.0	-	19.0	-	-	-	-	-	-	21.1	-	21.1		
Miscel Compressor	-	-	-	-	-	-	-	-	-	-	284.9	-	284.9	-	-	-	-	-	-	58.0	-	58.0		
Other Equip.	-	-	-	-	-	-	171.7	-	171.7	N/A	710.0	-	710.0	-	-	-	-	-	-	772.8	322.0	450.8		
Transport Equipment	90.4	90.4	-	0.07	1,423.3	1,561.3	-	1.00	3,263.0	1,169.0	2,076.0	3.74	2,076.0	1,100.0	445.5	1.11	-	-	-	6,122.7	2,777.7	2,379.5		
Spares Parts for Buses, Cars, Trucks	-	-	-	-	227.1	227.1	-	0.58	833.6	-	336.6	3.92	645.5	-	445.5	1.28	-	-	-	1,526.9	877.1	1,299.1		
Railway Spares	90.4	90.4	-	10.91	490.7	490.7	-	31.31	179.2	179.2	-	4.72	-	-	-	-	-	-	-	740.3	740.3			
Aircraft Spares	-	-	-	-	-	-	954.6	954.6	-	113.06	1,100.0	1,100.0	-	42.76	-	-	-	-	-	2,054.6	2,054.6			
Trucks	-	-	-	-	677.5	677.5	-	6.67	263.1	-	263.1	0.98	-	-	-	-	-	-	-	942.6	677.5	265.1		
Buses	-	-	-	-	-	-	975.3	-	975.3	43.85	-	-	-	-	-	-	-	-	-	975.3	-	975.3		
Boat	-	-	-	-	-	-	53.2	-	53.2	-	-	-	-	-	-	-	-	-	-	53.2	-	53.2		
Total	11,779.4	11,779.4	-	1.07	19,639.1	7,461.3	-	17,189.6	2.76	48,770.7	16,798.1	31,972.7	6.54	23,016.0	36,819.4	17,215.4	4.16	17,152.0	12,101.2	5050.0	1.65	152,764.0	80,376.0	66,788.4
		100.0			38.0	63.0		53.9		64.1		53,835.2		68.0		32.0		72.0	28.1		38.0	634		

NOTES: 1/ FY = Sudan Gov't July through June

2/ For Rank of Sudan Import Statistics which are Underreporting Imports due to non-reported Foreign Exchange Transactions. Value calculated at the Official FX Rate which under values reported items. Thus, the figures presented are minimum estimates.

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Appendix Table C:3 Structure of Recorded Imports and CIP's Share of Total
into Sudan, FY 1980 - 1984

Year	Seeds/stuffs & Tobacco		Raw Materials Incl. Petroleum		Medicine & Chemicals		Textiles		Machinery & Transp. Equip.		Other Mfd. Goods		Total Imports Mill. LS.	Disbursements from Mill LS				Total CIP Imports Bot. Incl. Cash Grants	% of Total Imports P Bank of S
	X	Z	X	Z	X	Z	X	Z	X	Z	X	Z		CIP (1) FY 1980	CIP (2) FY 81	CIP (3) FY 82	In Mill LS CIP(4) FY 83		
1974	59.7	24.1	34.0	13.7	27.2	11.0	24.1	9.7	63.8	23.8	38.7	15.6	247.5						
1975	54.7	19.0	28.2	7.8	40.2	11.2	43.0	11.9	123.6	34.3	60.2	16.7	359.9						
1976	59.5	14.8	31.9	9.3	33.4	9.8	21.9	6.4	153.6	45.0	50.0	14.6	341.4						
1977	41.8	11.1	45.6	12.1	32.7	8.7	28.2	7.5	155.3	43.9	62.9	16.7	376.5						
1978	61.5	13.7	50.8	11.3	41.6	9.3	37.8	4.4	169.4	37.7	88.3	19.6	449.5						
1979	61.5	12.9	73.2	15.3	48.8	10.2	26.7	5.6	171.7	34.0	95.9	20.0	477.3						
79/80	132.9	20.6	124.8	19.4	57.8	9.0	33.7	5.2	179.5	27.9	115.3	17.9	644.0						
'80																			
80/81	168.9	21.6	167.3	21.5	69.8	8.7	27.9	3.5	185.7	23.8	162.5	20.7	783.0	4.870				4.870	0.76
'81														24.516				24.517	3.11
81/82	197.3	20.6	269.8	28.2	64.7	6.7	28.2	2.9	250.2	26.2	147.2	15.4	957.4	27.290				27.290	3.49
'82														13.770	1.865			15.635	1.86
82/83	304.4	18.3	412.3	25.0	159.3	9.6	36.9	2.2	438.7	26.5	303.9	18.4	1655.5	7.328	25.286			32.614	3.41
'83														1.570	39.092	25.011		65.673	5.41
83/84	246.1	13.3	437.6	27.2	192.5	12.0	20.8	1.3	402.5	25.0	308.6	19.2	1608.1	0.369	19.097	28.730	20.391	68.587	4.14
'84															6.367	37.502	24.661	68.530	3.89
84/85															3.978	39.800	10.285	54.063	3.36
3 mths															2.108	7.517	16.757	26.382	
															1.072	1.495	10.743	13.310	

Appendix Table C:4 Input-Output Table for Tanganyika, 1961
 QUANTITATIVE TECHNIQUES II 6.1

Table 6J
 Input-Output Table for Tanganyika, 1961 (£ million)

