PD BAX014

JUN 26 3 50 PM '85

AGENCY FOR INTERNATIONAL DEVELOPMENT

WASHINGTON D C 20523

Central File 650-K-608

ASSISTANT ADMINISTRATOR

Official File Copy

JUN 24 1985

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU: AA/PPC, Richard Derham

FROM: AA/AFR, Mark L. Edelman

SUBJECT: Sudan Non-Project Assistance Petroleum Initiative Program (650-K-608)

Problem: Your approval is required for a Non-Project Assistance grant to the Government of the Republic of Sudan (GOS) in the amount of $40 million from Economic Support Funds for the second tranche of the Petroleum Initiative under the FY 1985 Commodity Import Program (CIP), 650-K-608. The entire amount should be obligated in June 1985.

Discussion: As part of a donor coordinated effort to help Sudan address its petroleum importation, allocation, and distribution problems, a petroleum financing facility ("Facility") was established. In support of the facility, USAID/Khartoum developed a Petroleum Initiative which was authorized in FY 84. In compliance with the FY 84 Petroleum Initiative conditionality, the GOS has (1) repriced all petroleum products to assure import parity; (2) begun competitively procuring petroleum; (3) liberalized the allocation and procurement system; (4) set aside foreign exchange for petroleum procurements; and (5) incorporated the private sector companies into the administration of petroleum planning, importation and allocation. The Facility, launched on March 26, 1985, is now functioning. Under the initial $20 million procurement, with AID FY 1984 Petroleum Initiative funds, open competitive procedures were followed and prices obtained were 8 to 30 percent below pre-Facility costs.

When the FY 84 Petroleum Initiative was authorized, AID noted that the magnitude of reform proposed as a result of the Facility would require USG support to the GOS for three years to help assure the permanence of reform achieved. In order to retain the greatest leverage from any USG support, AID opted to authorize only $40 million for the initial year of the Facility's operations but with the expectation that similar amounts would be authorized in the second and third years. As indicated in the financial plan agreed to by the GOS (Tab 1), and a revised implementation plan (Tab 2), a second and third AID contribution of $40 million is required to sustain the Facility's operations. The timing of these contributions is critical relative to the maintainance of orderly tendering and procurement of petroleum under the Facility. To meet the total requirement of $360 million for the Facility's first year, AID's FY 1985 grant must be obligated no later than June 1985,

51128

so that a conditional Letter of Commitment CL/COM may be in place no later than July 1. (For FY 86 AID's grant must be obligated no later than November 1, 1985, so that a CL/COM is in place by December 1, 1985.)

Petroleum imports are the most critical inputs in the agricultural sector. The CY 1985 cotton planting season is approaching, with the requirement for assured supplies of petroleum by June/July. A Saudi in-kind crude contribution will last only through June, making it imperative that AID's contribution is in place in time for the GOS to tender and procure petroleum to cover July/August requirements.

The Executive Committee for Project Review (ECPR) considered this program on April 19, 1985 and recommended approval of the FY 1985 Petroleum Initiative PAAD at the level of $40 million but, at State's request, with apportionment and negotiation to be held in abeyance. The ECPR noted that the Petroleum Initiative has begun and must go forward, and that delays in apportioning funds for the FY 1985 tranche of the Petroleum Initiative could jeopardize the Facility and the reforms which have been achieved through it. USAID has indicated that the FY 1985 Grant Agreement must be obligated no later than June to avoid harming Sudan's economy.

The FY 1985 Petroleum Initiative (650-K-608) PAAD provides that the $40 million dollar contribution will be used to establish a conditional letter of commitment (CL/COM) in support of the Facility. The purpose of this CL/COM is to guarantee short term credits from suppliers and other potential financing entitites at more favorable terms to the GOS. A revised implementation plan (Tab 2) illustrates how this will occur. During the validity period of the CL/COM, should the GOS fail to pay its petroleum bill with non-AID funds, AID's $40 million would be drawn down to pay for petroleum purchases that had already been delivered. The CL/COM will contain specific provisions regarding how and when the funds may be disbursed. In the likely event that none of the $40 million is disbursed during the validity period of the CL/COM, these funds will be used by the GOS to purchase additional petroleum during the fourth quarter of the year, following standard AID Regulation 1 procurement procedures. Even in the unlikely event that the CL/COM is drawn on, the program will still be successful, since its primary purpose is to establish regular, orderly petroleum procurement practices as well as encourage regular GOS foreign exchange deposits for petroleum purchases, and these will have been substantially accomplished. Similarly, the mission's current judgment is that the GOS can meet the established schedule for deposits of its own foreign exchange for the first year's petroleum requirements. Even in the event of a slight shortfall, however, the program will still be successful because of the regularization of procurement practices and required discipline in GOS deposits.

In addition to the standard conditions precedent and covenants for a CIP, the Grant Agreement will contain two conditions precedent and fourteen covenants to assure maximal effectiveness of the program. As conditions precedent, the GOS will deposit foreign exchange for petroleum purchases into an established Special Account or provide in-kind petroleum contributions in lieu of other planned donor financing, and maintain acceptable procedures for the competitive procurement of petroleum. As covenants, the GOS will agree to: deposit or provide in-kind petroleum contributions to assure at least $240 million of the total $360 million required annually to assure financing of the Facility; maintain a cost-effective allocation system incorporating the private sector companies; contract for audit of the Facility's foreign exchange special account and international procurement; maintain a pricing system based on import parity and recovery of marketing costs; and satisfy any U.S. cargo preferences not met under transactions financed by the CL/COM by increasing the requirements under the remainder of the commodity import program. The ECPR recommended that authority be delegated to AA/AFR to approve any substantive changes in the conditions precedent and covenants. While last year's authority to approve any significant changes in the CPs was retained by A/AID, we believe that a delegation is appropriate this year since any change would probably involve the level of the initial GOS foreign exchange contribution and thus be narrowly focused.

If USAID/Sudan determines that adequate petroleum supplies are available to Sudan without using this tranche of the Petroleum Initiative, AA/AFR may approve use of up to the full $40 million to provide foreign exchange for commodities identified in the proposed amendment to this PAAD (650-K-608B). That PAAD amendment identifies a $200 million foreign exchange need but requests approval for only $74 million in commodities. If non-petroleum commodities are financed, the conditions precedent and covenants contained in the PAAD amendment, rather than those applicable to petroleum, will apply.

The proposed grant of $40 million is to be obligated entirely in June 1985. The commodity eligibility date is the date of obligation. AID Regulation 1 will apply except under the terms of a CL/COM which will be used to finance the procurement of petroleum products in the event the GOS fails to provide timely financing.

Sudanese local currency generated from this CIP will be utilized for development projects supportive of the CDSS and to support other donor-financed activities in accordance with Sudan's Three Year Public and Private Investment Programs. A portion of the local currency generations will be deposited in a trust fund account to support Mission operations in Sudan.

Section 203 of the International Security and Development Cooperation Act of 1981 requires that at least 15 percent of ESF funds made available each year for CIPs be used to finance the procurement of agricultural commodities or agricultural related products which are of U.S. origin. The Petroleum Initiative portion of the FY 1985 Sudan CIP will not meet this requirement, but the balance of the FY 1985 CIP proposed for Sudan will include procurement of agricultural related commodities and thus comply with the provision for the program as a whole.

The CIP was included in the FY 1985 Congressional Presentation and thus a Congressional Notification is not required.

The PAAD (Annex A) contains an Initial Environmental Examination which recommends a negative determination for this activity. The Africa Bureau Environmental Officer concurs with the recommendation.

Mission management responsibilities for this grant, those of AID/W and of the GOS are the same as for the initial Petroleum Initiative PAAD which you have already authorized.

The FY 85 PAAD requires two waivers and a cargo preference exemption which are identical to those you approved with your authorization of the FY 84 Petroleum Initiative PAAD. A Source Origin Waiver is required to allow procurement of petroleum products and commodity related services from AID geographic code 899, including Sudanese flag vessels eligible for ocean freight. A full justification for this waiver is attached in Annex G to the PAAD (Tab 3).

Regulation 1 requirements for the Supplier's Certificate (Form AID 282) and the post audit of transactions under the CL/COM must be waived. This waiver, with a full justification, is attached in Annex G to the PAAD (Tab 4).

A Cargo Preference Requirements exemption is requested for the CL/COM only based upon your finding that an exceptional situation exists which makes the application of cargo preference requirements impractical. However, exempted tonnage, to the extent U.S. flag vessels were available, will be made up under the remainder of the CIP, to the extent possible. (Tab 5).

4

Recommendation: That you sign the attached PAAD, thereby authorizing the proposed Petroleum Initiative NPA grant to Sudan in the amount of $40 million, including the required waiver, exemption, and delegation of authority.

Attachments:
1. Revised Financial Plan (Tab 1)
2. Revised Implementation Plan (Tab 2)
3. Petroleum Initiative NPA Grant (650-K-608) PAAD

Clearances:

GC, HFry		Date	5/25/85
PPC/PDPR, ARosenberg	AR	Date	5/22/85
AFR/PD/EAP, JHeard	(draft)	Date	5/5/85
AFR/PD, NCohen		Date	5/13/85
AFR/DP, HJohnson	(draft)	Date	5/7/85
AFR/EA, ESpriggs		Date	[illegible]
GC/AFR, TBork		Date	5/21/85
PPC/PB, LMarshall		Date	[illegible]
SER/COM/ALI, PHagan	(draft)	Date	5/9/85
DAA/AFR/ESA, ELSaiers		Date	5/13/85
M/AAA/SER, JOwens		Date	5/16/85
SER/COM, WCSchmeisser	(draft)	Date	5/9/85
AFR/CONT, TRattan	(draft)	Date	5/8/85
AA/PRE, NPeden		Date	5/10/85

Drafted:AFR/PD/EAP, WWeinstein:5/3/85:Doc. 1743

4

Table 9

REVISED
ILLUSTRATIVE IMPLEMENTATION PLAN
(In Millions of Dollars)

AWARD	DATE	AMOUNT	SOURCE	DELIVERY DATE	CONSUMPTION PERIOD
No. 1	Apr 18	$20	AID FY84 CIP	May 1	May 1-May 16
No. 2	Apr 18	$20	Saudi (Crude)	May 1	May 17-Jun 1
No. 3	May 1	$20	GOS	May 15	Jun 2-Jun 18
No. 4	May 1	$20	Saudi (Crude)	May 15	Jun 19-Jul 5
No. 5	May 18	$20	AID FY84 CIP	Jun 1	Jul 6-Jul 22
No. 6	Jun 1	$20	Saudi	Jun 15	Jul 23-Aug 8
No. 7	Jul 1	$40	AID FY85 CIP (Cond L/COM, reimbursed by GOS)	Jul 20	Aug 9-Sep 29
No. 8	Aug 1	$40	AID FY85 CIP (Cond L/COM, reimbursed by GOS)	Aug 15	Sep 30-Nov 19
No. 9	Oct 1	$20	GOS	Oct 15	Nov 20-Dec 5
No. 10	Oct 15	$40	AID FY85 CIP	Nov 1	Dec 6-Jan 7
No. 11	Dec 1	$40	AID FY86 CIP (Cond L/COM, reimbursed by BOS)	Dec 15	Jan 7-Feb 27

Table 10
Revised Financing Plan (Millions of Dollars)

Project Month		Contribution	Monthly Total	Commulative Total
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 quarantee will be used during the second year of the Petroleum Initiative.

CLASSIFICATION:

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)

1. PAAD Number: Grant No. 650-K-608A	
2. Country: Democratic Republic of Sudan	
3. Category: Commodity Financing - Standard Procedure 650-608A	
4. Date: January 31, 1985	
5. To: M. Peter McPherson, Administrator	6. OYB Change Number: None Applicable
7. From: Mark L. Edelman, AA/AFR	8. OYB Increase: None. To be taken from: ESF
9. Approval Requested for Commitment of $ 40 Million	10. Appropriation Budget Plan Code: ESF
11. Type Funding: ☐ Loan ☒ Grant; 12. Local Currency Arrangement: ☐ Informal ☒ Formal ☐ None	13. Estimated Delivery Period: Mar. 1,1985-Feb.28,1986; 14. Transaction Eligibility Date: Date of Obligation

15. Commodities Financed

Commodities, including petroleum and petroleum products, declared eligible under the A.I.D. commodities eligibility listing (1983 as revised) will be eligible for A.I.D. financing.

16. Permitted Source		17. Estimated Source	
U.S. only		U.S.	
Limited F.W.		Industrialized Countries	
Free World	$40,000,000 (Code 899)	Local	
Cash		Other	Free World $40,000,000 (Code 899)

18. Summary Description

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

The proposed grant will provide foreign exchange for essential petroleum imports to be agreed upon by the GOS and A.I.D. However, upon finding that adequate petroleum supplies are available to Sudan, other commodities identified in Box 15 may be financed.

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

1. Except as A.I.D. may otherwise agree in writing, the authorized geographic code is 941, except that the authorized geographic code for petroleum and petroleum products is 899, and Code 941 and Sudanese flag vessels (Code 935 flag vessels for petroleum/petroleum products) will be eligible for ocean freight.
2. Covenants and Conditions set forth on pages 87-91.
3. Such other terms and conditions as A.I.D. may deem advisable.
4. Regulation 1 requirements for A.I.D.-Form 282 and a post audit of transactions are waived only for petroleum and petroleum products financed under a Conditional Letter of Commitment. Regulation 1 will apply for all other transactions under the activity.
5. Petroleum and petroleum products financed under a Conditional Letter of Commitment are exempt from Cargo Preference requirements on the condition that the U.S. shipping

(continued page 2)

19. Clearances	Date
AFR/REG/DP H. Johnson	(Draft)5/8/85
AFR/REG/GC T. Bork	6/21/85
AA/PPC R. Derham	13 Jun 85
M/FM C. Christensen	6/20/85
M/AAA/SER/COM J. Owens	(Draft)5/10/85
AA/PRE N. Peden	(Draft)5/10/85
AFR/CONT D. Brown	(Draft)5/8/85

20. Action

☒ APPROVED ☐ DISAPPROVED

Authorized Signature: Marshall Brown

Date: 6/27/85

Title: M. Peter McPherson, Administrator

AID 1120-1 (5-82)

CLASSIFICATION:

requirement is made up elsewhere in the CIP to the extent possible in accordance with covenant m. Normal cargo preference requirements will apply for all other transactions under this activity.

SUDAN

PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)

PETROLEUM INITIATIVE COMMODITY IMPORT PROGRAM (CIP) GRANT

650-K-608

USAID/SUDAN
Khartoum, Sudan

January 31, 1985

CONTENTS

Section | Page

G. Action Memorandum for the Administrator (Waivers):

1. Supplier's Certification (Form AID 282) and Post Audit of Conditional Letter of Commitment
2. Source/Origin Waiver
3. Exemption from Cargo Preference Requirements

H. Letter of Commitment

I. Ministerial Resolution No. 37 Concerning Procedures for Payment of Local Counterpart of Commodity Aid

J. Pert Schedule of Petroleum Initiative Activities

K. Activity Detail List

TABLES

I. SUMMARY AND RECOMMENDATIONS

Throughout the 1960s, Sudan's current account was in balance or surplus. Government savings, the difference between current revenues and expenditures, were about two percent of GDP. Sudan's inflation rate and debt service were low. The economy was characterized by financial stability and private sector orientation but little growth.

Spurred by the infusion of oil-producing countries' funds and Sudan's dream of becoming the breadbasket of the Arab World, the Government of Sudan (GOS) launched a major public investment program. This overly ambitious program was characterized by inadequate planning and management and ineffective public implementation and administration. The ensuing rapid growth and ill-advised economic policies stimulated a surge in expensive imported production inputs, and worse, in escalating consumption. The resulting imbalance between import outlays and export receipts widened. To cover the widening gap, the GOS resorted to external borrowing. At the same time, squeezed out of this new public sector thrust, private saving rates declined. And as the GOS attempted to subsidize consumption during the investment program, public saving rates declined as well. The growing budget imbalances which triggered increased Bank of Sudan borrowing, coupled with the external payments and debt problems, resulted in accelerating inflation and rapidly rising debt service obligations. External debt came due before physical assets achieved any production outputs. The result has been economic stagnation and staggering debt, combined with a spiraling financial crisis.

Petroleum has played a particularly crucial role in the course of Sudan's economic crisis. The petroleum-intensive irrigation and agro-industrial sectors faced collapse as world prices for petroleum skyrocketed by a coefficient of 10 since 1970. The new-found wealth of Sudan's oil-producing neighbors was also a two-edged sword for Sudan: On the positive side, the oil-producing nations encouraged massive investments in Sudan and its public investment program as the future breadbasket of the Arab World. On the negative side, production input costs skyrocketed, and the high salaries in Gulf states for talented managerial and technical cadres stripped Sudan of a basically competent manpower base. As of 1984, at least 600,000, and possibly as many as one million, skilled Sudanese have emigrated to take advantage of these highly attractive salaries.

