

A.I.D. Grant No. 650-K-606

Amendment Number ONE



4/30/85

GRANT AGREEMENT AMENDMENT
BETWEEN
UNITED STATES OF AMERICA
AND THE
DEMOCRATIC REPUBLIC OF THE SUDAN
FOR
PETROLEUM INITIATIVE COMMODITY IMPORTS

Dated: April 8, 1985

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AMENDMENT TO GRANT AGREEMENT

BETWEEN

THE UNITED STATES OF AMERICA, ACTING
THROUGH THE AGENCY FOR INTERNATIONAL
DEVELOPMENT ("A.I.D.")

AND

THE DEMOCRATIC REPUBLIC OF THE SUDAN
("THE GOVERNMENT")

The purpose of this document is to amend Article 3, Conditions Precedent, Section 3.1; Article 7, Special Covenants; and the Illustrative Implementation Plan of the Grant Agreement entitled Petroleum Initiative Commodity Imports (A.I.D. Grant Number 650-K-606), dated June 9, 1984.

Accordingly, Article 3, Section 3.1, is hereby amended to read as follows:

Article 3: Conditions Precedent to Disbursement

Section 3.1. Conditions Precedent. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (a) An opinion of the Attorney General, or his designee, of the Democratic Republic of the Sudan that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms.
- (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 pursuant to Section 9.2, together with a specific signature of each person certified as to its authenticity.
- (c) Evidence that the Grantee has deposited, or caused to be deposited, Dols 45 million in a foreign exchange special account to be used exclusively for the purchase of

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petroleum. Not less than US Dols 20 million of this amount shall be provided from GOS resources, and up to US Dols 20 million may be provided in kind in lieu of a cash deposit.

- (d) A plan, formulated by the Governor of the Bank of Sudan and acceptable to A.I.D., for the deposit of foreign exchange into the Petroleum Facility over the first year.
- (e) A plan, acceptable to A.I.D., for the administration of the Petroleum Facility involving all licensed private distributors (currently Shell, Mobil, Agip and Total) through an Advisory Planning Committee in the importation and allocation of petroleum products.
- (f) Evidence that the Grantee has established procedures, acceptable to A.I.D., for the purchase of petroleum products which allow for competitive procurement by pre-qualified bidders.
- (g) Evidence that the Grantee has a schedule for established prices for gasoil which reflect its economic costs in light of the outcome of the World Bank Study per Article 7 (f).

Article 7 is hereby amended to read as follows:

Article 7: Special Covenants

- (a) Recognizing that an essential ingredient to Sudan's Petroleum Initiative is the assured financing of US Dols 360 million of petroleum per project year, the GOS covenants to deposit, or cause to be deposited, US Dols 240 million through the first cycle of the Petroleum Facility, which is one calendar year after the beginning of the Facility. Availability of the funds will be according to the schedule stipulated in the financing plan submitted in satisfaction of condition precedent 3.1 (d). Included within the US Dols 240 million are contributions which may be provided by other donors.
- (b) Of this amount of US Dols . . . million under Sudan's responsibility, Sudan further covenants to actively encourage other donor (non-USG) financing for a minimum of US Dols 65 million through the first nine months of the Petroleum Facility's operation. Any donor financing above the US Dols 65 million will be used to procure additional gasoil aimed at alleviating pent-up demand. It will not apply to Sudan's own net contribution of US Dols 175 million.