Sales by industry group	Purchases by industry group										
	Sisal	Sugar	Other crops	Livestock	Forestry	Fishing	Mining	Food and beverages	Other Manufacturing	Handcrafts	Construction
1. Sisal	-	-	-	-	-	-	-	-	-	-	-
2. Sugar	-	-	-	-	-	-	-	0.1	-	-	-
3. Other crops	-	-	-	-	-	-	-	8.9	7.2	4.5	-
4. Livestock	-	-	-	0.1	-	-	-	1.4	0.1	-	-
5. Forestry	-	-	0.1	-	-	-	0.1	-	0.2	-	9.1
6. Fishing	-	-	-	-	-	-	-	-	-	-	0.3
7. Mining	-	-	-	-	-	-	-	-	-	-	0.3
8. Foods and beverages	-	-	-	-	-	-	-	0.2	-	-	-
9. Other manufacturing	-	-	-	-	-	-	0.1	0.5	0.2	-	0.5
10. Handcrafts	-	-	-	-	-	-	-	-	-	-	-
11. Construction	-	-	-	-	-	-	-	-	-	-	-
12. Electricity	0.2	0.2	0.1	-	-	-	0.2	0.1	0.1	-	-
13. Commerce	0.5	0.1	0.1	-	-	-	0.3	0.2	1.0	-	1.8
14. Building (ownership)	0.1	-	-	-	-	-	-	0.1	0.1	-	-
15. Transport	0.1	-	0.1	-	-	-	0.1	0.1	0.5	-	-
16. Services	0.1	-	-	-	-	-	-	0.1	0.1	-	-
17. Public administration	-	-	-	-	-	-	-	-	-	-	-
Total	1.0	0.3	0.4	0.1	-	0.1	0.8	11.7	9.1	4.5	2.7
Merchandise imports	1.6	0.2	0.7	-	-	0.1	0.8	0.5	3.1	-	5.3
Taxes	-	0.4	-	-	-	-	-	0.4	0.1	0.3	0.1
Gross profits	4.2	0.3	75.3	16.5	2.6	1.6	4.1	0.9	1.9	1.2	1.5
Wages	6.9	0.5	5.7	0.6	0.4	-	2.2	0.9	2.5	-	4.4
Value added	11.1	0.8	81.0	17.1	3.0	1.6	6.3	1.8	4.4	1.2	5.9
Total	13.7	1.7	82.1	17.2	3.0	1.8	7.9	14.4	16.9	6.0	14.0

Appendix Table C:4 (cont.)

INPUT-OUTPUT ANALYSIS AND ITS APPLICATIONS

Electricity	Commerce	Buildings	Transport	Services	Public administration	Intermediate consumption	Merchandise exports	Capital formation	Government consumption	Private consumption	Change in stocks	Final demand	Total output
—	—	—	—	—	—	—	13.4	0.4	—	—	-0.1	13.7	13.7
—	—	—	—	—	—	0.1	6.7	—	—	1.6	—	1.6	1.7
—	—	—	—	—	—	20.6	1.6	—	1.3	53.9	0.4	61.5	82.1
—	—	—	—	—	—	1.6	1.8	—	0.4	13.4	—	15.6	17.2
—	—	—	—	—	—	0.5	0.7	0.9	0.4	0.5	—	2.5	4.0
—	—	—	—	—	—	—	0.1	—	—	1.7	—	1.8	1.8
—	—	—	—	—	—	0.3	7.4	0.1	0.1	0.1	-0.1	7.6	7.9
—	—	—	—	—	—	0.2	7.9	—	—	7.4	-1.1	14.2	14.4
—	—	—	—	—	—	2.5	6.5	—	0.3	7.1	0.5	14.4	16.9
—	—	—	—	—	—	—	—	—	—	6.0	—	6.0	6.0
—	—	—	—	—	—	—	—	14.0	—	—	—	14.0	14.0
—	—	—	—	—	—	1.3	0.1	0.1	0.3	0.3	—	0.8	2.1
0.2	0.1	—	0.1	0.2	—	6.4	2.1	2.0	—	14.4	—	18.5	24.9
—	0.7	—	1.3	0.1	—	1.5	—	—	1.6	3.4	—	5.0	6.5
—	0.9	—	0.1	0.2	—	1.1	2.2	0.8	—	9.9	—	12.9	14.0
—	0.3	—	0.1	—	—	0.7	0.1	0.8	3.9	3.6	—	8.4	9.1
—	0.3	—	—	—	—	—	—	—	12.9	—	—	12.9	12.9
0.2	2.5	—	2.5	0.7	—	36.8	49.0	19.1	21.2	123.3	1.2	211.4	248.2
0.5	0.3	—	2.4	0.1	—	15.6	1.9	7.1	2.8	23.8	—	35.6	51.2
—	0.4	—	0.5	0.1	—	2.3	—	0.3	—	9.2	—	9.5	11.8
0.8	17.5	6.5	2.5	2.0	0.1	139.5	—	—	—	—	—	—	199.5
0.6	4.2	—	6.1	6.2	12.8	54.0	—	—	—	—	—	—	74.0
1.4	21.7	6.5	8.6	8.2	12.9	193.5	—	—	—	—	—	—	193.5
2.1	24.9	6.5	14.0	9.1	12.9	248.2	50.9	26.5	24.0	156.3	-1.2	256.5	344.7

Appendix Table C:5 Input-Output Table for Japan, 1950

QUANTITATIVE TECHNIQUES II

6.1

Table 6.1
Input-Output Table for the Hypothetical Country

($\times 10^4$)
(Values and row totals)