Today, Sudan faces formidable obstacles in procuring petroleum supplies. Financing oil imports is one of the GOS's most critical problems as annual trade deficits have made the allocation of scarce foreign exchange difficult and imperfect. There is often the inclination to shave portions of the enormous petroleum bill in order to meet other expenses. And noneconomic considerations inevitably intervene to further distort foreign exchange allocations.

As with the rest of the economy, Sudan has dealt with its petroleum problem by means of suppressive Government control and ad-hoc and often high-handed decision-making. Domestically, the Government attempts to control petroleum consumption through rationing and geographic allocations while holding retail product prices below world levels. Shortages occur and the black market flourishes. Recurrent supply interruptions and shortages lead to production losses in industry and agriculture, further reducing exports.

As with the management of the rest of the economy, the importation of petroleum has become a hand-to-mouth business. USAID and the IMF estimate that the direct cost to the Sudanese balance of payments of using high-cost suppliers is between $60 million and $100 million a year. The cost of irregular supply in terms of lost industrial production, reduced agricultural output, underutilized capacity and damaged capital equipment exceeds another $100 million annually.

USAID's approach, endorsed by the Consultative Group--which includes Sudan--is that balance of payments support and stabilization efforts cannot ignore the virtual hemorrhaging of the petroleum account. But getting Sudan untangled from this intricate and costly ad hoc system has been, and will continue to be, a difficult and complicated task. A cooperative effort is called for from GOS decision-makers, foreign project administrators and donors.

The initial requirement is to move Sudan back to competitive international procurement. To obtain competitive terms and avoid high-cost suppliers, the GOS must make regular foreign exchange allotments for petroleum. But earmarking even small amounts ahead of time for that purpose has not proved easy for the GOS, even with the promise of considerable donor support.

Sudan must satisfy creditors demanding debt repayment, procure food and transport for drought-relief, and purchase essential commodities such as medicines and production inputs, all on a cash basis. Debt repayment problems caused Sudan to fall out of compliance with the IMF in 1984. Other major creditors--the Paris Club, Arab banking institutions and the African Development Bank--have all threatened to cease further assistance unless their outstanding debts are serviced.

The vicious circle closes. At the highest levels the GOS has made clear its desire to participate in the Petroleum Initiative, but creditors and donors' nonnegotiable demands have hindered Sudan's making a contribution to the Petroleum Facility. Timing and the amount of the GOS contribution will continue to remain the major difficulties throughout the Petroleum Initiative.

Sudan's commitment is firm. The Petroleum Initiative CIP II represents a strong revalidation of the need for, and likely impact of, resolving Sudan's petroleum mismanagement. The Government will have made its initial deposit of $20 million into the Facility prior to the approval of this grant. Sudanese decision-makers have also established two important conceptual changes for this Second Initiative: first, the GOS will go to the free foreign exchange market on a regular basis for a substantial part of its contribution; second, the GOS has agreed to the principle of raising petroleum prices to floating import parity. However, the demands of the drought, Sudan's worse than predicted foreign exchange situation, and reduced donor interest in Sudan's regular recovery program dictate a larger USG effort than anticipated in the first Petroleum Initiative CIP. Thus, the first cycle of Sudan's Petroleum Initiative will include both the 1984 and 1985 CIPs.

With petroleum supplies assured and allocation regularized, losses caused by fuel shortages in industry and agriculture will be substantially reduced. As the private sector reenters the allocation, distribution and marketing systems, efficiency will increase, and consumer and investor confidence in Sudan's economy will grow. Finally, as petroleum supplies increase and distribution improves, production costs will fall in Sudan's outlying regions, which now suffer the severest fuel shortages and rely most heavily on the black market. Conversely, without dramatic and immediate changes in the petroleum sector, stabilization and recovery will not be achievable.

RECOMMENDATIONS

The conclusions and recommendations of the CIP Evaluation, as well as the analysis made for the FY 1985 CIP, encourage the targeting of commodities most critically needed for Sudan's economic stabilization and recovery. The Petroleum Initiative CIP is an integral part not only of USAID's endeavor to achieve foreign exchange relief through policy dialogue and reform, but also of the overall recovery and stabilization efforts of the Consultative Group and the IMF. It is therefore recommended and urged that the Administrator: authorize a second $40 million grant for the Petroleum Initiative CIP, and 1)waive the requirements for the Supplier's Certificate (Form AID 282) and the post audit of transactions for the Conditional Letter of Commitment, 2) authorize a source/origin waiver from Code 941 to Code 899 to allow the procurement of petroleum products and commodity-related services, and 3) exempt the Conditional Letter of Commitment from Cargo Preference requirements.

Editing Footnote

This document describes the volatility and erratic behavior of Sudan's free foreign exchange market for the Sudanese pound. During the development of this PAAD, the shadow price of the Sudanese pound has vacilated almost daily over a range between LS 2.1 = $1.00 and LS 3.5 = $1.00. Editing the entire document is never simultaneous and cannot keep up with the vacilations of the Sudanese pound. Thus, the reader will continually find minor variations in assumptions of the free market price of the Sudanese pound during calculations of illustrative petroleum pricing formulae. These discrepancies have no impact on the outcome of the reforms or pricing covenants which are worded to take into account these fluctuations. For reading convenience, dates of the Sudanese pound price used in the illustration are provided.

II. ECONOMIC CONTEXT

A. Introduction

The seeds of the current economic stagnation in Sudan were sown in the early and mid-1970s when enthusiasm for Sudan's new administration and for its potential agricultural productivity ran high. Borrowing abroad financed massive and uncontrolled spending on a major, unrealistic national development program. The resultant debt obligations, combined with petroleum price hikes, set the stage for severe foreign exchange shortages and balance of payments gaps which are now chronic and expected to persist for several more years.

Unfavorable domestic and external economic conditions were manifested in Sudan's weakening external payments position after the mid-1970s. These factors included: (1) slowing and stagnation of output growth, especially of exports; (2) rising public and private expenditures financed mainly from uncoordinated internal and external loans; (3) shortages of skilled labor due to worker migration to the Gulf states; (4) cost/price distortions stemming from price controls on key inputs, commodities and profit margins; (5) an overvalued exchange rate that reduced export profitability while encouraging imports; (6) negative real interest rates which discouraged financial savings; (7) rising import prices on essential items, particularly sugar and petroleum, and (8) growing external debt servicing caused by hikes in international interest rates and burgeoning total indebtedness.

Though investment levels in the 1970s were consistent with those in other countries, poor planning made on the basis of undervalued foreign exchange, subsidized consumer prices, and artificially low interest rates and producer prices worked with existing economic distortions to render much of it unproductive. Distorted macroeconomic prices have given the wrong signals to investors and government policy-makers. Investment has not been channeled to the most productive activities, and economic growth has been lost. Sudan's economy has not been able to regain the eight percent annual real GDP growth rate it enjoyed in the 1960s and early 1970s.

B. Indicators of Recent Economic Performance

1. Trade Deficit

In recent years, Sudan has faced increasing trade deficits and crippling foreign exchange shortages. Export performance relies totally on agriculture -- cotton, sorghum, livestock, groundnuts, sesame and gum arabic. Sudan is thus vulnerable to fluctuations in world prices and changes in weather conditions.

For several years, export production has failed to reach its potential. One disincentive is that official exporters have received an artificially low pound price for every one dollar of exports. In addition, export producers and exporters have faced numerous implicit and explicit taxes. These are strong handicaps to production. Fuel shortages and a deteriorating transport structure have also contributed to export stagnation.

Despite occasional exchange rate devaluations, the official exchange rate (LS 1.3 to US $1) and the commercial bank rate (LS 1.8 to US $1), prevalent until October 1984, were far less than the legal free market exchange rate (LS 2.25 per US $1). This stimulated imports while at the same time reducing export profitability. Administered prices also fueled excess demand for consumer goods, despite their high real economic opportunity cost. On an annual basis, Sudan now imports over two times the dollar value of what it exports. Clearly, that is untenable.

Sudan suffered a record trade imbalance in 1981/82 when the deficit exceeded $1.5 billion. Cotton export receipts, the old standby, fell due to low yields, low quality, and low prices. Nominal cotton earnings were less than one-fourth of 1979/80 levels. At the same time, the import bill topped $1.8 billion--an all time high. The petroleum bill was very high as Sudan's bad credit rating and panic buying drove the import price up, while exchange rate distortions and subsidized domestic prices increased demand. The importation of transport vehicles also leaped, and sugar continued to be a large ticket item.

In 1982/83, the balance of payments gap eased slightly to $1.2 billion. Merchandise import expenditures actually fell by 7.5 percent as the GOS implemented multiple devaluations, import substitution incentives, and restrictions on bank-financed imports. But instrumental was the increase in Kenana estate sugar production, under new management, which cut the sugar import bill by over $100 million: area expansion and ex-mill price increases are credited with the success.

Exports, too, recovered with receipts up 48 percent in 1982/83 from the previous year's all-time low. Cotton made the difference as earnings more than doubled from the preceding year, though remaining at relatively low levels. Thus, overall export receipts drew back to levels of the late 1970s, making no significant breakthrough.

Table 1. Sudan Balance of Payments
1978/79 - 1983/84
(In millions of U.S. Dollars)

	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84
Exports 1/	527.0	581.5	478.9	381.2	523.0	732
Cotton	320.7	333.4	182.0	69.4	175.0	344.0
Other	206.3	248.1	296.9	211.8	398.0	388.0
Imports 1/	-1,137.9	-1,339.9	-1,631.4	-1,884.7	-1,516.0	-1,388.0
Petroleum 2/	-177.6	-254.0	393.0	-494.8	-353.0	-373.0
Sugar	-28.0	-122.7	-183.6	-158.5	-53.0	-24.0
Other	-932.3	-963.2	-1,054.8	-1,231.4	-1,110.0	-991.0
Trade Balance	-610.9	-758.4	-1,152.5	-1,503.5	-943.0	-656.0
Services	-104.5	-82.0	-48.8	-65.1	-241.0	-290.0
Receipts	181.0	261.1	328.5	503.0	250.0	225.0
Payments	-285.5	-343.1	-377.3	-568.1	-491.0	-515.0
Of which: interest	(-77.8)	(-70.5)	(-105.2)	(-190.2)	(-191.0)	(-215.0)
Transfers (net)	257.2	293.2	426.6	523.5	877.0	716.0
Private 3/	240.0	209.0	304.6	350.0	415.0	380.0
Official	17.2	84.2	122.0	173.5	462.0	336.0
Current Account	-458.2	-547.2	-774.7	-1,045.1	-307.0	-230
Official capital	347.9	442.1	412.8	587.7	61.0	178.0
Receipts	405.0	532.2	499.0	685.0	219.0	194.0
Payments	-57.1	-90.1	-86.2	-97.3	-58.0	-16.0
Allocation of SDRs	13.0	13.0	11.0	--	-74	5/
Errors and omission 4/	103.3	17.5	148.1	130.9	--	
Overall Balance	6.0	-74.6	-202.8	-326.5	220	--
Monetary movements (increase -)	-6.0	74.6	202.8	326.5	--	--

Source: IMF Sept 1983, "Sudan - Recent Economic Developments," and IMF Staff Estimates, 1984

1/ Customs data.

2/ Excluding petroleum re-exports.

3/ Up to 1979/80 private transfers include estimates of workers' remittances used to finance imports under the nil-value licensing scheme. Since 1980 data on private transfers obtained from banking statistics have been adjusted by the staff to reflect workers' remittances which have been increasingly directed to the free market for foreign exchange.

2. Domestic Fixed Investment

Despite outdated and variable figures, all estimates of fixed investment show that as a percentage of GDP, Sudan's rate is lower than that of most developing countries, especially those with relatively high growth rates. At about 12.5 percent of GDP 1982/83 (IBRD estimate), it has dropped even from Sudan's own average over the past decade. Moreover, public fixed investment is over half the total. Much of Sudan's productive capital is publicly held and not subject to the financial discipline and incentives of private ownership.

Poorly organized, fragmented and heavily controlled capital markets; a very low domestic savings rate; and policy disincentives and instability all hamper private investment. Negative real banking interest rates, which are government controlled, have discouraged savings and weakened the banking system. Savings were negative in 1981/82, and declined again by nearly one percent of domestic production in the following year. Government control of foreign exchange and implicit taxation of exporters drove foreign exchange out of the banking system and even out of the country. Investors' foreign exchange costs increased. This system has hampered investment in the rainfed agricultural sector (groundnuts, sesame, and sorghum), which offers the greatest scope for expansion of production and net foreign exchange earnings.

Low fixed investment levels restrict the capital base from which a country attempts to increase production and labor productivity. An economy in which the incentives favor consumption over savings and investment, as Sudan's does, will have problems achieving economic growth.

3. Gross Domestic Product

Sudan's domestic production in the early 1980s continues to falter in the face of energy, labor, transport, and equipment problems. There has been no sustained growth in GDP for the last five years, despite some fluctuations from year to year. The performance of agriculture (particularly crops) determines the total annual production of Sudan, as transport, services, and manufacturing are often dependent or complementary. Cotton is still the principal cash crop in Sudan, but from 1977/78 through 1980/81 its production and sale suffered from financial disincentives, shortages of imported inputs, inadequate fixed capital and management, and white fly infestations. Both the area cultivated and cotton yields hit bottom in 1980/81, though export

----

4/ Short-term capital movements and unidentified transactions, including smuggled exports.

5/ Because of the sizable adjustments to the monetary data the probability of significant errors in the data on monetary movements are much greater than usual. An estimate of the overall balance of payments position for 1983/84 has therefore not been attempted. It is hoped that in the period ahead further work by the staff and a technical assistance expert will make it possible to increase the accuracy of both the monetary and balance of payments data.

earnings were less in 1981/82. Rainfed crops -- sorghum, millet, groundnuts, and sesame--have shown real promise and have received increasing emphasis.

In 1981/82, Sudan's GDP grew by 7.2 percent in real terms, fanning hopes for a resurgence in growth. This mirrored the growth rate in the agricultural sector which was spurred by a bumper harvest of rainfed crops, making up for the continued stagnation in cotton production. Led by agriculture, production in the manufacturing, transport, and service sectors increased in 1981/82.

In 1982/83, severe drought contributed to yet another reversal in domestic production. Despite cotton's recovery in the irrigated sector, a drastic cut in rainfed production affirmed its importance to Sudan as GDP fell two percent. Production declines in groundnuts, sorghum, sesame, and millet ranged from 30 to 60 percent. Industry and transport performance suffered, too, while personal and financial services grew slightly. The construction sector continued its slow and steady growth, as real estate remains a popular hedge against inflation.

4. Government Budget Deficit

The Government's tax effort has been very low for years, an estimated 13 percent of GDP in 1982/83. Thus, with GDP stagnant tax revenue has grown little. While government expenditures (at 19 percent of GDP in 1982/83) are fairly moderate, they have grown much faster than GOS direct revenues. Sizeable deficits have persisted for several years. Heavy government borrowing in domestic and foreign markets and donor assistance have financed investment and often current consumption. Such financing has aggravated Sudan's external debt and inflation problems. The deficit was down slightly to six percent of GDP in 1982/83. An expansion of customs valuation and a devaluation of the customs base, selective excise tax increases, and higher rents and fees all combined to increase GOS revenues.

Tax collection has been a fairly stable share of GDP. Over half of government revenues are raised through international trade taxes instead of sales or income taxes. The revenue structure is thus heavily dependent on external trade and not easily tapped for major revenue increases.

5. External Debt

The Government's massive and uncoordinated borrowing resulted in a debt of $9 billion by early 1984. Annual debt service obligations are about equal to export earnings. Repayment of this staggering sum is Sudan's most serious barrier to economic recovery.

As trade deficits worsened in the late 1970s and early 1980s, Sudan sought debt rescheduling through the international community. In late 1981 and in 1982, $1.1 billion in multilateral, bilateral and commercial loans were rescheduled. In February 1983, the Paris Club rescheduled $535 million of Sudan's debts. Commercial and other multilateral and bilateral creditors took note of the move and Sudan's precarious economic position. Thus, total 1983 reschedulings reached $734 million. Without such assistance, Sudan's annual foreign exchange earnings would have gone for debt payment, and crucial imports would have been lost.

6. External Financial Resources

In addition to its savings from debt rescheduling and inadequate export earnings, Sudan has only two other sources of foreign exchange--donor assistance and remittances. Donors have been extremely supportive of Sudan in recent years, and it ranks second only to Egypt as a principal recipient of US economic assistance on the African continent. Donors disbursed at least $550 million in balance of payments support and pledged $260 million for projects in 1983. The January 1984 Paris Consultative Group meeting, enthused about the USAID-backed Petroleum Initiative and still deeply concerned about Sudan's poor economic performance, committed $405 million for additional balance of payments support and $330 million for projects.