- (c) The first deposit of US Dols 15 million from the commercial bank free market rate will be procured not later than thirty days after the initiation of the Petroleum Facility. Subsequent deposits of US Dols 15 million per month will be completed by the end of each calendar month, or earlier if required to maintain orderly tendering and procurement of petroleum.
- (d) The Grantee covenants to permit Sudan's five private sector distributors to have sole responsibility for importing directly within the Petroleum Facility as specified in 7(a), all gasoil and a portion of the benzene imported as product. GPC will have responsibility for importing crude and any remaining benzene and for importing and exporting fuel oil.
- (e) The Grantee covenants to permit tendering by Sudan's prequalified bidders. All awards will be financed through the Petroleum Facility. Sudan's private sector distributors shall be permitted to bid for all product and crude purchased under the Facility. Sudan's private sector distributors shall be permitted to bid for all product and crude purchased under the Facility.
- (f) All crude oil, fuel oil, gasoil, benzene and kerosene imported against foreign exchange derived from the commercial bank free market rate, the accounts of the Bank of Sudan, or accounts opened on behalf of the Bank of Sudan, as well as aid quantities financed by donors, which is marketed for Sudanese currency, will be imported through the Petroleum Facility and in accordance with the provisions included herewith for its operation. This stipulation does not preclude the Bank of Sudan from increasing the amount it devotes to petroleum imports as long as these additional funds are channelled through the Petroleum Facility and are expended according to its provisions. Should a donor, whether covered by this agreement or otherwise, provide petroleum in kind, the Government of Sudan will make known to all donor participants of the Petroleum Facility the terms of such an arrangement. Any claim which such an arrangement establishes to any resources of the Government of Sudan, past, present or future, must be consistent with the terms of the Petroleum Facility from the standpoint of equivalent petroleum prices. Any interest and fees that may be associated with the transaction must be as advantageous as those obtained from suppliers under short-term credit extended through the Petroleum Facility.
- (g) The Grantor and the Grantee covenant to adhere to the financial plan outlined in Table 2 below.

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- (h) The GOS covenants that all deposits into the Facility will be timely enough to assure proper tendering, awarding and payment of petroleum procurement.
- (i) In addition to the normal review by the Grantee's Auditor General, the Grantee will retain an internationally recognized auditing firm by September 1985, for a periodic review of the financial status of the foreign exchange Special Account and of the international procurement of petroleum products financed by this account. The reports and audits of this firm will be open to review by A.I.D. and the other donor participants.
- (j) Within one month of the date of initiating the Petroleum Facility, the grantee will institute a pricing system that allows internal distributors of petroleum products to recover real transportation costs, evaporation losses, and other costs associated with internal marketing.
- (k) As a measure to ensure full competition among suppliers of product and crude to the GPC and to assure that Sudan benefits from current international marketing conditions, the GPC, working with the Advisory Planning Committee, will, in determining the mix of imports among crude oil and petroleum products, consider all economic factors and make this analysis available to donors. In the event that the operation of the Petroleum Facility allows for increases in supply over 1984 levels with available financing, these increases will be devoted to importing additional gasoil.
- (l) The Grantee covenants to allow the four distributors to submit to the GPC individual allocation plans for gasoil sales. These plans will specify how each distributor will use their commercial outlets and current respective shares of the market to service:
 - 1. Inland Transport
 - 2. Irrigated Schemes
 - 3. Mechanized Farming
 - 4. Outlying Regions
 - 5. Major Urban AreasGPC will review these plans and suggest the adjustments needed to assure (A) comprehensive coverage of the country's gasoil needs and (B) supplies of gasoil that correspond to foreign exchange availabilities.
- (m) All exports of surplus fuel oil shall be by open tendering assuring full competition. All foreign exchange proceeds from this export shall be deposited into the Petroleum Facility, Special Account.

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- (n) Within six months from the date of this agreement, the Ministry of Energy and Mining, working through the Advisory Planning Committee, will complete a new plan, acceptable to A.I.D., for the internal allocation and distribution of petroleum products. The plan will be implemented by the G.P.C. It will assure that no special extraordinary allocations are made to private individuals and entities or to government agencies which would allow them to pick up fuel from depots. The allocation made to all public sector entities and parastatals will be reviewed by the Advisory Planning Committee and assessed in terms of economic priorities set after comparison with other requirements of industry, transportation and agriculture. Particularly, the requirements of rainfed agriculture will be addressed.
- (o) The petroleum not coming through the pipeline will be moved to the Khartoum storage depot and other locations by rail or by private truckers depending on the preference of the importer. Delivery will be made directly to the distributors on the basis of consignments as set by the General Petroleum Corporation. All crude imports will be delivered to the refinery in Port Sudan. The G.P.C. will transfer the product from the refinery to Khartoum and will consign it to distributors.
- (p) Prices will be reviewed, at a minimum, on a quarterly basis and, if necessary, revised to reflect any changes in: (a) the dollar purchase price for the petroleum; (b) changes in the international exchange rate of the Sudanese pound; and (c) domestic handling and distribution.