	Coefficients (a_{ij})														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 Apparel	166			1		22	52								
2 Shipbuilding					81		97								
3 Leather and products	1		3726			2	1	1	78		18	15			
4 Processed foods				774	315	18	1							4	
5 Fishing				96											
6 Grain mill products				963	57	9		11			26			1	
7 Transport	36	103	276	150	57	101	206	114	120	184	40	101	79	144	499
8 Industry a.c.c.	157	13	58	5			3	552	2			38	1		6
9 Transport equipment								111		1036					
10 Rubber products	65	140	148	7	147	1	152	14	578	201	6	30	9	46	1
11 Textiles	5868	144	158	13	811	20	119	443	28	2299	1740	36	7	77	
12 Machinery	29	1998	2	1			55	35	547	1	40	1469	41	1	3
13 Iron and steel		2691		115	59		276	250	2366		6	2767	5311	204	1
14 Nonmetallic mineral products		62	10	95	5		23	67	130		1	91	81	725	13
15 Lumber and wood products	5	358	10	55	61		104	229	160	15	10	112	21	186	1259
16 Chemicals	137	140	36	268	15		51	1051	55	1476	263	107	8	172	179
17 Printing and publishing	1	1		12			22	23	1		1	2			
18 Agriculture and forestry	14		1261	1207	29	8768	28	324			2346		16	71	4443
19 Nonmetallic minerals				4			5	22		131		14	11	96	
20 Petroleum products	4	69	5	8	437		465	35	59	54	4	29	17	48	2
21 Nonferrous metals	1	75		10	7		80	536	492	1	1	254	133	15	19
22 Metal mining												1	255	11	
23 Coal products	1	5	4	6	5		11	15	14			17	100	20	
24 Trade	328	922	118	190	165	347	136	267	460	199	166	274	93	23	114
25 Paper and products	74	14		138	14	20	36	181	26	32	15	76	1	407	18
26 Electric power	13	30	22	49		11	102	57	25	47	40	54	93	176	100
27 Coal mining	9	68	45	101	16	2	586	105	27	121	67	50	99	1235	100
28 Services	261	283	189	138	245	98	729	348	282	255	179	283	141	178	214
29 Petroleum and natural gas							10								
30 Interindustry total (ΣX)	916	646	127	2914	442	6641	1794	399	899	434	8877	2297	8464	776	1327
31 Total production (ΣY)	1161	999	397	6581	1749	7035	5130	830	1380	837	11327	3575	11425	1485	1936
32 Imports (M)	12	91	10	198	15	445	0	19	60	1	11	61	34	5	8
33 Total supply (ΣZ)	1173	1090	407	6781	1764	7480	5180	849	1440	838	11405	3636	11459	1490	1944

Reprinted from H. B. Chenery and P. G. Clark, *Interindustry Economics*, Table II.6, pp. 216-17, by permission of John Wiley & Sons Ltd.

Appendix Table C:5 (continued)
 Input Output Analysis and its Applications

(in 100 million pesos)

Coefficients (C _{ij})														Total intermediate demand	Final demand (in 100 million pesos)			Total demand
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34
1		23	1			8				14		11		194	141	817	979	1171
1		1										2		64	61	965	1026	1090
167		4										318		192	7	208	215	407
226														1145	115	521	566	6781
21	1	123							7					242	60	1462	1522	1764
172	88	54	114	37	120	89	498	98	297	302	183		61	971	7	1503	6510	7481
								22						1256	601	1324	1974	5120
														172	151	525	677	849
43	28	49	194	30	7	257	2	59	42	28	63	20		319	48	1073	1121	1440
40	44	43	33	11	150	23	2	140	4	17	15			482	30	546	576	858
5	53	23	6		3	16		2	3	84	156	165	6	5649	1850	1906	5751	11844
														1197	223	1216	2109	3636
63	4	18	697	100	32	828	180	85	68	189	495	22	970	8569	717	2172	3829	11498
73	1	13	24	12	44	17	36		6	27	21	16		457	184	849	1033	1490
19	1	9	102	16	11	20		42	47	197	102	15		678	78	1198	1726	1953
2361	307	681	124	127	93	357	83		76	88	171	215		4276	250	1581	1581	6107
18		1	9	3	2			2	87	5	1	176	16	299	4	732	736	1015
581	13	285	173		3	207		33	635	41	144	105	106	11902	72	4213	4264	16186
53					1	1			61			2		184	2	150	157	316
14	26	14	198	195	48	57	13	4	9	13	34	16	84	516	1	134	134	650
199	22	4	134		2845	235	3		35	112	16	77		1444	184	530	714	2155
106					1030									571	2	10	12	63
234	20	1	95	2	68		1969	4	3		2	17		963		129	150	1113
268	329	183	161	47	166	171	151	97	193	198	94	211	180	2039	429	7713	8141	10179
425	3561	10		27	18		11	131	3665	9		17		1957	62	421	483	2480
198	50	17	88	30	117	259	80	10	136	119	177	15	266	728	0	509	491	1737
293	12		199	41	81	34	4552	5	258	2533	186	21		1939	1	54	55	614
311	982	193	220	265	173	511	79	1054	253	610	78	708	625	4375	45	8250	8780	18071
				4995			7						1008	274	0	15	15	289
3584	568	2159	72	328	1046	98	871	1639	1487	589	409	3433	16	53054	3325	36596	41919	118913
5833	1026	12347	281	524	2082	316	1142	1018	2019	1237	1833	13670	49					
254	9	3840	34	126	76	267	0	0	121	0	176	0	280					
6107	1035	16187	316	651	2358	582	1142	10180	2480	1237	2011	13670	289					

1000

Appendix Table C:6 Input-Output Table for Nigeria, 1960

Table 18. Transactions matrix, showing direct purchases from industries named at the top, whose code numbers appear across the top (transfers in £ thousand)