Donor assistance to Sudan aims in part to provide quick disbursing balance of payments support and to facilitate the implementation of economic reforms. The donors appear ready to continue assistance through the 1980s, the minimum time needed to consolidate structural adjustments, especially if reconciliation with the South can halt the costly disaffection. But implementation of economic reforms is becoming increasingly a prerequisite to continued high levels of assistance.

The Sudanese Government has made some attempts, with minor success, to encourage Sudanese working abroad to remit some of their substantial earnings. Rising from $209 million in 1979/80 to $450 million in 1983/84, remittances flowing through the banking system helped finance essential imports. Much more comes in outside the banking system to finance consumption and real estate/housing investments. Remittance-financed real estate is estimated to run into billions of dollars in recent years. Remittances have provided the bulk of foreign exchange in the free foreign exchange market. Substantial new incentives would be required to bring in more remittances and direct it toward capital investment in the productive sectors.

7. Money, Credit, and Inflation

Changes in money supply and credit expansion through the banking system and national budget have been difficult to spot given the quality and structure of available data. Examination and revision of these records have been made back to June 1980, and hopefully, future reporting will be better.

Until 1979/80, Central Government domestic borrowing helped fan annual liquidity increases of over 20 percent. Liquidity growth was held to about 20 percent in that year due to expanded foreign financing and an IMF stabilization program. Unfortunately, borrowing by the Central Government and public entities was forced up sharply in 1980/81 to finance expensive imported inputs and operating losses related to price controls and stagnant production and manufacturing, e.g. in sugar production. Despite efforts to reduce

Government recourse to the banking system to finance its operations, borrowing by public entities has continued to expand rapidly, especially by the agricultural schemes (see Table 2). The expansion of credit to public entities was about 50 percent in 1981/82 and over 40 percent in 1982/83. Bank credit to the private sector has grown more slowly at 34 percent and 37 percent respectively in 1981/82 and 1982/83.

Sudan has had difficulty in meeting the credit ceilings established in recent IMF standby agreements, and credit restrictions have usually been imposed on the private rather than the public sector. But a persistent balance of payments gap and debt arrears have dampened the growth in domestic liquidity. Nonetheless, the money supply has grown rapidly, increasing by 36 percent in 1982/83.

Controlling credit and total domestic liquidity has proven difficult, and Sudan has faced persistent double-digit inflation. Current estimates of inflation are, however, based on prices paid by upper middle class Khartoum residents for a basket of goods with considerable import content. Thus, the CPI overstates price increases experienced by the majority of the population. This index shows inflation of 31 percent in 1980/81, 23 percent in 1981/82 and a rapid rise to 38 percent in 1982/83. The latter increase results from currency devaluation, upward adjustment of controlled prices, and excess demand pressures. The national average is probably somewhat lower, perhaps 25 percent.

Table 2. Sudan: Change in Credit, 1978/79-1982/83
(In millions of Sudanese Pounds)

Changes During Period	1978/79	1979/80	1980/81	1981/82	June 1982-March 1983
(a) To Public Entities:					
Agricultural entities	47.7	30.7	100.2	180.1	186.5
Gezira scheme	15.9	6.0	42.8	18.6	24.2
PAPC scheme	31.8	23.7	50.4	77.9	39.8
Cotton public Corporation	--	--	--	75.1	119.1
Other	--	1.0	7.0	8.5	3.4
Industrial entities	8.6	6.7	18.0	26.3	24.0
Sugar and Distilling Corporation	8.4	6.6	18.0	26.3	24.0
Other	0.2	0.1	--	--	--
Public utilities	16.7	5.4	4.4	--	6.6
Sudan Railways	14.8	4.9	2.8	--	--
Other	1.9	0.5	1.6	--	6.6
Other	0.1	--	8.9	--	7.2
Total	73.1	42.8	131.5	206.4	224.3
(b) To Private Entities:					
Commercial bank loans	88.4	118.7	172.8	232.5	263.4
Short-term	61.2	82.9	146.6	170.9	177.5
Export financing	(12.6)	(17.8)	(35.8)	(78.9)	(39.8)
Import financing	(5.9)	(17.3)	(21.8)	(53.9)	(79.0)
Industrial enterp.	(26.7)	(28.1)	(70.9)	(22.7)	(32.3)
Other	(16.0)	(19.7)	(18.1)	(15.4)	(26.4)
Medium and long-term	27.2	35.8	26.2	61.6	85.9
Bank of Sudan loans to specialized banks	--	--	--	5.3	2.3
Total	88.4	118.7	172.8	237.8	265.7

Source: IMF/Bank of Sudan

C. 1984 - A Year of Change, Uncertainty and Reform:

In 1983/84, Sudan experienced drastic changes in the political environment and in economic conditions, which have created enormous uncertainty. The April 1984 Declaration of a State of Emergency permitted the President to vigorously consolidate and begin trying to implement far-reaching changes in the rules of business organization and in the banking structure related to the September 1983 imposition of Sharia law. This, combined with its administrative redivision into three regions, caused increased civil unrest in Southern Sudan. In addition, the severity of the drought in Darfur and Kordofan provinces and major parts of Eastern Sudan rendered Sudan eligible for international emergency assistance. The drought has hurt Sudan's entire economy, as low Nile waters hamper irrigation and drastically cut power generating capacity. Urban water supplies are extremely low. The additional uncertainty and real risk these elements have imposed upon Sudan's economic environment have had negative consequences even beyond real production losses. Increased public and private expenditures are being incurred as a direct result. Overcoming these negative factors will require time, money and serious reforms.

1. Sharia's Effect on Private Investment

The initial declaration of Sharia law in September 1983 introduced new uncertainties for the business community. Many proposed to "wait and see," which translated into reduced capital investment, inventory buildup and reduced production levels. Capital flight and outmigration of skilled labor stepped up noticeably. The President's announcement of a State of Emergency in April 1984, aimed at consolidating the Islamic revolution, eliminated many constitutional guarantees, granted the military forces full police power, and established Decisive Justice Courts to carry out Sharia law and Presidential decrees.

Two aspects of the changed environment created extreme risk and uncertainty for private business, accelerating a negative response to Sharia's imposition and reducing productive activity:

(1) a disruptive increase in Government attempts to control the economy through police powers, and

(2) introduction of new and undefined legal structures based on Sharia law.

2. The Military Economic Corporation (MEC)

The Military Economic Corporation, a concern to private businessmen, achieved an enhanced role during the Emergency. The administration's wish to control the marketplace, i.e. roust out black marketeers and control urban commodity prices and supplies, cast the MEC in the role of public protector against greedy "middlemen." By implication this has included whole segments of the private sector. The MEC has found justification to expand its production and marketing of goods and services.

The MEC's office space, overhead, and staff salaries come out of the military budget and are not attributed directly to the organization. This, combined with having a guaranteed market -- the military -- makes it a formidable competitor to private businesses. Activities of "private" military companies include banking, baking, transport, cigarette importation, crop dusting, construction, medical services, insurance, and manufacturing. Many private businessmen view the activities of the Corporation with apprehension, concerned that its ability to sell goods and services "under cost" causes market distortions and allows it a monopoly position. It is clear that the organization has contributed to the uncertainty and the perception of greater risk facing private investors.

3. Market Controls and Changing Laws

The scope and enforcement of long-standing price controls on major commodities (sugar, wheat, petroleum) expanded rapidly under the Emergency. The crackdown obviously hurt small merchants as police and security forces patrolled the market, insuring no transgressions on pain of fines, imprisonment, and occasional lashing or property destruction. Shortages in key items developed as controlled prices often failed even to cover production and/or marketing costs.

Under the Emergency, "hoarding" of essential or scarce commodities was outlawed. Merchants and residents were fined or lashed for holding even small amounts of sugar, flour, edible oils, or petroleum products under laws which made no distinction between holding inventories and price speculation or supply monopoly. Private businessmen were thus hit hard by commodity scarcities and rendered unable to respond to any consumer demand increases. Supply scarcities intensified.

Transportation of essential commodities was much restricted. To move flour, grain, petroleum, etc. requires a permit from the Ministry of Commerce, Industry and Cooperation on a load-by-load basis. These regulations are an avenue for favoritism, and many legitimate businessmen cannot obtain needed permits.

Overall, these new laws greatly increased the cost and risk of normal business procedures -- holding supplies and producing in small lots is expensive. Price controls squeezed profit margins, and transport bottlenecks created costly supply interruptions. The possible severe punishments for breaking these ambiguous laws greatly reduced business activities. Thus, the investment climate in Sudan was very poor this past fiscal year, 1983/84.

Drastic and all-encompassing changes have also occurred in the laws governing commercial transactions in Sudan. In February 1984, President Nimeiri's Government promulgated the Civil Transactions Act of 1984, eliminating the validity of some 20 laws governing contracts, property rights, companies, sales, etc. The most disconcerting aspect is the opportunity for elimination of limited corporate liability, which could leave shareholders' personal assets vulnerable in the case of business failure. Trade regulations and license procedures have also been reexamined, causing further uncertainties for businessmen.

The former tax laws, too, were completely revamped to allow for enforcement of Zakat, an Islamic tax of 2.5 percent annually on fixed assets. The new tax eliminates many other taxes, but is promised to increase Government revenue substantially. Many analysts, however, are skeptical. Exemptions from the tax eliminate many individuals, primarily leaving businesses and relatively well-off Sudanese to bear the burden. The tax monies are supposed to benefit the poor in Sudan, but interpretations as to what increases their welfare will likely be broadly determined. Many private businessmen view such a tax as confiscatory and believe evasion will be widespread.

Equally far-reaching is the restructuring of banks into an Islamic system. Banks may now be direct partners in an investment or sell commodities to businessmen, but never be in a position to simply lend money for a profit (e.g., earning interest). The banks remain uncertain about how to Islamicize, and businessmen fear their services will cost more and be apportioned on the basis of social and family ties. The hallmark of 1984 for private investors was increased risk and uncertainty. Few of the plethora of new laws have yet been interpreted or implemented. Business confidence is extremely low in the midst of such confusion and instability.

As is common in unstable environments, capital flight and out migration of skilled labor has surged dramatically. Over the past nine months, the availability of foreign exchange on the free market has fallen an estimated $200 million. The recent investment decline will further restrict Sudan's productive base. Worsening foreign exchange shortages curtail imports, further increasing costs to surviving businesses and raising the spector of default on Sudan's massive debt. A continued poor climate for investment could cause the entire economy to contract and could thwart the best efforts of policy-makers and donors to encourage Sudan's economic recovery program.

4. The South

The redivision of the South into three regions in 1984 came on the heels of the declaration of Sharia. These developments triggered an outbreak of increased rebel activity. The resources spent by Southerners to further the insurgency and those spent by the Central Government to quash the unrest are ill-afforded. Southern government administration has been torn apart by redivision, halting activity even in secure areas. With the exception of a few larger towns, civil order is at the mercy of tribal and individual authorities.

The dispute caused the cessation of two of Sudan's most economically important projects--Chevron's pipeline activities and construction by the French of the Jonglei Canal through the South's extensive swamps to save water for irrigation in the North. The canal is also to be a waterway between the North and the South. Given Sudan's desperate balance of payments situation, enormous external debt, and scarce fuel supplies, the country cannot afford delays in having an indigenous fuel source available for domestic use and for export. But locally produced petroleum will now clearly not be on line in 1986.

The lack of political stability between the North and the South imposes a heavy political and economic burden on the entire country. There are no major signs of improvement, despite the recent decision to allow the South to reunify.

5. The Drought

In the past three years, rainfall has been uncharacteristically low, and in 1984 the drought was severe. The drought conditions have devastated Sudan's agricultural production. In the West, Darfur and Kordofan regions have been declared disaster areas nationally and internationally, and food assistance is pouring in. Over half a million people have moved to escape starvation in stricken areas, and at least 1.95 million people in the West alone have been declared by the United Nations seriously affected. Although fewer people have been affected, the drought has drastically curtailed agriculture and water supplies in the East and the North as well.

Sudan's 1984 wheat crop in the Gezira was lost due to inadequate water for irrigation. Sorghum production for 1983, at 1.8 million MT, was down about six percent from 1982. This belies the extreme severity of the crisis in that the previous year's grain consumption relied heavily on large stocks from a bumper crop in 1981. Those are gone, and sorghum exports were banned in early 1984, worsening the foreign exchange crisis. In 1983, Sudan earned $60 million from sorghum exports. Sorghum production for 1984 is estimated at 1.3 Million MT, down about 28 percent from last year's poor harvest and only 61 percent of the average for the five years preceding the drought. The 1983/84 millet crop has been devastated in the West, and groundnut production has fallen nationwide by over 10 percent from 1982/83's low levels. Sudan received diminished foreign exchange earnings from last year's cotton crop due to low prices and poor quality (fly infestation lowed the quality of much of the crop), so again foreign exchange shortages were even worse than usual. There is no foreign exchange to make up for deficits with commercial grain imports. Donors have begun to respond (USAID is currently providing 82,000 MT of sorghum under PL 480, Title II emergency assistance and has further requested 450,000 MT of food grains and $26 million of non-food emergency support), but it remains unclear whether food assistance will be able to completely counteract food shortages throughout 1985. In 1984, the food grain deficit was at least 10-15 percent of the nation's essential consumption needs. Cattle off-take increased drastically due to the drought, and it will take 3-4 years to rebuild the herds. Some formerly cultivable land may never bear another harvest. The overall food deficit for 1985 is estimated to be at or above 1.9 million MT of grain. The drought is Sudan's worst recent obstacle to economic growth and creates further uncertainty about future prospects.

6. Economic Reform

Attempts to achieve real economic reform in Sudan have been hindered by the rapidity with which conditions change and the lack of firm data. Without a full understanding of Sudan's economy to guide change, there has been difficulty with implementing an integrated reform package versus gradual discrete initiatives.

In the past two years, Sudan has removed explicit budget subsidies on key commodities. The Government has been particularly successful with bread prices, as both budget subsidies and implicit foreign exchange rate subsidies have been removed. Nonetheless, prices are still controlled on many items, e.g. pharmaceuticals, petroleum, bread and sugar. On major agricultural schemes, tenants were given individual accounts in 1982/83 that allow cost signals to guide production toward greater efficiency. There have been several small adjustments of the official and commercial bank foreign exchange rates. And the Government now openly uses the market during serious constraining periods.

Nevertheless, Sudan's macroeconomic performance has continued to deteriorate, and recovery prospects have dimmed in the face of severe drought and significant changes in the investment climate last year. The Sudanese pound has continued to depreciate as export performance has plummeted. In July 1984, the GOS was unable to pay $42 million in arrears owed to the IMF. The desperately needed IMF standby arrangement collapsed, and consultations on a new reform package came to a halt. By January 1, 1985, arrears to the IMF alone reached $82 million.

The USAID Mission stepped up its assistance in an effort to revive a macroeconomic policy dialogue with the GOS. Movements to correct an overvalued exchange rate and to accept realistic credit ceilings were made conditions of FY 1984 CIP disbursements, and USAID financing of the Petroleum Facility was tied to considerable petroleum pricing reform.

In October 1984, the GOS issued economic policy reform measures as far-reaching as any in Africa in recent years. They deal with the foreign exchange system and bank credit. Although the official government foreign exchange rate remains LS 1.3 to $1, the commercial bank rate increased from LS 1.8 to $1 to LS 2.1 to $1, a 16.7 percent increase. More importantly, the Bank of Sudan abolished the 75/25 Foreign Exchange Rate Formula used to price agricultural exports. Before October 21, 1984, agricultural exporters were paid in pounds at a LS 1.42 to $1 rate, based upon 75 percent of export earnings converted at the official LS 1.3 to $1 rate and 25 percent at the then commercial bank rate of LS 1.8 to $1. The movement from LS 1.42 to LS 2.10 represented a 47.9 percent price increase in terms of local currency for agricultural exporters.

Pricing agricultural exports at the new commercial bank rate will provide major production and export incentives for all agricultural exports. The 75/25 formula (75 percent of earnings valued at LS 1.3 to $1 and 25 percent at LS 2.10 to $1 = LS 1.52 to $1) still applies to cotton and gum arabic. However, cotton will come off the formula and be priced at the prevailing commercial bank rate starting next season. All imported agricultural inputs, which were priced at the official exchange rate (LS 1.3 to $1) before October 21, 1984, are now priced at the new commercial bank rate (LS 2.10 to $1).