Except as amended herein, all terms and conditions of the Grant Agreement of 9 June 1984 remain in full force and effect. The goals and objectives of the Grant Agreement remain the same. In the case of differences which might arise between the Amplified Program Description of the original Grant Agreement and this Amendment, terms in this Amendment will control.

THE DEMOCRATIC REPUBLIC OF THE SUDAN

THE UNITED STATES OF AMERICA

BY: ELSHAYED A-A-ZAKI

BY: [Signature]

TITLE: UNDER SECRETARY OF PLANNING

TITLE: Director, A.I.D.

DATE: April 10, 1985

DATE: April 9, 1985

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TABLE 1

ILLUSTRATIVE IMPLEMENTATION PLAN

Date	Activity	Responsible Entity
June 1984	PAAD approved.	A.I.D./W
June 1984	Agreement signed.	USAID/GOS
June 1984	Facility financial and administration plan developed (including naming representatives to sit on Advisory Planning Committee).	GOS
June 1984	Special Account opened.	GOS
June 1984	Khartoum meeting.	GOS/USAID/Donors
July 1984	GOS deposits \$30 million of FX into Facility Account.	GOS
Jan. 1985	Procedures for competitive Procurement.	GOS/Oil Companies
March 1985	Upcoming petroleum product requirements determined.	GOS/Oil Companies
April 1985	Prequalification of suppliers.	GOS
April 1985	Tender issued for up to 3 months supply of petroleum products to extent financing exists.	GOS
April 1985	All conditions precedent met.	GOS
April 1985	A.I.D. opens Bank Letter of Commitment for \$40.0 million (letter of Commitment opened when conditions precedent met).	A.I.D./W
April 1985	Award made to private oil supplier for first order under 90 - 120 day suppliers credit.	GOS
April 1985	Bank opens Letter of Credit to successful offeror, drawing upon available funds from GOS (including donors) according to the schedule approved by participants.	Bank

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Date	Activity	Responsible Entity
April 1985	First Shipment of petroleum arrives.	Supplier
April 1985	GPC receives petroleum from private supplier.	Supplier/GPC
April 1985	GPC sells supplies to internal marketing companies based on agreed upon market shares.	GPC
May 1985	Contract signed with international auditing firm to monitor petroleum facility and initiative.	GOS
May 1985	GPC deposits sales proceeds (in local currency) with GOS.	GPC

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TABLE 2

FINANCIAL PLAN

(Millions of USDols)

<u>Month</u>	<u>Contribution</u>	<u>Monthly Total</u>	<u>Cummulative Total</u>
1. GOS/BOS	\$ 20		
Saudi Arabia	20		
Netherlands	5	45	45
2. GOS	15		
USG	20	35	80
3. GOS	15		
USG	20	35	115
4. GOS	15		
USG	40	55	170
5. GOS	15		
Saudi Arabia	40	55	225
6. GOS	15	15	240
7. GOS	15	15	255
8. GOS	15	15	270
9. GOS	15	15	285
10. GOS	15		
GOS/BOS*	40		
USG*	40	95	380
11. GOS	15	15	395
12. GOS	15	15	410

* \$40 million from GOS cotton sales and \$40 million from the USG as a credit guarantee will be used during the second year of the Petroleum Initiative.

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بنك الخرطوم
شركة خاصة محدودة
BANK OF KHARTOUM
Private Limited Company



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TELEX: 22181 BKHOF SD.

المركز الرئيسي
صندوق بوسته ١٠٠٨ - الخرطوم
جمهورية السودان الديمقراطية
العنوان التلغرافي : فورن الخرطوم
تلكس : بكهوف ٢٢١٨١

DATE 8th April 1985..... التاريخ

Mr. W. Robert Brown,
Director,
US AID Mission,
KHARTOUM.

Dear Mr. Brown,

This is to confirm that we, BANK OF KHARTOUM, acting as Sudan Government Agent Operating Transactions under the Oil Facility have secured the prior approval of USAF Bank Ltd., London to provide us with a Credit Line Facility to the tune of US Dol. 15 Million for confirmation of Letters of Credit for the import of Oil with refinancing.

We also confirm that we hold Bank of Sudan undertaking to provide us immediately with balance of US Dol. 5 Million in cash to make total available in all US Dol. 20 Million.

Yours sincerely,


SALIH MOHAMED ALI SAKRAN
GENERAL MANAGER