	1(A)	2(B)	3(C)	4(D)	5(E)	6(F)	7(G)	8(H)	9(I)	10(J)
1. Agriculture	0.0	0.0	27,730.7	2,068.0	0.0	32.0	2,442.0	0.0	0.0	0.0
2. Livest'ck, fish'g, forestry	10.0	0.0	5,029.4	0.0	0.0	0.0	0,729.2	0.0	0.0	0.0
3. Agric. processing	04.9	583.0	0.0	363.4	241.4	0.0	100.0	0.0	0.0	0.0
4. Textiles	0.0	0.0	0.0	0.0	0,491.8	0.0	0.0	0.0	0.0	0.0
5. Clothing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6. Drink and tobacco	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. Food	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Metal mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Non-metal mining	0.0	0.0	22.0	5.2	0.0	0.0	1.0	0.4	0.0	21.9
10. Chemicals	0.0	35.3	0.0	0.0	0.0	29.1	0.0	0.0	0.0	0.0
11. Transport	283.2	536.0	3,221.6	35.0	1,273.2	182.7	1,008.1	51.6	231.6	81.7
12. Utilities	1.5	0.2	507.7	70.8	21.7	71.0	42.2	2,462.2	74.0	42.9
13. Trade	180.3	30.4	304.0	72.0	1,450.0	00.1	630.7	62.1	129.2	91.8
14. Construction	0.0	0.4	60.5	0.8	0.5	8.3	17.8	19.2	91.0	10.9
15. Service	421.3	08.0	1,557.6	92.4	772.0	341.8	1,050.3	130.7	58.4	211.5
16. Transport equipment	0.0	0.5	128.8	1.2	0.4	0.3	10.7	19.3	10.0	9.8
17. Non-metallic mineral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0
18. Metal mfg.	0.0	0.0	142.8	45.9	741.8	57.8	70.8	27.1	22.0	181.5
19. Wood, leather, etc.	0.0	0.0	50.3	0.4	4.7	47.1	108.3	15.0	20.0	37.2
20. Miscellaneous mfg.	0.0	0.0	25.1	3.2	2.4	23.5	65.4	7.8	13.0	15.2
Total intermediate inputs	1,000.2	1,255.3	42,480.1	2,771.0	11,005.9	1,114.3	12,002.0	621.0	765.2	1,271.0
Imports	2,070.6	4,843.5	2,135.3	010.7	4,567.9	3,780.7	3,477.3	327.8	3,114.2	820.7
Total inputs	3,070.8	0,008.8	44,015.4	3,391.3	15,573.8	4,895.0	15,539.3	1,048.8	3,879.4	2,100.8
Total outputs	458,518.5	90,441.3	72,777.8	0,508.4	33,582.8	13,508.7	22,331.1	0,065.1	9,723.8	3,111.6
Value added	453,447.7	83,344.5	28,162.4	3,177.1	18,009.0	8,701.7	0,703.8	5,016.5	5,811.1	1,111.3
	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)

Table 18. (Continued)

	11	12	13	14	15	16	17	18	19	20
1. Agriculture	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.3
2. Livest'ck, fish'g, forestry	0.0	0.0	0.0	1,700.8	0.0	5.2	0.4	1.16	11.3	10.4
3. Agric. processing	0.0	205.0	0.0	0,574.3	0.0	203.3	0.0	0.0	5,150.0	0.0
4. Textiles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.1
5. Clothing	0.0	0.0	100.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0
6. Drink and tobacco	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. Food	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Metal mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	0.0	0.0
9. Non-metal mining	813.0	430.0	0.0	4,508.0	27.0	0.3	225.7	30.7	0.0	0.0
10. Chemicals	4.3	0.0	0.0	740.4	0.0	0.0	0.0	17.7	0.0	0.0
11. Transport	0.3	290.7	1,099.7	7,181.0	1,311.4	245.3	59.4	240.3	63.9	104.7
12. Utilities	0.0	0.0	0.0	121.0	715.0	107.2	1,315	88.0	11.1	0.8
13. Trade	1,047.2	104.7	0.0	0,072.0	2,803.5	237.4	10.1	111.1	115.3	35.7
14. Construction	0.0	19.2	317.4	0.0	1,901.1	20.0	1.2	16.0	1.0	1.1
15. Service	2,058.7	97.0	2,198.8	93.0	0.0	355.3	13.0	60.6	69.9	88.9
16. Transport equipment	0,158.8	0.0	0.0	217.0	0.0	0.0	3.1	3.1	2.7	4.7
17. Non-metallic mineral	0.0	0.0	0.0	1,372.9	0.0	0.0	0.0	0.0	0.0	0.0
18. Metal mfg.	109.2	303.0	100.4	235.0	180.3	3.4	0.7	0.0	103.5	10.0
19. Wood, leather, etc.	748.8	12.7	320.8	1,950.9	1,129.2	5.7	7.1	11.1	0.0	2.3
20. Miscellaneous mfg.	109.1	0.4	309.0	0.0	705.2	2.8	3.5	5.7	0.0	0.0
Total intermediate inputs	12,550.0	1,537.3	5,100.1	31,073.0	9,114.1	1,200.9	501.5	1,765.1	7,103.7	357.2
Imports	11,867.8	758.0	820.0	20,073.0	1,211.0	2,550.5	123.7	1,070.0	1,171.1	730.9
Total inputs	24,417.8	2,295.3	5,920.1	52,146.0	12,325.0	3,751.4	625.2	2,835.1	8,274.8	1,088.1
Total outputs	104,919.4	5,479.2	71,483.9	90,500.0	122,225.4	8,092.4	1,455.9	9,981.5	20,161.8	2,248.7
Value added	80,501.0	3,201.0	68,157.8	38,151.0	109,809.4	4,932.0	830.5	1,709.1	9,701.1	1,112.0
	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)