Foreign exchange from "invisible" receipts -- e.g. embassy local expenditures, hotels and tourism, foreign investment and loan monies, and money brought in for local expenditures of foreign companies -- will all be revalued at the commercial bank rate of LS 2.1 to $1 instead of LS 1.3 to $1. The highly overvalued official rate will thus play a much diminished role in the Sudanese economy. Petroleum is the only major import remaining on the official rate. These changes have already been reflected in newly announced agricultural prices. These price increases (except gum and cotton until the 1985 production season) should result in a substantial supply increase over the next production season provided drought conditions do not persist and the pound does not depreciate without further rate adjustments.

The GOS has acted on its own, through the Bank of Sudan, to curb credit expansion and domestic liquidity. Bank lending for essential commodities requires sizeable--40 percent of value--margin deposits; raw materials and spare parts for local industries require 10 percent margins; and nonessential commodities require a full 100 percent of the import value. Commercial banks can now only finance listed essential commodities. Inventory financing is restricted to discourage hoarding, and banks may no longer finance free exchange shops, personal or real estate loans, or long- or medium-term loans to the public sector. Banking system security has been enhanced by increasing reserve requirements, restricting interbank lending and limiting the maintenance of local currency accounts by foreign banks. The new regulations not only work to secure the banking system, but promote export financing and industrial working capital while restricting imports and hoarding practices. They are a major step forward in meeting future IMF credit targets and may dampen inflation rates.

Since December 1984, the Ministry of Finance has announced several important fiscal reforms to help counter a large projected annual budget deficit. This included reimposing the excise tax as a "consumption tax" (which is expected to generate LS 170 million) and the personal and business income tax (which is expected to generate LS 200 million), and revaluing customs duties based on a rate of LS 2.1 to $1 instead of LS 1.3 to $1, which will generate LS 250 million. In addition, the Ministry of Finance has announced that it is in the process of cutting public expenditures by LS 50 million for the current fiscal year. The combined effect of these measures is expected to reduce the projected budget deficit by LS 350 - LS 400 million for the 1984/85 fiscal year. These reforms could send the much needed signal that Sudan is ready to deal with its own economic woes directly.

D. Future Prospects

In the year 1984/85, Sudan's economy again faces grim prospects due largely to the drought's impact on production and exports. Agricultural exports are expected to fall about 13 percent from the previous year's low level to $600 - $650 million, and imports should also decline in light of foreign exchange scarcities and the general economic downswing. They are projected to be $1,400 million. The decline in imports should lessen the trade gap slightly to around $800 million. Sudan will pay higher interest charges on outstanding debt and is expected to receive somewhat less official assistance, so the current account balance will worsen. Even assuming that debt rescheduling is as generous as in recent years, Sudan is expected to face an overall balance of payments gap exceeding $600 million.

Agriculture leads the economy's growth in Sudan. Its projected performance bodes ill for GDP increases, and real incomes will most likely fall again in 1984/85. Little wheat was planted, so nearly the entire domestic harvest will be foregone. Although it is too early to predict with certainty, sorghum production may fall to as little as 1 million MT from last year's 1.8 million, which was also below normal. Millet and sesame production will register production declines as well. Maintenance of ground nut production levels may be helped by promising yields in the Blue Nile Region and South Gedaref. It is estimated that Sudan's 1984/85 food grain deficit, not including donor assistance, will be about 1.9 million MT. There will be little foreign exchange to mitigate the hardship through commercial purchases. Hunger will spread and internal migration will continue, depending upon the extent to which donor food assistance is able to cover the expected food deficit. Domestic demand will be low due to general recession, and export production will be much less than average. A year of economic decline and population dislocations is expected for 1984/85.

Sudan still has the cultivable land area to become an important agricultural producer and exporter. That, however, requires continued attention to maintaining macroeconomic prices that provide appropriate resource allocation signals and producer incentives. To help that happen means allowing producer prices to rise with time, not allowing exchange rates to overvalue the pound, resisting use of price subsidies and letting savers be rewarded for providing investible funds. In later years, economic performance could be encouraged by continuing management of domestic credit levels, improving the tax structure and rate of collections, controlling public expenditures, managing and eventually reducing the external debt, reducing population growth rates, and maintaining a realistic floating exchange rate policy. Growth will depend to some extent on developments in the antagonism between the North and the South especially as it affects commercialization of indigenous petroleum supplies and economic integration.

The next one or two years are bound to be troubled ones economically. Sudan's problems are largely recognized, and the direction policies must take are generally known. Future growth is possible, and its achievement rests squarely with Sudanese policy-makers, coupled with continued assistance from the donor community.

Table 3. Sudan: Balance of Payments Projections
(In millions of U.S. dollars)

	Projections 1984/85	Stand-By Projections 1984	Revised Projections 1984	Projection 1985
Exports	644	715	674	668
Cotton	(311)	(348)	(310)	(340)
Other	(333)	(367)	(364)	(328)
Imports	-1,356	-1,560	-1,328	-1,425
Petroleum	(-377)	(-450)	(-380)	(-400)
Wheat and Flour	(-89)	(-90)	(-90)	(-90)
Sugar	(-10)	(-12)	(-10)	(--)
Other	(-880)	(-1,008)	(-848)	(-935)
Services	-581	-215	-345	-664
Receipts 1/	(200)	(245)	(210)	(200)
Payments except interest 1/	(-300)	(-255)	(-255)	(-300)
Interest payments	(-481)	(-205)	(-300)	(-564)
Private transfers	410	450	350	450
Current account balance	-883	-610	-649	-971
Official transfers	449	522	359	430
Cash	(9)	(27)	(27)	(--)
Commodity	(364)	(353)	(281)	(330)
Project	(76)	(142)	(51) 2/	(100)
Official capital receipts	179	223	153	210
Cash	(--)	(38)	(19)	(--)
Commodity	(39)	(52)	(38)	(60)
Project	(140)	(133)	(96) 2/	(150)
Official capital payments	-417	-162	-135	-984
Overall balance	-672	27	-272	-1315

Sources: Data provided by the Sudanese authorities and staff estimates.
1/ Partly estimated.
2/ On the assumption that arrears to multilateral organizations are discharged. Because of the existence of these arrears, disbursements by most multilateral lenders had ceased as of the first half of 1984.

III. GOS AND DONOR APPROACHES TO STABILIZATION

A. GOS Economic Reforms

The economic program for 1983/84 as proposed by the GOS and supported by the donors aimed primarily at reducing the increasing debt burden while still maintaining the essential floor of imports and capital goods needed to rehabilitate and reconstruct the economy's productive capacity. In order to achieve this, the GOS undertook important policy actions in 1983 and 1984, including devaluation of the Sudanese pound and a broadening of those transactions allowable through the free foreign exchange market, more effective enforcement of a ban on the importation of less essential goods, implementation of budgetary measures to reduce reliance on bank financing, and elimination of budgetary subsidies. At the same time, the GOS, in 1984, also introduced an Islamic banking system (abolishing interest rates) and Islamic Zakat in lieu of certain taxes.

1. Exchange Rate Adjustments

The organization of the foreign exchange market has settled into a system of three exchange rates: the official rate, the regulated commercial bank rate, and the free market rate. The table below shows the chronology of adjustments in these exchange rates since 1981. The adjustments have decreased the value of the Sudanese pound per U.S. dollar for official transactions from LS 0.50 prior to summer 1981 to LS 1.30, which has remained the official rate since November 1982. Some petroleum items and some pharmaceuticals are the only items now imported at the official rate. Nothing is exported at that rate. Prior to October 1984, agricultural exports were valued at an effective rate of LS 1.42 to $1. This rate was based upon a conversion formula of 75 percent at the official foreign exchange rate and 25 percent at the commercial bank rate. On October 21, 1984, the GOS announced that the commercial rate, which now stands at LS 2.10 to $1, would be used to value all merchandise exports except for two commodities -- cotton and gum arabic. Those two commodities, both major foreign exchange earners, are for the current production year valued on the basis of the old 75/25 foreign exchange conversion formula.

Imports must satisfy one of the fourteen GOS-specified priority uses to quality for importation at the commercial bank rate. The free market rate, equal to LS 3.25 to $1 in January 1985, applies to all imports not qualifying for the priority list.

The existence of a multiple exchange rate allows the GOS to adjust effective exchange rates without an official devaluation. Prior to October 1984, many public sector imports came under the official exchange rate. Moving these imports from the official rate (LS 1.3 to $1) and exports from a blended rate (LS 1.42 to $1) to the commercial bank rate (LS 2.1 to $1), as was done in October 1984, produces market signals in the direction of a devaluation.

Table 4

Foreign Exchange Rate Adjustmen

Date	Official Rate Pound Per $	Commercial Rate Pound Per $	Market Rate Pound Per $
Pre-summer 1981	.50	.80	1.00
Summer 1981	.50	.80	1.25
November 1981	.90	.90	None
June-August 1982	.90	1.13-1.1	1.40
November 1982	1.30	1.75	None
March 1983	1.30	1.80	2.00
March 1984	1.30	1.80	2.30
October 1984	1.30	2.10	2.50
January 1985	1.30	2.10	3.25

2. Export Promotion and Import Restrictions

Another change brought about by the October 1984 announcement on foreign exchange was a modification of the distribution of foreign exchange through the banking system. Previously, the commercial banks kept 25 percent of the export proceeds they handled. The other 75 percent was turned over to the Central Bank, at the official rate. Currently, the commercial banks keep about 50 percent of the proceeds. This increase in foreign exchange in the commercial banking system is to be used, in part, for invisible transactions that support export trade. In addition, the new commercial bank foreign exchange rate, as part of the export price formula, has greatly increased export incentives.

The other side of the export/import formula called for import restrictions on non-essential goods. The list of 39 banned luxury items developed in 1983 remains in effect.

3. Private Investment

In November 1982, a National Development Bank was created with LS 10 million from the GOS and private investors to encourage private sector investment in transportation, food processing, and agriculture. An Investment Bureau now operates to provide a one-stop location where licenses, building site permits, tax holidays and customs exceptions may be obtained. A Ministry of Finance committee has been established to streamline regulations and procedures for doing business in Sudan. Cotton, textile and sugar parastatals have been reincorporated under the Companies Act.

4. Elimination of Subsidies

The Government has actively pursued a policy of eliminating consumer subsidies. During 1983 and 1984, prices of petroleum and petroleum products, cigarettes, wheat, wheat flour, bread and most pharmaceuticals were raised substantially to import parity. The factory gate price of sugar increased late in 1983. The GOS also doubled water and electricity rates in May 1983. As a result, customs yields grew rapidly, and enormous budget subsidies--LS 82 million for wheat products alone--disappeared. In 1984, the prices of petroleum, cigarettes, railway fares, freight rates, electricity tariffs and telecommunication charges were all raised. In the FY 1985 PL 480 Title I agreement, the GOS has agreed to price wheat at the commercial bank rate of LS 2.1 to $1 (instead of LS 1.8 to $1), thereby reducing the implicit tax applied to the CIF price. As a result of these measures, all budget subsidies except for those on pharmaceuticals have been removed. In addition, implicit foreign exchange subsidies were greatly reduced during 1984 at the prevailing commercial bank rate.

5. Credit Policy

The Bank of Sudan, in order to curb inflation and limit the importation of the non-essential goods, issued new bank credit and liquidity control policies in October 1984. The following are some of the more important measures taken:

(a) importers of essential goods will pay a minimum of 40 percent of the import value prior to the bank's approval of the import licence, except for raw materials and critical spare parts, which require only 10 percent;

(b) on all other commodities the margin is 100 percent of the import value to obtain bank approval of the import licence;

(c) inventory financing is restricted to discourage hoarding; loans to finance the storage of sorghum, flour, wheat and sugar are limited to 40 percent of inventory cost and may not exceed three months;

(d) prohibited were the financing of loans for the purchase of foreign currency, credit facilities to private money exchange shops without prior approval of the BOS, loans for the purchase of land or real estate, and loans for personal use; and

(e) to restrict banking sector liquidity, four regulations were issued.

The commercial bank reserve requirement was raised to 12.5 percent, up from 10 percent; all funds deposited as advance payment for imports had to be transferred from commercial banks to a special BOS account for payment of import bills; inter-bank lending was prohibited without approval of the

BOS; and foreign banks were allowed to maintain demand and savings accounts only for importers and exporters registered with the Ministry of Commerce, Industry and Cooperation, companies engaged in development projects, and Sudanese working abroad.

6. Streamlining the Management of Public Sector Entities

Public sector entities in the sugar, cement, tanning and textile sub-sectors were incorporated in 1983 and 1984 in order to streamline their management and operation as commercial firms. A Presidential decree was issued on January 22, 1984, which prescribed the arrangement for ownership and management of the White Nile pump agricultural schemes.

7. Government Revenues and Expenditures

At the close of fiscal year 83/84, the Government switched its fiscal year basis from the Gregorian calendar to the Islamic calendar. Consequently, the current fiscal year, known as 1405h, runs from September 26, 1984 through September 12, 1985. This change was concurrent with substantive changes in the tax laws, specifically the introduction of a Zakat tax. At the time of the passage of the Zakat Act the following taxes were abolished: personal income tax, business profits tax, capital gains tax, and the stamp tax. These taxes amounted to LS 228.5 million in the fiscal year 1983/84 budget. Despite this abolition, the business profits tax and the stamp duty have reappeared at substantially higher base levels in the 1405h budget--collection is always one year in arrears. Revenue projections from a number of indirect taxes in the new budget exceed FY 83/84 amounts by 18 to 58 percent. Overall, there is a projected net revenue gain to the budget of LS 75.9 million. This figure does not include Zakat revenues as these are to be redistributed directly by the Zakat Chamber in accordance with the Koran.

The rate of expenditure growth in the budget continues to decline; 9.5 percent in the current year, compared to 27 percent in the previous year and 33 percent in FY 1982/83. The main areas of budgeted expenditure growth during the last three years have been foreign loan repayment, defense, and salaries and supplies. The share of the development budget in total expenditures is 16 percent. Total expenditures, including the development budget, are LS 2,663 million. Since total revenue is projected to be LS 1,640 million, the overall budget deficit is officially estimated at LS 1,023 million. Foreign financing is projected at LS 918 million, a figure that includes project loans, local counterpart funds, and budget support. This leaves LS 105 million as a projected unfinanced deficit. The Finance Minister's budget speech asserted that this deficit will be covered by expenditure control, ordinary local resources, or the issuing of investment bonds. Three months after the 1405h budget was presented the President issued two provisional orders: the first introduced a new consumption tax, and the second reintroduced personal income and business taxes, albeit renamed the Social Justice Tax.

The Government is now reassessing the budget situation and has put the estimated budget deficit (after debt relief) at LS 600 million. The Ministry of Finance and Economic Planning is preparing a deficit reduction plan which includes higher customs duties, reductions in expenditures and higher taxes.

8. Monetary Policies

The GOS aimed to limit the expansion of the money supply in 1982/83 to 28 percent. The actual growth turned out to be 37 percent. This was due to the fact that even though borrowings by the Government, public entities and the private sector were within the relevant ceilings and targets, the external sector turned out to be much less contractionary than anticipated. As a result, the government lowered the target for monetary expansion for 1983/84 from the original 26 percent to 18 percent. To help achieve the new target a number of policies were adopted, including restricting government borrowing to 12 percent, borrowing by public entities to 13 percent and private sector borrowing to 19 percent. The initial impact of these measures was to sharply curtail the growth in domestic liquidity to 4.7 percent in the first four months of FY 1983/84. Sudan met IMF credit ceilings for 1983/84 as a result.

9. Introduction of Sharia

In 1984, President Nimeiri announced new legislation in an effort to introduce Islamic law in Sudan. These included: (1) the Civil Transactions Act, 1984, (2) the Zakat Tax Act, 1984, (3) the Excise Duty Act, 1984, and (4) the Customs Act (Amendments), 1984. The Civil Transactions Act deals with legal subjects such as contracts, sales, companies, loans, insurance, etc. Since the implementation of this law draws heavily on the teachings of the Koran and is in conflict with the Companies Act of 1925, it has raised a number of issues including the concept of limited liability. The Zakat Tax Act, which became effective on September 26, 1984, was originally designed to replace 18 existing acts including personal income taxes, business taxes, etc. In November 1984, the GOS reintroduced many of the old taxes, including personal income tax and the business tax. However, the GOS has not formally announced the changes of November 1984 which cover direct and indirect taxes including Excise Duty and Custom taxes. In December 1984, the GOS announced the banning of interest from all banking transactions. Because the various Sharia-related laws and regulations were only recently enacted, it is not possible at this time to assess their full impact on the Sudanese economy.

10. Creation of the Supreme Council for National Economy

In December 1984, President Nimeiri created a Council, including several Ministers and the Governor of the Bank of Sudan, to consult directly with him on pressing economic issues. The group has met frequently in its initial stages to consider such topics as Sudan's petroleum supply shortages and the need to develop electrical generating capacity to promote agriculture and industry.

SUDAN: POLICY REFORM

Policy Issue	Status 1/85
1. Exchange Rate Regime The Sudanese pound has had a history of being set at an overvalued rate. There has been a growing divergence between the official and the free rate. As a result, it is difficult for Sudan to compete in the world export market at an overvalued exchange rate.	The devaluations of 1978, 1979 and 1982 brought the official rate down by 73 percent to LS 1.30 per dollar. The official rate is currently considerably less than half the free market rate, which averages LS 3.25 per dollar. Presently about 60 percent of exports and 25 percent of imports are transacted through the free market.
2. Export Promotion The export of cotton, groundnuts, gum arabic and other crops has been constrained because Sudan's overvalued exchange rate cuts producer's returns. Prior to Oct. 1984, agricultural exports were valued at an effective exchange rate of LS 1.42 per dollar. (Based on a conversion formula where 75 percent was exchanged at the official exchange rate and 25 percent at the commercial rate.) At the same time the bank rate was LS 1.8 per dollar and the free market rate	As of Jan. 1985, two commodities, cotton and gum arabic, are valued on the basis of the old 75/25 FX conversion formula, but the new commercial bankrate is used to value all other merchandise exports. The movement from LS 1.42 to LS 2.1 represents a 47.9 percent price increase in terms of local currency for exporters. This incentive improvement is already reflected in substantial producer price increases. Cotton prices for the 1984/85 crop were increased by 23 percent; cotton will be moved to the commercial bank foreign exchange rate for the 1985/86 crop. In Oct. 1984, the distribution of foreign exchange was changed. Commercial banks can now keep 50 percent of export proceeds for most exports, but not cotton and sesame, instead of 25 percent prior to October 1984. New bank regulations explicitly promote export financing.
3. Import Liberalization The GOS presently imports essential pharmaceuticals and some petroleum at the official exchange rate. The commercial bank rate of LS 2.1 per dollar is used for GOS-specified priority imports, and the free market rate applies to all imports not qualifying for the priority	All private sector imports (except some drugs) were transferred to the free market rate by February 1983. The USAID Mission successfully negotiated the transfer of wheat import prices from LS 1.8 to LS 2.1 per dollar in the fall of 1984.

list. The domestic prices of imported commodities are often controlled, leading to underpriced output and services, and consequent shortages.

Petroleum crude is presently being imported by the GOS, as are most refined products. The USAID Mission has negotiated an agreement with the GOS on transferring the elements of the importation and distribution of petroleum to the private sector. Diesel prices will be based on import parity at the prevailing commercial bank rate.

4. GOS Domestic Resource Mobilization
The GOS has relied heavily on domestic borrowing and foreign financing rather than on its own savings to finance investment. Its domestic borrowing has cut availability and raised the cost of investment funds, thus curtailing exports, and heavy external borrowing has fueled soaring import demand and precipitated a debt servicing crisis.

The GOS budget deficit has run about 6.5 percent of GDP in the past 2 years. With the introduction of the Zakat tax for social purposes and concurrent elimination of some 20 other taxes in mid-1984, the GOS faced the possibility of a large increase in the Government deficit. Realizing the implications of that, the GOS reinstated both personal and business income taxes, introduced an excise"consumption" tax, and revalued customs on the basis of the LS 2.1 to $1 rate. In all, additional revenue of LS 550 million is expected. The Ministry of Finance is also currently cutting planned public expenditure by LS 50 million. These measures could reduce the 1984/85 deficit by about LS 600 million.

5. Elimination of Sudsidies
Beginning in 1983 and continuing through the present, the Government has pursued a policy of eliminating consumer subsidies. To date, all explicit budget subsidies have been eliminated. Exchange rate subsidies remain on some petroleum items and some pharmaceuticals.

Sudsidies have been eliminated by raising administered prices, often by using the commercial rate instead of the official rate as a basis for valuing tradeable items. Bread and wheat/wheat flour foreign exchange rate subsidies were eliminated in July 1984. In early 1985, gasoil (diesel) prices moved to import parity based on the new commercial bank rate. Periodic adjustments in administrative prices are required to prevent the reappearance of explicit budget subsidies. Preventing the reappearance of implicit subsidies necessitates periodic commodity price increases based upon a realistic exchange rate.

6. Monetary Control Tighter control on money supply is essential because of its impact on aggregate demand and import demand. Excessive monetary expansion has contributed to significant inflation.

In 1982-83, monetary growth reached 37 percent as opposed to the IMF target of 28 percent. In 1983/84, the GOS has been deemed successful in limiting growth in money supply to under 18 percent, primarily by restricting credit to public entities, the private sector and the Central Government. In December 1984, the GOS voluntarily undertook measures to further curb credit and domestic liquidity growth. Bank lending for essential imports now requires margin requirements of 40 percent, and only specified items are eligible for financing. New loan restrictions apply, and personal, real estate, and long and medium term loans to the public sector are prohibited. The IMF is working with the GOS to attempt to hold growth in money supply to 10% in 1984/85.

7. Interest Rates and Savings Mobilization Sudan has traditionally been reluctant to use interest rates to encourage savings and allocate capital due to political and religious attitudes, and has instead allowed negative real rates and adopted inefficient quantity restrictions on bank lending.

In Dec. 1984, the GOS announced the banning of interest on all banking transactions and introduced Islamic banking practices. The banks may now take an equity position in collaboration with other investors thus bearing more of the direct business risk. Their participation arrangements serve the same purpose as explicit interest rates in allocating their investible funds, as banks are permitted to charge various "fees" on loans.

8. Increases in Domestic and Export Prices The GOS practice of setting prices has resulted in major problems in both production and expenditure. Of particular importance have been the prices for agricultural and industrial products and public services.

Institutional arrangements were made in 1984 for carrying out regular price reviews of all tradeable goods. Minimum procurement prices of cotton, groundnuts, sesame and gum arabic increased again in October 1984 by amounts ranging from 30 to 40 percent. The domestic price of sugar was increased from LS 250 per ton to LS 400 per ton during the FY 83 season. Similarly the price of gasoline was increased by 50% in December 1983 and gasoil and benzine prices increased in early 1985. Electricity rates doubled in May 1983 and increased another 50 percent in December 1983.

9. Public vs. Private Sector Relationships Although the GOS is undertaking a well-publicized privatization program, events in the past year indicate that the public sector is emphasized at the expense of the private sector. This has resulted in increased inefficiencies and price distortions, a disappointing trend after the policy reforms of the last three years.

Public sector entities in the sugar, cement, tanning and textile sub-sectors were converted into private companies in 1983 and 1984. In January 1984, the small agricultural schemes of the White and Blue Nile schemes were transferred to the pump private sector. However, the expansion of the Military Economic Corporation in the productive sectors of the economy is proceeding at an alarming rate. From a very modest beginning in 1982, it has grown to employ a large staff and has branches in London, Cairo and Morocco. It owns factories, farms, aircraft, buses, several companies and has almost entirely taken over the importation of certain commodities, including cigarettes. This, combined with a complete overhauling of commercial laws to conform with Sharia, has added considerable uncertainty to the investment climate.

Overall Summary

The GOS has implemented some tough reforms in the past two years, especially in the areas of foreign exchange, credit control and producer pricing. But in order for sustained recovery to take place, the GOS needs to revise the relationship between the public and private sectors, which continues to burden public finances while inhibiting the use of private capital and resources for productive economic activities. Steps must be taken to reduce the risk and uncertainty that exist in the private sector. Further exchange rate adjustments will be required in 1985.

B. Three Year Public Investment Program.

The last Three Year Public Investment Program (TYPIP) done in 1983, provided for development expenditures of LS 724 million in 1983/84, at current prices, but only 69 percent of the budgeted amount was spent. The LS 500 million expended is still a 25 percent increase over 1982/83. Implementation of budgeted funds was particularly good in the energy sector, but agriculture, transport and communications received the largest shares.

The GOS has undertaken economic reforms to support its investment plans. Though hampered again by drought, the GOS adjusted exchange rates and increased export prices in 1983/84, while reducing export taxes. Exports thus increased slightly. The GOS reports that its attempts to restrain monetary expansion are working. The rate of expansion reportedly fell to 18 percent in 1983/84. The GOS maintains that resource mobilization efforts induced a 30 percent increase in the collection of direct taxes and an 11 percent increase in indirect tax revenues.

1. Policy Action Program

The current TYPIP covering the period 1984/85-1986/87 contains a policy action program aimed at supporting structural adjustments in the economy.

Balance of Payments: The GOS plans to maintain a flexible exchange rate policy to promote exports and limit import demand with the long-term objective of balance of payments equilibrium. In a more direct approach to export promotion, the GOS plans to continue raising producer prices to international levels. A study is under way to determine the real composition of producer prices and ensure that they remain remunerative. Inputs purchased on the free market will be valued as such in determining commodity prices. Agricultural production relationships in public schemes have been reformed and, the rehabilitation of irrigated schemes is continuing. Customs duties on exports have been cut. The effective exchange rate applicable to all but cotton and gum arabic was raised from LS 1.42 per $1 to LS 2.1 per $1 in October 1984, greatly increasing export incentives. In addition, the domestic price of all imported agricultural inputs are now being priced at the LS 2.1 per $1 exchange rate, thus achieving the same exchange rate for inputs and outputs.

The GOS seeks to limit imports to levels consistent with resource availability and essential needs through administrative controls and appropriate price signals. Margin requirements on letters of credit are 100 percent for all but 22 essential imports at 40 percent, and raw materials and critical spares at 10 percent . Thirty-nine luxury items, including passenger cars, are banned outright.

The GOS is currently studying ways to further increase the inflow of remittances from Sudanese working abroad.

Production: To increase production, the GOS plans to continue increasing the managerial efficiency of parastatals, to work with the World Bank to implement the rehabilitation of textile and sugar plants, and to complete the revision of production relations in irrigated agriculture. A revision of national labor codes and employment policies is also planned. A comprehensive strategy to improve rainfed agriculture will be prepared, and implementation will begin during this TYPIP. Medium- and small-scale irrigated agricultural pump schemes are being privatized. The GOS states that it plans to phase down direct government participation in productive economic activities generally, and has "commercialized" several enterprises to this end.

To support producers, the GOS plans to better coordinate its commodity assistance and its own resources to insure that essential inputs are supplied. Programs for agricultural storage and marketing and livestock productivity will also be continued.

Money and Banking: The GOS plans to hold money supply to a 15 percent increase in 1984/85 by further reducing Central Government credit with commercial banks and continuing to use strict margin requirements on most imports. Private productive investment will be given priority by banks while loans for real estate and consumption will remain banned. Commercial banks must maintain balances equal to 12.5 percent of total deposits and interbank lending must be approved by the Bank of Sudan.

Domestic Resource Mobilization: The GOS aims to cut current expenditures from 17.7 percent of GDP in 1983/84 to 14.6 percent in 1986/87 in view of the shift of some central tax resources to the Zakat system. To do so, the GOS will implement a revised customs tariff structure and reorganize the customs department to insure improved collection. Tax collection is to be improved generally. Subsidies will not reappear as prices for parastatals and other producers will be reviewed with an aim at cost recovery and adequate remuneration. The tariffs of public utilities will continue to be reviewed for needed increases. Petroleum prices will be closely monitored for needed adjustments. The legal framework for a stock market is in place, and the GOS still talks of its implementation to encourage savings and investment.

Resource Allocation: Studies to guide investment for development will continue, and the GOS will allocate monies only to projects directly contributing to economic recovery and in areas of Sudan's comparative advantage.

Annual development budgets will be monitored for consistency with the TYPIP. Project appraisal and information systems will be institutionalized, with project approval procedures explicitly followed. In addition, monitoring of macro-economic performance will be further refined to develop a framework for assessing long-term investment programs and policies.

External Resource Mobilization: Through the support of the December 1983 Consultative Group, over $800 million in balance of payments and project support was mobilized. In May 1984, major Paris Club and commercial creditors agreed to a generous rescheduling/refinancing of Sudan's burdensome debt. The

GOS realizes that it needs continued support and is attempting, with IMF assistance channeled through the Joint Monitoring Committee, to improve debt management and thus make timely payments.

Private Sector Promotion: The GOS recognizes the importance of encouraging private production, which now accounts for 70 percent of total GDP. Though public investment in infrastructure and services will support private enterprise, other initiatives are planned.

The incentive structure and investment climate is to be improved through expanding tax concessions, utility and finance supply preferences, and trade protection. Development of more financial institutions will be undertaken, with some jointly funded by the GOS and other investors. Joint public and private, domestic and foreign ventures will be encouraged. The GOS states it will eliminate subsidies to public sector entities so as to improve the competitive position of private ventures. In the same vein, more public ventures will be privatized. The Military Economic Corporation's operations are to "supplement and not supplant the private sector," and no monopolistic role will be assigned to it in trade, services, or production. The GOS is hosting a UNIDO Regional Investment Promotion meeting in March 1985, where local projects will be presented for funding to potential foreign investors. In addition, the GOS plans to introduce a formal investment schedule to channel private funds to priority areas. At the same time, the GOS Investment Board has opened consultations with the Chamber of Commerce to allow private participation in decisions affecting investors.

Several of these policies represent a sharp departure from current practices and are yet to be implemented.

Certain constraints facing the private sector are mentioned but not addressed through explicit policy measures. They include: excessive government "red tape" and inflexibility, a lack of well-planned industrial areas, excessive bank lending rates, uncertainty in the foreign exchange regime, and the profit squeeze caused by a less effective exchange rate being applied to exports than to imported inputs.

The above policy program is designed to instill donor confidence in Sudan's willingness to address structural imbalances in the economy. In conjunction, Sudan will continue efforts at future debt rescheduling and seek foreign assistance which doesn't exacerbate its debt structure. The GOS will seek donor technical assistance to effectively implement a manpower development and training program essential to the recovery program. Overall, the GOS intends to improve coordination with donors on the level, type and timing of aid, to better meet development objectives.

2. Public Investment Program

The fifth TYPIP is structured to embody much improved disbursement of foreign aid and a reduction in budgets of "self-financing" government entities. With foreign aid disbursement increases, the GOS hopes to push implementation of the public investment budget to 80 percent from 69 percent, thus raising real investment in 1984/85 by 10 percent from the previous year. In constant 1981/82 dollars, the three year (1984/85 - 1986/87) total planned investment is LS 1,237 million, or LS 2,700 million in nominal terms. Local contributions will total 47.4 percent and foreign input is planned for 52.6 percent of the budgeted total. Agriculture, transport and communications comprise by far the greatest share, but regional development follows, evidence of its priority (see Table 5).

Agriculture: Under this TYPIP, ongoing rehabilitation of irrigated sector schemes will continue, and a major rehabilitation program in Gezira and the Northern Pump Schemes commences. Rainfed agricultural production has suffered during the three-year drought, losing some of its preeminence to irrigated production, which managed improvements under the previous policy program. Fully one-third, LS 280 million, of agriculture's allotment will fund investment in rainfed agriculture. Projects to boost rainfed and livestock production will be reemphasized, and gum arabic trees will be replanted in projects with the aim of checking desertification. Livestock routes will be developed, further reducing overgrazing that has contributed to desertification. Additional multipurpose storage will be constructed to improve agricultural marketing.

Manufacturing: Public sector industrial investment is small relative to private involvement. The GOS plans to rehabilitate sugar, textile and leather industries and improve the management of these, and of public food-processing and cement industries, by operating them on a "commercial basis." Rehabilitation claims the largest budget share and focuses on sugar, in which Sudan expects to become self-sufficient during this TYPIP. Textile rehabilitation also aims at import substitution.

Transport and Communications: Lack of infrastructure remains a major barrier to economic growth. GOS priorities for its improvement include completing current road projects and maintaining existing roads. Further attempts will be made to rehabilitate Sudan Railways' physical and managerial structures, including implementing new tariffs to make it a viable mode for long-haul shipments. Road links to the West (including the USAID-financed El Obeid-Kosti Road) and South will commence, and river transport between the Central and Southern regions is scheduled for development. Sudan hopes to modernize internal and international telecommunications links.

Energy and Mining: Insufficient power supply is a critical constraint to increasing production in Sudan, and generation increases have not kept pace with demand growth. In this TYPIP, 11.4 percent of the budget is allocated to energy and mining, a reflection of implementation constraints rather than low priority. The World Bank Power III and Power IV projects will result in an improved and expanded Blue Nile Grid. Hydro projects are being studied, and the program allows for a pipeline connection between Sudan's oil refinery and the new harbor south of Port Sudan.