Appendix Table C:5 (continued)

Table 18. (Continued)

	I	II	III	IV	V
	Total intermediate demand	Investment	Exports	Consumption	I + II + III + IV Total
1. Agriculture	33,237.2	0.0	40,476.8	355,801.5	458,518.5
2. Livestock, fishing, forestry	14,601.2	0.0	0,100.9	78,501.2	99,113.3
3. Agricultural processing	14,150.2	0.0	10,040.0	11,931.0	36,121.2
4. Textiles	0,500.1	0.0	0.0	0.0	0,500.1
5. Clothing	200.1	0.0	0.0	37,782.8	37,982.9
6. Drink and tobacco	0.0	0.0	80.5	11,509.2	11,589.7
7. Food	0.0	0.0	130.7	22,103.4	22,234.1
8. Metal mining	12.0	0.0	0,033.7	0.0	0,065.7
9. Non-metal mining	6,178.9	0.0	3,519.0	25.3	9,723.2
10. Chemicals	820.5	0.0	131.5	2,111.6	3,063.6
11. Transport	21,840.0	4,273.0	11,211.3	67,588.2	104,912.5
12. Utilities	2,440.3	0.0	0.0	3,029.9	5,470.2
13. Trade	14,706.1	3,020.8	1,107.0	55,300.4	74,054.3
14. Construction	2,582.0	85,000.0	0.0	2,017.1	90,599.1
15. Service	12,605.0	4,977.7	8,715.0	05,817.1	32,115.8
16. Transport equipment	0,508.5	1,203.0	0.0	800.0	2,511.5
17. Non-metallic mineral products	1,422.9	0.0	17.4	13.0	1,453.3
18. Metal manufacturing	2,473.2	1,737.2	7.5	5,703.0	9,918.9
19. Wood, leather, paper, rubber, plastic	4,550.5	0.0	0.0	15,024.3	19,574.8
20. Miscellaneous manufacturing	1,305.3	0.0	0.5	874.9	2,180.7
Total outputs (sum of 1-20)	145,588.1	100,312.5	124,478.0	705,093.0	1,100,072.5

(Continued on next page)

Table 18. (Concluded)

Consumption of intermediate goods	705,093.0
Consumption of imports	119,859.4
Investment in intermediate goods	100,312.5
Investment in imports	30,338.0
Investment value added—Final	17,237.9
Trade balance (exports-imports)	27,648.1
Indirect taxes ^a	24,711.7
Income from abroad	1,700.0
GNP at current prices	1,062,151.4

a. Except import duty on final consumption and investment.

Appendix D
CIP Evaluation Scope
of Work Cable

Department of State

PAGE 01 OF 01 11713 02 OF 24 1813522 1497 074919 A105712
ACTION: A10-00

ACTION OFFICE AFSA-03
INFO AFEM-03 AFOR-06 PPEC-01 PPPB-02 CMGT-02 CTR-02 AFDA-01
FELO-01 TELE-01 MAGT-01 /023 A1 1118

INFO OCT-00 COPY-01 AF-00 CIAE-00 EB-00 DODE-00 /009 W
-----117411 1813542 /52/38

O 181252Z SEP 84
FM AMEMBASSY KHARTOUM
TO SECSTATE WASHDC IMMEDIATE 3768

UNCLAS KHARTOUM 11713

AIDAC

FOR AFR/EA/ESD A. REED

E.O. 12356: M/A
SUBJECT: CIP EVALUATION

REF: (A) KHARTOUM 1581, (B) STATE 269481,

1. APPRECIATE REF B CLARIFICATION OF TEAM AVAILABILITY, DATES, AND LOC CONTACTS.

2. CONTRACT MODALITIES, STAFF AND TIMING:

A. FIRM: USAID/SUDAN WILL ISSUE A CONTRACT TO SELECTED FIRM SPECIFYING THE PROVISION OF TEAM LEADER/MACRO ECONOMIST FOR 3 PERSON OUTSIDE EVALUATION TEAM AND INSTITUTIONAL ECONOMIST FOR LOC AND TIMING SPECIFIED REF B IE TEAM LEADER/MACROECONOMIST O/A NOV 9-28, INSTITUTIONAL ECONOMIST NOV 9-16. TEAM LEADER/MACROECONOMIST ALSO WILL BE AUTHORIZED UP TO 5 WORKDAYS IN WASHINGTON PRIOR NOV. 9 FOR SOME ITEM A. TEAM MEMBERS S/P PREPARED TO START WORK KHARTOUM NOV. 11. IF NECESSARY, INVITATIONAL TRAVEL AND/OR ADVANCE WILL BE AUTHORIZED. MISSION PILOT UNDER PREPARATION.

B. LOC INDUSTRIAL ECONOMIST. USAID WILL SELECT FROM VITAS/PROPOSALS MENTIONED REF B. UNDERSTAND THESE TO BE SEND CARRIED TO KHARTOUM BY D. MENDELSON. LOC EXPERIENCE AND SPECIALIZATION IN PRODUCTION ECONOMICS, INVESTMENT THEORY, AND EXPORT COMPETITIVENESS ARE ESPECIALLY SOUGHT. ON CABLED ADVICE FROM USAID, A10/W WILL ISSUE WORK ORDER PER COM. TERMS INDICATED BY (A). UP TO FOUR WEEKS LOC IS AUTHORIZED COMMENCING O/A NOV. 9. MISSION WILL CABLE GIVING SELECTED CANDIDATE AND FISCAL DATA.