Water and Services: In the next three years, LS 68.5 million will be spent on developing water supplies to support people and livestock. The bulk will apply to developing rural water sources. The GOS has allocated 11.3

percent of the TYPIP budget to services, primarily to health and higher technical education. Specialized higher educational faculties will be developed for the regions and vocational training will seek to replace some of the emigrated Sudanese manpower. Public work monies will fund public design and supervision efforts, while the private sector will undertake most construction.

Regional Development: Support of the regions remains a GOS priority. From a LS 78 million allocation to the regions in 1983/84, the average under this program will increase to LS 107 million per year. Regional governments decide their use, but most fund small basic needs projects in regional and provincial capitals.

These investments are intended to compliment the structural adjustment goals embodied in the policy action program. Without timely implementation of such measures, dislocations caused by policy shifts will have a greater negative impact and the policies themselves will be less effective.

Table 5

5TH THREE YEAR PUBLIC INVESTMENT PROGRAM

1405 H - 1407 H (1984/85-1986/87)

(Millions of Sudanese Pounds)

Sector	Estimated Actual 1983/84			1405 H			1406 H			1407 H			3 Year total			
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total	%
Agriculture	57.6	71.5	129.1	77.5	147.4	224.9	111.0	181.8	292.8	123.6	197.7	321.3	312.1	526.9	839.0	31.1
Manufacturing	18.2	16.3	34.5	16.7	43.3	60.0	20.0	75.0	95.0	28.0	77.0	105.0	64.7	195.3	260.0	9.6
Transport & Communication	65.3	56.3	121.6	60.3	74.5	134.8	73.5	95.4	168.9	83.5	91.5	175.0	217.3	261.4	478.7	17.7
Energy & Mining	26.7	47.2	73.9	13.8	58.8	72.6	24.1	71.5	95.6	36.1	103.7	139.8	74.0	234.0	308.0	11.4
Water	9.6	4.1	13.7	7.9	15.0	22.9	13.0	10.8	23.8	11.6	10.2	21.8	32.5	36.0	68.5	2.5
Services	39.7	10.2	49.9	37.3	46.3	83.6	51.5	55.5	107.0	56.3	56.8	113.1	145.1	158.6	303.7	11.3
Regional	69.0	9.0	78.0	97.7	7.8	105.5	97.9	-	97.9	118.7	-	118.7	314.3	7.8	322.1	11.9
Dev't Reserve	-	-	-	40.0	-	40.0	40.0	-	40.0	40.0	-	40.0	120.0	-	120.0	4.5
Total	286.1	214.6	500.7	351.2	393.1	744.3	431.0	490.0	921.0	497.8	536.9	1034.7	1280.0	1416.0	2700.0	100
of which																
Self-Financed	46.4	28.0	74.4	41.6	43.6	85.2	40.3	58.6	98.9	47.7	58.3	106.0	129.6	160.5	290.1	10.7
Centrally Financed	239.7	186.6	426.3	309.6	349.5	659.1	390.7	431.4	822.1	450.1	478.6	928.7	1150.4	1255.5	2409.9	89.3

C. IMF Standby Arrangements

As of January 1985, Sudan had no IMF Standby Arrangement and owed arrears of $82 million to the Fund. The IMF is currently reassessing Sudan's economic situation and determining conditions for a continued relationship with the Fund. In looking at Sudan's economy, the IMF will have to consider the impact of the drought on projected foreign exchange earnings and on domestic resource mobilization in the short and intermediate term. Substantial reforms on the part of the GOS will undoubtedly be required.

The targets of Sudan's last full-fledged Standby Arrangement (February 1983-February 1984) were only partially met. On the positive side, a few goals were actually exceeded: cotton production surpassed its 16 percent targeted increase, and the government budget deficit did decrease to 6 percent of GDP, 1 percent better than the targeted 7 percent. On the other hand, GDP declined by over 2 percent as drought affected the rainfed agricultural sector, and the money supply grew more than the 28 percent targeted, driving inflation to 40 percent versus the 30 percent originally projected. Government and private borrowing, however, remained within the 18 percent credit ceiling.

Despite some unmet targets, Sudan and the IMF started talks about a new Standby Arrangement to be based on satisfactory economic reform measures and successful debt rescheduling with commercial and foreign government lending institutions. A new short- and medium-term standby program involving significant economic reforms, developed in the spring of 1984, began in June 1984. The new Standby Arrangement, however, collapsed one month later, in July 1984, when Sudan could not meet arrears of $42 million to the Fund.

The failed Standby Arrangement had assumed an optimistic real annual GDP growth of 5 percent through 1985/86 on the condition that external assistance and debt relief remained steady and that the free foreign exchange market continued to operate. The program aimed at increasing traditional exports, reducing imports of non-essentials and certain domestically produced items, and cutting inflation to 20 percent annually. Specifically, the short-term elements of the program included:

- Encouraging exports by increasing procurement prices and ensuring the availability of essential imports through a carefully managed commodity import program.

- Promoting import substitution through the continued rehabilitation of irrigated agricultural schemes and sugar and textile factories, while improving internal transport by strengthening Sudan Railways' management and finances.

- Improving resource allocation by raising petroleum prices and removing controls on retail prices and private profit margins.

- Limiting monetary expansion to 18 percent in 1983/84 by restricting BOS credit to the Central Government to LS 100 million, raising charges and rates on land use, transport and electricity, and restraining private sector credit by increasing margin requirements and reducing nonessential imports.

- Continuing use of the multiple exchange rate system with a 75/25 foreign exchange conversion rate formula for exports, resulting in an effective exchange rate of LS 1.42/$1.00 (which USAID considered inadequate).

- Reducing nonessential imports by maintaining restrictions on thirty-nine items.

For the medium term, through 1985/86, last spring's failed Standby Arrangement called for:

- Continued growth in agro-industries and irrigated agriculture through further rehabilitation of irrigated schemes and sugar and textile plants, along with the maintenance of financial incentives.

- Increased government resource mobilization and reduction of the deficit to 3 percent by containing recurrent expenditures, increasing tax collections, raising the yields on government bonds, and improving the profitability of public sector enterprises.

- Restricted money supply growth with positive returns on bank lending and reasonable growth in public and private credit.

- Reoriented private investment, turning away from trading and real estate and toward agriculture and agro-industry, along with the elimination of price controls and administered profit margins.

- Limited growth in public and private sector consumption, pegged at the population growth rate of 3 percent a year.

D. Debt Rescheduling and Other Donor Assistance

Sudan's agricultural promise, strategic geographic position and economic reform efforts have encouraged both creditors and donors to provide strong support during the past few years for stabilization work. Continuing generous past rescheduling terms, all unpaid principal and interest due in 1984 were consolidated in May 1984 into one loan, and half the amount due from the 1983 rescheduling was capitalized and added to the main consolidation.

Commercial creditors (London Club) also rescheduled some $137 million in 1984. The total amount rescheduled following the February 1983 Paris Club meeting was US $535 million. In both instances, similarly generous rescheduling terms were arranged with non-Paris Club bilateral donors and other commercial creditors.

Debt rescheduling thus reduced Sudan's unfinanced current account gap by nearly $400 million in 1984. Going into arrears or arranging costly refinancing were the alternatives. Such arrangements have allowed Sudan time to determine the magnitude and timing of its payment requirements and develop medium-term debt management plans. The IMF has provided assistance for initiating a GOS debt monitoring unit. Nonetheless, Sudan's external debt profile shows projected high annual obligations throughout the 1980s. Payments (without rescheduling) are expected to be about $1 billion annually throughout the 1980s (see Table 6) and will thus most likely outstrip annual export earnings by about 25-30 percent.

Annual debt obligations for the next two or three years are projected at between 8 and 12 percent of GDP in nominal dollars. The debt profile is Sudan's greatest obstacle to economic development, draining scarce foreign exchange while it increases private business costs and delays public development expenditures. It is imperative that the GOS continue to carefully negotiate further debt rescheduling and create a climate of confidence in its stabilization efforts.

Aside from debt rescheduling, donors have obligated substantial amounts of money to project and commodity assistance and other types of aid. Increasingly, donors have shifted from loans to grants because of Sudan's already massive external debt. In 1983, about $264 million in project aid was committed, along with $550 million in cash and commodity support. Levels were similar for 1984, when $332 million was committed in project assistance and $474 million in balance of payments support (cash and commodity aid).

Thus, total donor assistance committed at the 1984 Consultative Group meeting, held in December 1983, was $806 million. Actual disbursements between January 1984 and June 1984, however, amounted to only $182.9 million--$69.7 million in project aid and $113.2 million in nonproject support (see Tables 7 and 8). The nonproject aid disbursement of $113.2 million included $33.2 million from commodity aid in the pipeline on January 1, 1984, $30 million from PL 480 committed in 1984, $11.5 million from commodity aid committed in 1984, $18 million from cash grants committed in 1984 and $20.5 million from the Arab Monetary Fund.

The GOS/CG Monitoring Group has indicated that donor assistance has not been as forthcoming as pledged. The pace of disbursements was unusually slow in calendar year 1984, especially with regard to commodity aid. In the past commodity aid has had a record of relatively faster commitment and disbursement. By September 1984, as against a pledge of $405 million, the bilateral donors had committed only $252.4 million through signed protocols. This included $88 million committed by the USG.

Table 6
Sudan: Estimated Debt Service on Public and Publicly Guaranteed Loans, 1984-89 1/
(In Millions of U.S. Dollars)

	1984		1985		1986		1987		1988		1989	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
- Multilateral Institutions	221	86	202	100	192	95	230	552	245	78	234	73
Abu Dhabi Fund	11	1	11	6	11	5	16	5	16	5	16	4
African Development Bank/Fund	14	1	1	1	1	1	2	1	2	1	2	1
Arab Fund	11	4	12	6	12	7	12	8	13	8	16	9
Arab Monetary Fund	39	6	22	8	19	9	10	10	19	12	43	14
European Development Fund	3	-	1	-	1	-	1	-	1	0	1	-
IBRD/IDA	9	8	7	10	7	10	6	11	7	12	8	13
IMF 2/	95	60	124	59	113	53	151	38	155	28	115	19
Kuwait Fund	17	3	8	3	8	3	9	3	9	3	8	3
OPEC Fund	3	0	5	0	5	-	5	-	5	-	5	-
Saudi Fund	16	2	8	3	12	3	12	6	12	6	14	7
Other	3	1	3	4	3	4	6	4	6	3	6	3
- Bilateral creditors	357	272	341	244	306	229	136	217	231	204	379	183
Club of Paris	195	138	128	117	130	113	66	103	67	100	107	95
I	(59)	(29)	(66)	(21)	(68)	(17)	(25)	(7)	(23)	(5)	(23)	(3)
II	(10)	(19)	(-)	(18)	(-)	(18)	(-)	(18)	(17)	(17)	(33)	(14)
III	(25)	(58)	(-)	(58)	(-)	(58)	(-)	(58)	(-)	(58)	(30)	(58)
Other	(101)	(32)	(62)	(20)	(62)	(20)	(43)	(20)	(27)	(20)	(21)	(20)
OPEC members	130	119	181	112	141	101	36	100	142	92	250	82
Kuwait	(13)	(46)	(52)	(42)	(52)	(37)	(52)	(35)	(61)	(29)	(110)	(25)
Saudi Arabia	(94)	(60)	(96)	(53)	(66)	(48)	(76)	(54)	(76)	(52)	(120)	(47)
Other	(23)	(13)	(33)	(17)	(23)	(16)	(8)	(11)	(5)	(11)	(20)	(10)
OMEA members	14	5	13	6	11	6	8	6	6	5	4	2
Other	18	10	19	9	24	9	26	8	16	7	18	4
- Commercial banks	-	163 3/	186	112	186	90	186	68	186	45	44	29
Rescheduling agreement	-	137 3/	186	86	186	64	186	42	186	19	44	3
Other	-	26	-	26	-	26	-	26	-	26	-	26
Total	578	521	729	456	684	414	371	86	662	327	657	285

Sources: Ministry of Finance and Economic Planning, Bank of Sudan, and staff estimates.
1/ Includes debt service on new loans estimated at US$402 million in 1983, US$366 million in 1984, and US$275 million per annum in 1985-89.
2/ Includes Trust Fund and SDR charges.
3/ Obligations prior to the debt relief accorded on April 2, 1984. Under the relief, these obligations have been reduced to US$36 million

Table 7

Statement of Donor Disbursement of Project Aid During the Period Jan 1983 to June 1984

(U.S.$ Million)

	Jan. June 1983	July Dec. 1983	Jan. Dec. 1983	Jan. June 1984	July 1983 June 1984
1. World Bank	53.059	16.778	69.837	16.108	32.886
2. IFAD	1.870	1.712	3.582	3.155	4.867
3. African Development Fund	1.014	0.227	1.241	-	0.227
4. African Development Bank	-	-	-	-	-
5. Islamic Development Bank	-	-	-	-	-
6. Arab Development Fund	-	0.236	0.236	-	0.236
7. E.E.C.	10.600	9.249	19.849	6.494	15.743
8. Kuwait Fund	5.351	0.822	6.173	-	0.822
9. Abu Dhabi Fund	0.035	0.009	0.044	-	0.009
10. Saudi Fund	3.692	1.200	4.892	7.270	8.470
11. F.R. Germany	6.902	16.793	23.695	11.739	28.532
12. U.S.	10.140	12.875	23.015	5.291	18.166
13. Denmark	1.231	5.046	6.277	0.045	5.091
14. Netherlands	5.491	12.052	17.543	4.941	16.993
15. U.S.A.	-	-	16.740	13.621 1/	-
TOTAL	99.385	76.999	193.124	68.664	132.042

Source: GOS 6th Report of the JMC, Ministry of Finance and Economic Planning

1/ As of September 1984

Table 8

COMMODITY AID DISBURSEMENTS
DURING JULY 1983 TO JUNE 1984

(In US$ Million)

Sources	July-December 1983	January-June 1984	Total
U.K.	7.6	8.2	15.8
Switzerland	1.1	6.9	8.0
Norway	.7	2.0	2.7
Finland	2.0	-	2.0
E.E.C.	19.0	-	19.0
Saudi Arabia	38.5	-	38.5
France	6.0	2.1	8.1
West Germany	-	2.2	2.2
Japan	3.9	0.1	4.0
Netherland	13.0	0.6	13.6
Italy	21.5	3.6	25.1
U.S.A.	25.4	49.0	74.4
Total	138.7	74.7	213.4
Cash Assistance			
Saudi Arabia	48.2		48.2
AMF		20.5	20.5
USAID	20.0	18.0	18.0
	68.2	38.5	86.7

Source: GOS 6th Report of the JMC, Ministry of Finance and Economic Planning

World Bank Group gross commitments to Sudan through 1984 totaled $990 million, while IFC project commitments were $35 million. There have been eight IBRD loans (two on third window terms) and 39 IDA credits for a total of 47 projects Nineteen projects are being implemented. Over 80 percent of the Bank's assistance has consisted of IDA credits, $85 million, while IBRD loans have amounted to $139 million. The IFC's $33 million has primarily financed public-private joint ventures in textiles, cement, sugar and food processing, most of which have been run as commercial ventures. World Bank lending represents about 10 to 15 percent of total aid flows to Sudan.

About 59 percent of total Bank/IDA lending has been for agriculture. Work in other sectors includes three electrical power generation projects, two education projects, two highway projects, four railway projects, two port projects, two technical assistance projects, and two industrial credit projects.

In 1983 IDA committed a total of $130 million, of which $80 million equivalent was for the Gezira Rehabilitation Project and $50 million for the Second Agricultural Rehabilitation Program. The Gezira Project is expected, over five years, to raise crop yields and production through improved irrigation, drainage and pumping systems; rehabilitation of infrastructure and ginneries; provision of critical inputs; and improvements in training, research and health control. The project, which has a total cost of $230 million, is cofinanced by Italy, the United Kingdom, the Arab Fund, and the Saudi Fund for Development. Japan is also considering participating in the cofinancing of this project. The Second Agricultural Rehabilitation Program will further support the Government's efforts to expand agricultural export earnings through the provision of inputs and spare parts on a fast disbursement basis in the irrigated subsector.

The Bank Group's commitments in 1984 amounted to $50 million in project assistance. The Third Agricultural Rehabilitation Program Credit when finalized will disburse $50 million in commodity assistance.

The IBRD puts emphasis on the rehabilitation of existing capital investments that offer promise of helping the country generate or save foreign exchange and on infrastructure projects that address critical bottlenecks. Specifically, the IBRD supports the following objectives:

1. Improved Balance of Payments--support for development projects and policy actions that help the country generate or save foreign exchange, with current priority given to rehabilitating existing capital investments in agriculture, and later in other sectors.

2. Key Infrastructure--support for infrastructure projects that relieve the most critical bottlenecks inhibiting productive output, especially in power and transport.

3. Longer-Term Development--assistance to the Government to prepare for longer-term development activities through studies of irrigated water-use priorities, population and health, rainfed agricultural potential and industrial development.

The IBRD expects to devote particular attention to domestic resource mobilization, the labor market, labor policies, industrial policy, private sector development, irrigation investment priorities, and a strategy for rainfed agriculture. The IBRD is planning a special population and health study for next year. Over the next several years, IDA expects to commit around $100 million per year in new credits, although this level is dependent both on IDA replenishment at a reasonable level and continued improvements in GOS performance on economic policy and execution of IDA-financed projects.

E. US Assistance Strategy and Contributions

Owing to the nature of Sudan's development problems, A.I.D. had devised a strategy which lays the foundation for a medium- and long-term development effort aimed at economic development and growth, particularly in rain-fed agriculture.

Economic policy reform is at the heart of A.I.D.'s overall strategy. A.I.D., in conjunction with the IMF, has played a key role over the past three years in the reforms that have taken place thus far, particularly with respect to foreign exchange rate adjustments. However, in order to stimulate both agricultural production and export earnings greater financial incentives are required for the private sector. This is absolutely vital to the country's economic future, and it is, therefore, a major focus of attention in A.I.D.'s strategy.

In the past year, attempts to achieve realistic macroeconomic policies has been a top priority. Macroeconomic prices had become severely distorted in an economy that can little afford misallocation of its scarce resources. The foreign exchange regime has been of great concern, especially as it affects export prices (and thus supply) and the cost of imports to domestic consumers. In some cases, A.I.D. has actually worked with the GOS to revise retail prices of key items and procurement prices of major agricultural crops. Without a realistic incentive structure, development projects and commodity assistance play a less effective role as economic catalysts.

The CIP and PL 480 Programs help alleviate Sudan's very severe foreign exchange shortage. Moreover, A.I.D. has found these programs to be important mechanisms for maintaining a policy dialogue with senior government officials and for encouraging much needed economic policy reforms.

Commensurate with its efforts in policy reform, A.I.D. is striving to develop Sudan's rain-fed agricultural subsector. Studies carried out by A.I.D. have clearly shown that the rain-fed subsector's contribution to net agricultural foreign exchange earnings given normal weather conditions, is far greater than that of the irrigated subsector, nearly four times as great in

1982. Though the rain-fed sector has been adversely affected by the drought, its potential for expansion remains strong. In contrast to irrigated production, the labor-intensive nature of traditional rain-fed agriculture and the minimum foreign exchange requirements for capital inputs assure high returns to marginal investments in technology and supporting infrastructure.

The lack of infrastructure is a significant constraint to Sudan's development. To alleviate the problem, A.I.D. will build a major road into the rain-fed subsector over the next three years while simultaneously improving farm to market roads and building grain storage facilities in the area. The intent is to facilitate both the flow of farm products to domestic and international markets and the distribution of improved technology and other farm requirements within Western Sudan. Complementing this approach will be A.I.D.'s effort to support the government's policy of decentralizing Government services by providing local currency support for development efforts.

To support its assistance objectives in Sudan, the U.S. has provided balance of payments support and project aid since resumption of the A.I.D. program in FY 1978. In FY 1978, concessional sales of PL 480 Title I wheat totalled $9.8 million. This was increased to $19 million in FY 1979. In FY 1980, a five-year $100 million Title III program was signed. Title I imports for FY 1985 are programmed at $50 million, maintaining the FY 1983 and FY 1984 levels.

U.S. balance of payments assistance also has been provided since FY 1980 through the annual ESF-financed Commodity Import Program (CIP). ESF grants for CIP imports were $40 million in FY 1980, $50 million in FY 1981, $100 million in FY 1982, and $82.25 million in FY 1983, of which $20 million was a cash grant. The FY 1984 CIP totalled $120 million, of which $18 million was provided in February 1984 on a cash grant. Of the remaining $102 million, $62 million was programmed for commodities and $40 million was reserved towards the petroleum facility. The total FY 1985 CIP including the Petroleum Initiative CIP, is budgeted at $114 million.

Project assistance has increased steadily in recent years, reaching nearly $23 million in FY 1985. The bulk of the money will be spent on supporting agriculture, including financing marketing roads, grain storage, crop research, and agricultural credit. The Mission also has activities in energy, health, population and training.

IV. JUSTIFICATION FOR THE COMMODITY IMPORT PROGRAM

A. U.S. Interests and Objectives

Sudan is important to U.S. security interests in Egypt, the Red Sea littoral and the Horn of Africa. With both African and Arab cultural influences, Sudan's geographic reach contributes to its significance inasmuch as it borders on eight other countries, which together constitute half the area of the continent. In economic terms, Sudan could become an important exporter of food as its agricultural endowment is superior to virtually all of its neighbors.

U.S. - Sudanese relations have grown closer since the mid-1970s. The outlook of the two countries continues to coincide on a broad range of international issues. The U.S. objective is to promote Sudan's economic and political stability through its economic assistance program and to maintain the country's moderate orientation in the international arena as well as help it achieve its economic potential as a benefit to both itself and to the region.

B. Contribution to Recovery Efforts

The GOS and its primary donors, including USAID, the World Bank group and the IMF, all agree on the need to work towards balance of payments equilibrium. To this end, the GOS has publicly stated its aim of working with donors to ensure timely availability of strategic inputs in sufficient quantities through commodity assistnce. Petroleum is most critical as its shortage causes the greatest economic loss. The focus on petroleum directly improves the balance of payments gap in three ways:

1) regular petroleum supply;

2) supply increases possible through better financing and competitive pricing, i.e. per unit costs decline; and

3) increased export production.

Sudan's Petroleum Initiative, promoted by A.I.D.'s Petroleum Initiative CIP and other donors' financial assistance, will also cut the Government's deficit. As prices increase under its terms, Government revenues will climb--enough to cover the foreign exchange costs and potentially to mobilize increased taxes. In addition, when procurement and marketing functions are privatized, their efficiency will increase, and the Government budget will bear fewer costs.

Privatization, price increases, and improved external financing through USAID guarantees, will reduce demands on the domestic banking system (especially by the Bank of Sudan) for public sector credit. Growth in the money supply and inflation will be slowed, and the GOS will be more likely to meet any IMF established credit ceilings.

Productivity will increase as the petroleum supply grows, due to increased thermal generating capacity and a greater ability to operate equipment and vehicles. The GOS and the IBRD will see better returns on their efforts at rehabilitating irrigated agriculture and public import substitution industries such as sugar, textiles, and cement. Improved production can facilitate the goal of commercializing these enterprises. Undertaking this initiative will strongly promote private enterprise (a special concern to the U.S.), which currently is hardest hit by supply shortfalls and black market prices. Finally, supply increases and regular availability will lower the unit price of fuel in Sudan (especially gasoil) and thus encourage investment in production versus trading. This, combined with more rational allocation plans and increases in official prices, will improve economic resource allocation in Sudan and further benefit productivity.

Changes in the petroleum pricing structure, and allocation and marketing systems, will work with overall supply increases to get more fuel to the regions. Distribution of economic resources and their development varies widely in Sudan. Regional development thus figures prominently in GOS and many donor recovery programs (including USAID's). The initiative will support assistance projects and other economic activities in the regions, boosting growth prospects.

Given all the above, Sudan's undertaking of its Petroleum Initiative will increase the confidence of Sudan's donors and creditors in the GOS's ability to manage its economic affairs and implement complex reforms. The GOS must have such confidence to ensure the continued high levels of assistance and generous rescheduling arrangements vital to economic recovery.

The Petroleum Initiative contributes to the foundation of economic recovery in a myriad of ways. Its importance substantially exceeds the mere size of any single donor's contribution to it because of its focus on petroleum, a critical input, and because of the serious restructuring of the petroleum market it calls forth. In time, it will add a much needed element of certainty to Sudan's investment climate. Thus, its economic returns will dwarf its cost, and pave the way for future reform efforts.

V. DEVELOPMENT IMPACT OF AND RATIONALE FOR PROPOSED COMMODITY

A. Criteria

The purpose of the Commodity Import Program is to provide targeted balance of payments support for countries experiencing foreign exchange shortages in order to allow them to purchase critical imports. The GOS has made clear its support for the position of the IMF, USAID and the other donors that immediate and far-reaching reform in the importation, marketing and distribution of petroleum is a precondition for achieving the Consultative Group's recovery objectives. Thus, the Petroleum Initiative finances commodities that not only contribute to maintaining current production levels but which also have a critical potential for increasing overall output and exports.

During the past three CIP programs, USAID, in cooperation with the GOS, IMF and World Bank, has been increasing its efforts to focus and target the commodities, sectors and beneficiaries of CIP commodities. Beginning with the FY 1984 CIP, USAID established six criteria for determining USAID/GOS selection of eligible commodities under the program:

1) need for the commodity from a political, social and, particularly, economic point of view;

2) degree of policy reform connected with provision of the commodity, including an added emphasis on sectoral reform;

3) degree to which provision of the commodity will support GOS/USAID emphasis on increased regional development;

4) consistency with Sudan's National Plan for Economic Development;

5) impact of the commodity on fostering agricultural production and exports; and

6) degree to which the commodity will foster increased production, employment generation and full utilization of sunk investments.

By USAID's basic CIP criteria, as well as IMF and World Bank analyses, petroleum is the single most critical imported commodity for Sudan's productive capacity. GOS and donor thinking came together on this point during the December 1983 Consultative Group Meeting, when it was agreed that reforms were needed in petroleum importation, marketing, and distribution.

The positive impact of the Petroleum CIP is highly complementary to the overall USAID development strategy in Sudan. Over the next few years, USAID will be focusing analytical and financial resources on the rainfed agricultural sector of Kordofan and Darfur. The rainfed sector normally (outside severe drought years) provides the bulk of Sudan's net agricultural foreign exchange earnings, and it holds great promise for increased production and exports, even taking into account cycles of negative weather variations. But to date only irrigated public sector schemes have received favorable consideration in petroleum allocation. Mechanized rainfed schemes experience fuel shortages, while traditional farmers in rainfed areas have been hurt by what shortages and the black market do to the availability of fuel and its cost for transportation.

In a system characterized by shortages, outlying areas quite naturally suffer most. And it is just those locales dominated by the black market where the principal foreign exchange earners--sorghum, sesame, groundnuts and gum arabic--are produced. Losses in rainfed areas due to petroleum shortages have been relatively heavy. The Petroleum CIP will, by increasing petroleum supplies and by means of special CIP covenants, alleviate those problems by making allocations more equitable and more economically rational. Increasing petroleum supplies will reduce the per unit cost of production and make the economics of transportation more favorable along planned farm-to-market roads. Petroleum thus satisfies the major concern that the use of CIP funds must result in increased agricultural production and exports.

The Petroleum Facility, as supported by USAID and other donors, results in savings by increasing the role of the market and the private sector in Sudan's economic development. Over the course of Sudan's Pet leum CIPs, petroleum importation will again be made competitive. Under a Covenant to this Second Petroleum Initiative CIP, the GOS will now allow private marketing companies to recover the cost of delivering petroleum to remote areas and will give them a freer hand in allocating supplies. This is a reversal of a long-standing practice of almost complete public control of the petroleum sector and minimal use of private resources.

The cost-effective use of petroleum to increase production is unquestionable. The value of increased output from having adequate petroleum supplies always far outstrips the cost of buying it. Increasing Sudan's productivity in such an encompassing fashion can easily be expected to generate employment. CIP financing for petroleum in Sudan is fully in line with USAID's development strategy and fulfills all the criteria for CIP use.

B. <u>Setting and Elements of the Petroleum Initiative CIP</u>

1. <u>Supply and Demand</u>

Consumption has been seriously constrained by Sudan's inability to finance the importation of an adequate supply of petroleum products, a limitation caused by foreign exchange shortages and the practice of pricing domestic sales at artificially low levels. Not surprisingly, a severe petroleum shortage increasingly limits economic growth prospects. Unmet demand in the country is estimated to be approximately 20 percent of current consumption but could be considerably larger.

In 1983, Sudan consumed about 1.1 million MT of crude oil and petroleum products. Of that total, about 40 percent was imported products. Imported crude is refined at the Port Sudan refinery. The increase in demand for gasoline and gasoil (diesel) has been especially marked, driven by strong growth in the transportation sector, which consumes by far the greatest proportion of imported petroleum. Consumption by agriculture and industry has grown little since 1973, while that of residential users has both decreased (kerosene) and increased (LPG). These changes have largely been the result of arbitrary decisions designed to address one apparent problem, without consideration of the whole.

All projections for the growth of real demand for petroleum products show strong annual increases for the next several years. Sudan will continue to have to import all crude and petroleum products until domestic oil production is developed. Even after the advent of crude exports that generate foreign exchange, it is likely that the overall foreign exchange balance will remain precarious for many years. Thus, financing adequate petroleum supplies for consumption will remain problematical for the foreseeable future.

2. Financing

Petroleum financing practices in Sudan are integrally related to Sudan's poor economic conditions. Nominal world petroleum prices climbed over 900 percent in the past decade, greatly increasing Sudan's financing needs. The annual cost of petroleum imports has thus rapidly grown from just over $100 million in 1976/77 to at least $340 million in 1983/84. The credit problems that have already been described are part of this picture.

Despite Sudan's economic difficulties, the importance of energy to production requires the country to import crude and petroleum products, though sporadically and at great cost. Since 1973, the Sudanese Government has persuaded other Arab States (Iraq, Kuwait and Saudi Arabia) to provide some oil on concessional terms. The GOS has also used international banks to confirm letters of credit for purchases from major oil companies. Borrowing from local banks for petroleum purchases has sky-rocketed in recent years. But lacking foreign exchange, the Bank of Sudan has not paid its bills on time or in full. So conventional financing sources have all but dried up.

In recent years, the Bank of Sudan's principal means of financing petroleum imports has been to use ever-more marginal financing sources and suppliers. Dealing with such brokers and traders is not cheap. Sudan pays about 20 percent more per unit of petroleum than is available at standard regional spot market prices and pays interest on suppliers' credit well over conventional bank rates. By taking Sudan's average price per metric ton for each petroleum product, multiplying it by the quantity purchased in 1982 and comparing it to the same quantities priced at world levels, one arrives at a figure approximately $60 million above spot prices that has been paid by the GOS. The story is similar for 1983 and 1984, when Sudan again paid high prices for its oil.

Quite often financing has not been in place even as shiploads of petroleum arrive in Port Sudan. Ordering has not been unified. Different officials promise to buy from different dealers. When ships arrive simultaneously and foreign exchange is limited, complex jockeying takes place over which shipload will be purchased first. At times old bills must be paid before new credit can be obtained from a dealer to cover a current shipment. If $9 million is paid on old debts, for example, and higher interest rates are levied against the new shipment, it can usually be obtained for an $11 million credit. Thus the short-term debt increases as Sudan goes deeper into hock to the dealers.

The GOS also resorts to pledging future contracts for cotton, gum arabic, and other Government-controlled exports for petroleum financing. As the contracts are sold at a discount to raise quick cash, Sudan loses a sizeable amount in export revenues. Some crops have been sold far in advance, mortgaging Sudan's future for present consumption.

Table 10 shows an illustrative financing plan for the Petroleum Facility. From the total annual bill of $360 million, Sudan's obligation will be $240 million through the first cycle of the Petroleum Facility, which is one calendar year after the beginning of the Facility. The important relationship between these deposits and procurement and delivery schedules is illustrated in Table 11.

Petroleum is the largest single draw on the Bank of Sudan's resources. To remove it from the accounts of the Bank would be a major step in bringing order to its operations. Conceivably, this could be done by shifting petroleum purchases to the free market and pricing petroleum accordingly. With other demands on the free market, however, there is considerable question as to how much petroleum could be financed from the market without driving the free foreign exchange rate to unreasonable levels. At the outset, therefore, it might be prudent to adopt a system under which only a portion of petroleum purchases would be financed from the free market.

Recent assessments indicate that upwards of $700 million is still entering Sudan annually through free market. From this amount, the determinant for market availability is apparently how much foreign exchange is being purchased for hoarding or flight of capital. Currently, the figure is no more than $20 million monthly, leaving a market of $35-40 million monthly. The rate of exchange for this market will track demand. It can be varied in two ways--either by controlling the sellers or by controlling the buyers. Recently, Government entities have been some of the major purchasers of foreign exchange from the free market. Certainly the Bank of Sudan must now begin to include the free market in its calculation of total public/private sector demands for and availability of foreign exchange.

There is still the problem, however, of keeping the rate relatively stable. Controlling the dealers to achieve relative stability is probably impossible. And controlling private purchasers would have a dampening effect on the economy. The Bank of Sudan should, however, control access to the free market by Government entities, just as it does for access to the Bank's own foreign exchange. Current free market operations by Government entities amount to little more than a projection of the budget deficit into the market. Uncontrolled public credit can only lead to chaos, an ever escalating exchange rate, and domestic inflation.