C. REED PARTICIPATION IS ALSO DESIRED AS PART OF TEAM. IN ADDITION, USAID REQUIRES REED FOR REVIEW OF OUTSIDE TEAM'S EVALUATION REPORT AND ASSISTANCE IN PREPARATION OF PEG RECOMMENDED ACTIONS, ESPECIALLY THOSE REQUIRING WASHINGTON FOLLOW UP.

D. FYI LOCAL FIRM FOR COMMODITY END USE STUDY WILL BE FUNDED BY USAID'S LOCAL CURRENCY POLICY STUDIES PROJECT 65W-1981. NO A10/W ACTION NECESSARY. USAID EPP ECONOMISTS AND SPD, CGMT, AND PD STAFF WILL ALSO PROVIDE INPUT TO EVALUATION FINDINGS AND INTERPRETATION. END FYI.

3. OBJECTIVES OF CIP.

A. SUPPORT POLICY CHANGE THROUGH PROVISION OF INTERIM FINANCING DURING ECONOMICALLY NECESSARY BUT POLITICALLY SENSITIVE REFORMS

B. BOOST EXPORT PERFORMANCE AND EFFICIENT IMPORT SUBSTITUTION TO INCREASE SUDAN'S BALANCE OF PAYMENTS POSITION

THROUGH PROVISION OF FAST DISBURSING SCHEMES FOR GENERAL IMPORTS.

C. IMPROVE INFRASTRUCTURE ESPECIALLY POWER GENERATION/TRANSMISSION AND TRANSPORT TO SUPPORT AGRICULTURAL AND INDUSTRIAL PRODUCTION.

D. PROVIDE SCARCE FOREIGN IMPORTS TO PERMIT GREATER PRIVATE SECTOR PARTICIPATION IN SUDAN'S DEVELOPMENT.

E. PROVIDE BUDGETARY SUPPORT FOR LONG RANGE GOS AND DONOR DEVELOPMENT PROJECTS THROUGH JOINT PROGRAMMING OF COUNTERPART FUNDS.

F. PURPOSE OF EVALUATION. THE PURPOSE OF THE EVALUATION IS TO CONSIDER HOW WELL THE ABOVE OBJECTIVES HAVE BEEN MET AND WHAT STEPS USAID AND THE GOS MIGHT TAKE IN FUTURE TO MEET THE OBJECTIVES. SPECIFICALLY THE TEAM SHOULD:

A. ASSESS MACRO-ECONOMIC IMPACT OF THE CIP OVER THE LIFE OF THE PROGRAM.

B. EVALUATE THE IMPACT ON PRODUCTION OF SUBSECTORS, INDUSTRIES AND FIRMS WITH REFERENCE TO: (A) EXPORT PRODUCTION; (B) IMPORT SUBSTITUTION; (C) INFRASTRUCTURE SUPPORT (ENERGY SUPPLY AND DISTRIBUTION, TRANSPORT, COMMUNICATIONS).

C. ANALYZE DEVELOPMENTAL IMPACT OF THE USE OF COUNTERPART LOCAL CURRENCY GENERATIONS TO THE DEGREE POSSIBLE.

D. PROVIDE INFORMATION TO ASSIST USAID AND THE GOS IN MAKING FUTURE CIP ALLOCATIONS FOR EXAMPLE BY FOCUSSEING IMPORTS ON THOSE USES, PARTICULARLY WITHIN THE PRIVATE SECTOR WHICH CONTRIBUTE MOST TO EXPORT EARNINGS AND PRODUCTIVITY GROWTH.

5. SCOPE OF WORK. THE OUTSIDE EVALUATION TEAM IS RESPONSIBLE FOR PREPARING A DRAFT REPORT EVALUATING THE ECONOMIC IMPACT OF THE COMMODITY IMPORT PROGRAM (CIP). THE REPORT IS TO BE SUBMITTED TO USAID/SUDAN PRIOR TO THE TEAM LEADER'S DEPARTURE.

DOCUMENTATION HELD BY USAID/SUDAN WILL BE MADE AVAILABLE TO THE TEAM. THIS INCLUDES PACTS, PROJECT AGREEMENTS, SIDE LETTERS OF AGREEMENT, IMPLEMENTATION LETTER AND OTHER CORRESPONDENCE, LETTER OF COMMITMENT/CREDIT (LCC) SPECIFYING THE COMMODITIES AND IMPORTERS, ARRIVAL ACCOUNTING FORMS, RECORDS OF EXPENDITURES UNDER L/C'S, RECORDS OF LOCAL CURRENCY GENERATION AND END USER REPORTS. THIS DOCUMENTATION IS HELD JOINTLY BY THE ECONOMIC POLICY AND PROGRAM OFFICE (EPP), SUPPLY MANAGEMENT OFFICE (SMO), CONTROLLER OFFICE (CGMT) AND PROJECTS OFFICE (PDO).

SELECTION OF A SUDANESE ECONOMIC AND MANAGEMENT CONSULTING FIRM IS UNDERWAY. THIS FIRM WILL USE EXISTING QUESTIONNAIRE, OR MODIFICATION, TO ELICIT INFORMATION FROM IMPORTERS TO HELP DETERMINE THE ROLE OF CIP IN THEIR OPERATIONS. THE OUTSIDE EVALUATION TEAM MEMBERS MAY ACCOMPANY THE LOCAL FIRM ON INITIAL OR FOLLOW UP VISITS TO IMPORTERS OR RE-VISIT IMPORTERS PREVIOUSLY INTERVIEWED BY THE LOCAL FIRM.

MAJOR PUBLIC SECTOR IMPORTERS INCLUDE CEILING BOARD (COTTON BAILING HOOPS, JUTE BAGS), SUDAN AIRWAYS, SUGAR RAILWAY CORP., NATIONAL ELECTRICITY CORP. KHANNA SUGAR IS JOINT PUBLIC/PRIVATE SECTOR. A VARIETY OF PRIVATE SECTOR FIRMS HAVE ALSO RECEIVED CIP IMPORTS INCLUDING SHEET METAL INDUSTRIES, PEPSI COLA, ER SUDAN GROUP (VEHICLE BATTERIES, ROAD MAINTENANCE, UNION CATERING, INDIVIDUAL BATTERIES), DIVERSE TEXTILE, NON-FUNCTIONAL, ANIMAL FEED AND EQUIPMENT.

Department of State

SECRET

DE 02 OF 03 PART 13713 CB OF 04 181352Z 1497 074919 405712
ALL PROCESSING COMPANIES.

TEAM PRIMARY RESPONSIBILITIES ARE PROVISIONALLY ASSIGNED ACCORDING TO FOLLOWING CODE:

- T/M TEAM LEADER/MACROECONOMIST
- IE INSTITUTIONAL ECONOMIST
- IQ IOC INDUSTRIAL ECONOMIST

THE TEAM LEADER, IN CONSULTATION WITH USAID MAY SHIFT ASSIGNMENTS ACCORDING TO SPECIALTIES OF TEAM MEMBERS AS EVALUATION PROCEEDS.

ITEM A BELOW IS TO BE COMPLETED IN WASHINGTON TO THE DEGREE POSSIBLE BEFORE THE TEAM LEADER'S ARRIVAL IN SUDAN. PILOT PROVIDES 5 DAYS EFFORT FOR THE TASK.

ITEMS B-C RELATE TO ORGANIZATION OF TEAM'S EFFORTS.

ITEMS D-G ARE MICRO-ECONOMIC AND POLICY ORIENTED ISSUES. THE TEAMS ASSESSMENT OF THESE ISSUES SHOULD APPEAR IN DRAFT REPORT.

ITEMS H-L ARE MAINLY SECTORAL AND INDUSTRY ORIENTED ISSUES DEPENDENT PRINCIPALLY ON INTERVIEWS AND ANALYSIS OF END USE REPORTS. ASSESSMENT OF THESE ISSUES SHOULD FORM PART OF TEAM'S DRAFT REPORT.

(T/M) A. IN WASHINGTON:

1. INTERVIEW PETER HAGAN AND OTHER RELEVANT SER/COM STAFF;
2. REVIEW U-214 DISBURSEMENT/EXPENDITURE REPORTS AND OTHER AVAILABLE DOCUMENTATION (PAADS, AUDIT REPORTS, LISTS OF ELIGIBLE COMMODITIES AND SUPPLIERS AND POLICY STATEMENTS ON CIP, USAID/SUDAN ABS, COSS).
3. INTERVIEW VIA TELEPHONE AND LETTER FOLLOW UP US SUPPLIERS TO SUDAN IF APPROPRIATE;
4. REVIEW THE ASSESSMENT OF USAID/SOMALIA CIP AND ANY AVAILABLE DOCUMENTATION ON THE USAID/EGYPT CIP EVALUATION. NOTE THAT TO USAID'S KNOWLEDGE NO IMPACT EVALUATIONS OF CIPS HAVE BEEN COMPLETED PREVIOUSLY.

(T/M) B. DIRECT WORK OF OTHER OUTSIDE TEAM MEMBERS.
(T/M, IE, IQ) C. REVIEW AID DOCUMENTATION INCLUDING EXISTING END USE SURVEY REPORTS.

(T/M) D. PREPARE A LISTING OF COVENANTS AND RELATED POLICY CHANGES INCLUDING BUT NOT LIMITED TO PRICE, AND EXCHANGE RATE ADJUSTMENTS, ATTRIBUTABLE TO CIP. NOTE POLICY

CHANGES REGARDING USE OF CASH GRANTS, PUBLIC SECTOR CONTRIBUTIONS AND APPLICABLE EXCHANGE RATES. ASSESS EFFECTIVENESS OF COVENANTS AND RELATED POLICY DIALOGUE IN ACHIEVING POLICY REFORMS. NOTE AREAS WHERE ADDITIONAL REFORMS MAY BE NECESSARY BEFORE CIP IMPORTS CAN HAVE DESIRED IMPACT.

(T/M) E. DETERMINE BALANCE OF PAYMENTS AND GNP EFFECTS ATTRIBUTABLE TO CIP TO THE DEGREE MEASURABLE.

(T/M) F. DESCRIBE THE RELATIONSHIP OF CIP AND COUNTERPART FUND ALLOCATIONS TO USAID AND GOS STRATEGY AS EXPRESSED IN THE COSS'S AND THE GOS THREE YEAR PUBLIC INVESTMENT PROGRAM.

(T/M) G. DESCRIBE THE EVOLUTION OF THE NEGOTIATING PROCESS WITHIN THE GOS AND BETWEEN USAID AND THE GOS BY WHICH ELIGIBLE COMMODITIES AND ELIGIBLE PUBLIC AND PRIVATE SECTOR IMPORTERS ARE SELECTED, INCLUDING THE DEGREE TO

WHICH ELIGIBLE IMPORTERS MAY BE EXCLUDED DUE TO LACK OF INFORMATION, I.E. WHAT IS THE PROCESS BY WHICH THE FINAL LISTS HAVE BEEN FORMULATED.

(IQ) H. DESCRIBE EXISTING PUBLIC AND PRIVATE SECTOR SHARE OF CIP IMPORTS BEARING IN MIND THAT DIFFERENT SECTORS MAY BE INVOLVED IN THE PROCESSING AND END USE OF THE SAME COMMODITY. IN LIGHT OF OTHER INFORMATION, IS A FURTHER SHIFT OF FOCUS DESIRABLE

(IQ) I. ASSESS PUBLIC VS. PRIVATE SECTOR EFFECTIVENESS IN USE OF CIP IMPORTS. (E.G. TIME LAGS, ROLES OF THE COMMODITY IN PRODUCTION PROCESS).

(IQ) J. CONSIDER THE CONCENTRATION OF END-USE IN RELATIVELY WELL SERVED SECTORS AND REGIONS TO THE EXCLUSION OF IMPORTS FOR OTHER SECTORS OR REGIONS WITH HIGHER RETURNS, I.E. THE DISTRIBUTION OF CIP BENEFITS.

(IQ) K. CONSIDER THE APPROPRIATE MIX OF CAPITAL, INTERMEDIATE, INFRASTRUCTURE AND CRUCIAL CONSUMER GOODS AND FORM JUDGEMENTS ON WHICH CATEGORIES CONTRIBUTE MOST DIRECTLY TO PRODUCTIVITY AND EXPORT GROWTH.

(IE) L. ANALYZE EXPORT COMPETITIVENESS OF SUDANESE INDUSTRIES RECEIVING CIP ALLOCATIONS UNDER EXISTING CONDITIONS. WHAT GOVERNMENT REFORMS AND WHAT FIRM AND INDUSTRY LEVEL ADJUSTMENTS APPEAR NECESSARY TO IMPROVE EXPORT COMPETITIVENESS, OR TO IMPROVE FIRM PRODUCTIVITY. THE ANALYSIS SHOULD COVER THE AVAILABILITY OF DOMESTIC SUBSTITUTES AND GREATER FOREIGN SOURCES FOR IMPORTED COMMODITIES. DOES THE EXCHANGE RATE AND DISCOUNT SUGGEST ENCOURAGE ACTIVITIES WHICH WOULD BE UNPROFITABLE IN ITS ABSENCE.

B. OTHER ISSUES: THE TEAM MAY CONSIDER OTHER ISSUES WHICH IMPRINGER UPON THE SCOPE OF WORK:

A. LACK OR HIGH COST OF LOCAL CURRENCY AS A CONSTRAINT TO OTHERWISE DESIRABLE POTENTIAL IMPORTERS AND THE APPROPRIATENESS OF UTILIZING SOME OF THE COUNTERPART FUNDING TO SUPPORT PRIVATE SECTOR IMPORTERS THROUGH AN INTERMEDIATE FINANCIAL INSTITUTION, NOTING THAT MOST COUNTERPART FUNDS, OVER THE LIFE OF THE PROGRAM, HAVE BEEN GENERATED BY THE PRIVATE SECTOR.

B. THE DIVISION OF IMPORTS BETWEEN US AND OTHER CODE 941 COUNTRIES.

C. AVERAGE TIME LAPSE FOR DIFFERENT COMMODITIES AND IMPORTERS AT STAGES OF THE IMPORT PROCESS (E.G. RECEIPT OF LIST, ISSUANCE OF LETTERS OF COMMITMENT OR LETTER OF CREDIT, PLACEMENT OF ORDER, SHIPMENT OF ORDER, ARRIVAL AT PORT SUDAN, CLEARANCE, DELIVERY, UTILIZATION). EXAMINATION OF ARRIVAL ACCOUNTING FORMS WILL BE HELPFUL.

D. IDENTIFICATION OF POSSIBLE CONSTRAINTS TO EFFECTIVE UTILIZATION OF COMMODITIES WHERE THESE CONSTRAINTS ARE UNDER PROGRAM, AS OPPOSED TO GOS OR FIRM CONTROL. (E.G. RELATIVE PRICE OF US GOODS AND SHIPPING, INCLUDING EXCHANGE RATE AND DISCOUNT APPLIED, AVAILABILITY OF FUNDS FOR ADVANCE DEPOSIT, POLICY AND MANAGEMENT ISSUES).

7. INTERVIEWS CAN BE ARRANGED WITH GOS OFFICIALS BUT MOST CONTACT WILL BE WITH PUBLIC AND PRIVATE SECTOR IMPORTERS AND USAID STAFF.

B. NOTE (II) THAT MAJOR EMPHASIS OF DRAFT REPORT IS ON IMPACT OF CIP ON SUDAN'S MACRO ECONOMIC PERFORMANCE AND SECTORAL PATTERN OF ACTIVITY, NOT PROGRAM MANAGEMENT WHICH IS

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SUBJECT TO C-0 AUDIT: (2) EMPHASIS ON LOCAL CURRENCY
GENERATIONS WILL BE CONFINED TO TIMELINESS OF DEPOSITS
AND APPROPRIATENESS OF PROGRAMMING TO PROJECTS PER SF
NOT ON RECIPIENT PROJECT'S PERFORMANCE WHICH IS SUBJECT
OF PROJECT INTERNAL REVIEWS AND EVALUATIONS.

9. AFTER REVIEW OF THE DRAFT REPORT, AND PROGRESS OF THE
END-USE SURVEY, USAID MAY CONSIDER FUNDING OF ADDITIONAL
EFFORT. NCRAM

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