3. The General Petroleum Corporation (GPC)

In 1976, the General Petroleum Corporation (GPC) was established to carry out public activities related to the importation and allocation of petroleum. As such, the GPC determines the quantities of crude oil and petroleum products to be imported. It has input into the product mix of Sudan's only refinery, and then decides how much of, and where, each product is to be sold. The GPC further affects the shares of the four marketing companies--Shell, Mobil, Total and Agip--for petroleum distribution and marketing and in fact owns 75 percent of Total, in Sudan. Prices are set by the Ministry of Finance and Economic Planning, with concurrence at the Presidential level. The GPC provides basic data on the fuel situation and collects the revenues for the Finance Ministry. The GPC maintains its considerable authority with the help of regional offices throughout Sudan. The existence of a raging black market is no surprise.

The GPC is also empowered to become a joint venture partner in production and exploration enterprises. The entire Port Sudan - Khartoum pipeline is owned by the corporation, as is half of the Port Sudan refinery (Shell owns the other half). Seventy percent of the Bashayer Shipping Company that brings crude oil from the Ara'ian Gulf to Port Sudan is GPC owned, as are non-operating interests in each il exploration concession in Sudan, except Chevron. Along with ownership, u GPC is involved in letting and monitoring exploration contracts, a role which many believe creates a conflict of interest. The Government, as a deliberate policy, has thus inserted itself into virtually every aspect of the petroleum sector in Sudan through the GPC.

4. Pricing

The need for Government intervention in importation and allocation is partially the result of long-standing pricing practices. In an attempt to keep prices low for residential consumers and to subsidize industry and agriculture (these last are largely public), the Government until recently held prices for most petroleum products below their economic cost and certainly below market clearing levels.

The pricing system resulted in predictable distortions. Sudan experienced uneven fuel allocations, shortages in outlying areas, black markets charging excessive prices, and latent demand estimated to be about 20 percent above supplies. As shortages developed, petroleum products were rationed formally (as with benzene in Khartoum), simply became unavailable as in the case of kerosene or LPG, or found their way into the black market.

Theoretically, prices at the refinery were arrived at by taking Arabian Gulf prices and adjusting them to cover costs accrued through the refining process. These included administrative expenses, Bank of Sudan charges, a defense tax, quay duties, plus refining costs for each product. Until December 1983, when petroleum prices were increased substantially, prices for kerosene, jet fuel, diesel and fuel oil were set below levels using this procedure. Ex-refinery benzene prices were set a good deal higher. The ostensible principle was to set prices for the average barrel to recover average costs. In practice this seldom happened because of a lag in recognizing the declining value of the local currency. Regional prices were then established (theoretically) by adding on a development tax, local taxes, and transportation and distribution margins determined by the GPC. These last did not always cover the claimed cost of getting petroleum products to remote areas in Sudan. Fuel was often diverted to more profitable destinations.

Until December 1983, wholesale and retail prices for petroleum products were translated into pound terms using the artificially low official exchange rate of LS 1.3 to $1. (The free market rate was then LS 1.8 to $1.) To obtain foreign exchange to buy petroleum, the Government took control of most of the earnings on major exports (cotton, gum arabic, etc.) and gave the exporter 75 percent of the selling price at the 1.3 rate through the Bank of Sudan and 25 percent at the 1.8 rate through the commercial banks. Thus, exporters were implicity taxed to allow the Government to sell petroleum at subsidized prices. In December 1983, the Government began determining pound prices for petroleum, with the exception of gasoil, at the commercial bank exchange rate (then LS 1.8 to $1), and collected the increase as a tax. Since gasoil continued to be priced in pounds at the overvalued official exchange rate 9LS 1.3 to $1), the difference between the 1.3 and 1.8 rate represented a significant subsidy for gasoil. For other petroleum products, this price increase eliminated some of the inefficient resource allocation caused by subsidized pricing. It will ultimately change investment patterns which in some cases have been too energy intensive.

An underlying principal of reform in petroleum financing is that pricing should be on the basis of import parity at a reasonable rate of exchange. To begin with, this rate will be the existing commercial bank rate. As this rate increases, prices will have to increase accordingly. A corollary to this guidance is that (upward) deviation from the bank rate pricing formula must be adopted when any petroleum is financed with free foreign exchange insofar as the two rates (free market and bank) vary. If one-third of the petroleum bill is financed with free foreign exchange, then pricing should reflect this real cost. Variations in pricing can be handled by:

a) Across the Board Pricing

Source of Financing	Current Rate	Amount of Financing ($ million)
1. Free Foreign Exchange	3.1*	120
2. Bank of Sudan	2.1	240

This illustrative financing pattern would require import parity pricing at LS 2.43 for all petroleum imports.
(LS 3.1 X 1/3) + (LS 2.1 X 2/3) = LS 2.43

b) Product Specific Pricing

One suggestion under the Petroleum Facility is to allow distributors to handle gasoil and to import it directly. They would pay for these imports with free foreign exchange. Assuming that two-thirds of the gasoil is imported directly (with free foreign exchange) and one-third is purchased from the refinery (at the bank rate), the import parity price would be calculated at LS 2.76.

Source of Financing	Current Rate	Amount of Financing ($ million)
1. Free Foreign Exchange	3.1	120
2. Bank of Sudan	2.1	60

(LS 3.1 X 2.3) + (LS 2.1 X 1/3) = LS 2.76

Additional variations will be necessary if free foreign exchange is used to finance the importation of other petroleum products or of crude. Whatever products are imported with free foreign exchange they should reflect the real cost depending on the proportion of free foreign exchange and bank rate monies used to finance them.

---

* As of January 10, 1985. Currently, as described in this paper, the free foreign exchange rate is fluctuating dramatically from day to day, which accounts for the minor variations in estimating the free market Sudanese pound. When possible, the date will be given.

It would be highly questionable at this point to subsidize one fuel by raising the price of another above import parity (cross-subsidization). But any price above import parity for a single product should be considered a means of generating revenues which will be devoted to covering the budget deficit or to protecting the equity of the Bank of Sudan.

5. Importation

With regard to importation, the important questions facing Sudan are what is imported and by whom. One possibility is to divide the market, allowing the GPC to import crude and benzine and to export excess furnace/fuel oil, while the private sector imports gasoil. Jet fuel would continue to be handled totally on a free foreign exchange basis by the private sector. Lubricants and LPG would also be a responsibility of the private sector, although under financial arrangements outside the Petroleum Facility. In 1984, 366 thousand MT of gasoil (diesel) were imported and 212 thousand MT were produced by the refinery at Port Sudan. The imported portion was valued at $97 million using spot market prices. Under the Petroleum Facility, private sector purchasers and importers would have access to the free foreign exchange market for this amount. In order to assure that drawings from the market are systematic, the Bank of Sudan would designate one or more commercial banks to act as the agent for private sector purchasers of petroleum.

Because of better prices obtained by importing oil under the Petroleum Facility, Sudan will be able to import a larger volume of petroleum, at least 15 percent more, than it could purchase for the same amount of money through its current middlemen. Gasoil (diesel) is the principal fuel of the economy. It is shortages in gasoil which are most detrimental to a healthy economy. Thus, it is proposed that all increases in supply resulting from lower prices under the Facility be used to purchase additional gasoil. With the annual processing of the refinery continuing at 600,000 - 700,000 MT of crude, this would mean that the additional gasoil would be imported as product, bringing the total bill for imported gasoil by the private sector to $152 million. If only $120 million is taken from the free foreign exchange market annually, the Bank of Sudan would have to provide the distributors with about $30 annually for the purchase of gasoil. This additional foreign exchange would be made available at the bank rate.

To throw the market open to all comers during the transition period of privatization would only encourage middlemen and deal makers who provide only marginal service. As a means of keeping order, financing the importation of gasoil would be allowed, during the life of the Petroleum Initiative, only by the four distributors now operating in Sudan. At the outset, allocations to the four distributors for import financing could be either by current shares of the market for gasoil or under competitive bidding. If the latter method is followed, it would lead to a wholesale market among the four distributors with the successful bidder in any period selling to the others. After the new system gets through its shakedown period, the allocation of imports would not be necessary. The four distributors would each naturally import what they could sell under competitive conditions. The market mechanism would be self-adjusting.

The GPC would be responsible for importing crude and benzine. It would do so under open competitive bidding from prequalified bidders. Prequalification would extend beyond the four distributors to whomever had the demonstrated financial and institutional wherewithal and business experience to engage in the trade. At the outset, the GPC would not be allowed to have commercial credit in excess of $50 million, the value of quarterly requirements of crude and benzine. Credit under the Petroleum Facility would be limited to $40 million, and it may be that the GPC could not get credit beyond that guaranteed by the Facility. By allowing the four distributors to finance imports directly, the Bank of Sudan would probably increase petroleum credit insofar as the distributors would be self-financing and would probably generate their own short-term credit as a commercial convenience.

The GPC would provide product to the distributors, both from its benzine imports and from the throughput of the refinery. Distributors would receive allocations of benzine, fuel oil and locally refined gasoil in proportion to their share of market. This business would be contracted in Sudanese currency.

One additional pricing consideration would have to be tied to the importation of gasoil by the private sector. If <u>all</u> imported gasoil were financed from the free foreign exchange market, but if, at the same time, across the board pricing of petroleum were used for purposes of import parity, then some adjustments would have to be made for the distributors. In order to keep the internal pricing system consistent with import costs, it would be necessary to credit the importers/distributors with the actual cost of gasoil imports in Sudanese currency. This could be done by providing them with a rebate calculated on what that cost would have been if <u>all</u> petroleum had carried the costs of free foreign exchange equally.

<u>Example</u>

Product	FX Rate	LS Cost for each $1 of imports
Gasoil	3.1*	LS 3.10
Other Imports	2.1	LS 2.10

With the shadow rate (LS 2.43 under across the board pricing) being used across all products in retail pricing, but with the importers/distributors of gasoil paying LS 3.10 for the dollar, it would be necessary to allow them a rebate of LS 3.10 - 2.43 or LS 0.67 for each dollar of gasoil imported. This rebate would be generated from the margin of LS 0.33 that the GPC would gain from importing its crude and product at LS 2.10 while selling domestically at LS 2.43. With the Bank of Sudan financing $30 million worth of gasoil as

* See footnote on free foreign exchange rate, p. 51.

proposed above, the total rebate on free market financed gasoil would be LS 80 million while other imports would generate a margin of LS 69 million when imported at the LS 2.1 rate and priced at LS 2.43. The system is close enough in balance (-LS 11 million) to allow for operation under these conditions.

6. Allocation

Sudan's allocation system is cumbersome and, in the end, unfair and inefficient. After years of operating without market prices, the petroleum market itself gives poor signals on how to allocate. Rather than analyze petroleum needs carefully, the GPC's monthly planning committee repeats the distortions of past administrative allocations, often just giving regions, agricultural schemes, large industries, and public entities some share of past supply levels. Politics and convenience play large roles in this process. This is, of course, consistent with world-wide experience in rationing petroleum products.

Each year, the GPC attempts to estimate petroleum quantities and associated foreign exchange requirements for all four quarters. The Ministry of Finance and Economic Planning reviews the estimated foreign exchange requirements and instructs the Bank of Sudan to set aside the money needed for each quarter. But Bank cash flow problems make release of foreign exchange unpredictable, and planning a form without content. The GPC must jerryrig a means of financing requested supplies and then obtain the Bank's approval. At times the BOS itself undertakes financing, often through the Commercial Bank of Khartoum.

With financing still uncertain, the GPC prepares monthly allocation plans for gasoline, kerosene, jet fuel and gasoil (diesel). Large consumers are dealt with directly by the monthly planning committee which has representatives from the four marketing companies (Shell, Mobil, Total and Agip), the National Electricity Corporation, the River Transport Corporation, the Sudan Railways Corporation, the Gezira Scheme, the Kenana Sugar Company, the Mechanized Farming Corporation and the Regions. But these entities are not allowed a say in allocation. They can bargain a bit, but in the final determination, they have to take the oil the GPC offers. Participants testify that this leads to unrealistic and arbitrary decisions.

The committee membership creates an obvious bias toward public entities and indeed priority goes to the National Electricity Corporation, National Water Corporation, large agricultural schemes, the military, and others such as Khartoum Airport, public transport and the Ministry of Health. For small and medium consumers, the GPC collects information from regional governors and consumers. Quotas for most private consumption are given directly to regional governors who allocate to individuals through their own schemes. Once quotas are set, the GPC goes so far as to try to track and control daily deliveries. This system has proved extremely cumbersome and is most abused in the distribution and allocation of gasoil. Gasoil fuels economic activity in the Sudan, as 90 percent is consumed by the agricultural, industrial and transport sectors. Currently the GPC directs the transportation and delivery of every barrel of gasoil to every consumer. This is an impossible task in a country as large as the Sudan, especially given the Government's current administrative capacity. Moreover, the GPC has fallen into the practice of interfering with its own allocation system by giving--on an ad hoc basis--preferred individuals "chits" which allow them to draw fuel at market prices from the terminals of the four distributing companies at the pipeline terminus near Khartoum. A thriving black market has resulted, as well as substantial opportunities for corruption. The system is consequently grossly inefficient, penalizing most severely the outlying regions and smaller businesses.

These procedural aspects are far from the most powerful influence on actual allocation. The setting of regional prices as described above influences which regions will suffer shortages, specifically by determining respective transportation and distribution margins, as transportation charges may not cover real costs. Theoretically, petroleum is "subsidized" in the western and southern regions. But these are the regions that suffer the most serious shortages as distributors divert supply for larger, quicker profits in less remote areas.

Even when local governments allow traders higher margins it has little effect on the distributors' decision to divert fuel elsewhere. GPC-set uniform distribution margins are meant to cover local transportation and marketing costs, the distribution company's margin, and local dealers' margins. But local costs vary, due to differences in transport and evaporation. The pricing system thus results in lower "real" distribution margins to the South, West and North, reducing the incentive to supply these areas.

One outcome of all this is the existence of a thriving black market that operates to redistribute fuel from areas of relative abundance to areas of severe shortage, and from public entities receiving fairly constant supplies at below market prices to those willing to pay stiff premiums to get any fuel at all. The need to allocate scarce supplies has heightened political tensions by placing the burden of shortage more heavily on private producers and remote regions--including those whose agricultural potential is high. The ad hoc nature of the system results in shortages to critical productive enterprises.

A good allocation system for gasoil that would dampen the black market could be instituted simply by reversing the roles of the GPC and the four distributors. It would be the distributors who would develop individual allocation plans based on their knowledge of market conditions. These plans would be tied to the actual outlets and (in the first instance) the historic volume of each distributor. The plans would be submitted to the GPC quarterly. They would be modified only by mutual agreement the GPC and the distributor in question.

73

Each distributor would be required to show how his plan would service the irrigation schemes, trucking, mechanized farming, the respective regions, the various urban areas, and industry. The GPC would recognize that service for each subsector can only be assured by realistic pricing which reflects the costs of actually servicing the respective sectors and regions. The GPC would review current internal marketing margins on the basis of data submitted by the four distributors. It would set the price of gasoil at import parity plus regional variations reflecting actual differences in marketing costs.

Another critical function to be performed by the GPC would be to collect data on sectoral supply situations, apparent local shortages of an atypical nature, and movements on the black market, by region. This information would be provided to the four distributors to serve as a basis for revisions in their distribution plans. From this process, distributors would import the amount of gasoil they could sell. Minor adjustments in import allocations would be made by the GPC to assure that total imports of gasoil corresponded with available financing.

For the present, GPC would continue to allocate benzine and furnace fuel oil under its current system.

7. Physical Infrastructure

Sudan currently refines crude oil at its Port Sudan refinery. The refinery, despite its rated capacity of 1.2 million MT per annum, operates at about 50 to 60 percent of its potential output due to the lack of regular crude supplies and other inefficiencies. As product imports also enter the country at Port Sudan, substantial petroleum storage facilities are available there.

Sudan has several means of transporting its petroleum supplies throughout the country: pipelines, rail and road tankers and, for a limited area, river transport. From Port Sudan a pipeline with 900,000 MT/yr capacity transports products to Khartoum. Transportation to areas other than Khartoum and Port Sudan is somewhat more problematic. Rail reliability and capacity have declined in recent years, and consequently road haulage has increased substantially. Effectively, the railroad reaches Khartoum and the Central Region and maintains a single line of intermittent service into Kordofan, Darfur and Bahr El Ghazal Regions. Operation of road tankers, too, is often curtailed by shortages of spare parts or fuel, poor road maintenance and coverage, and weather conditions which particularly inhibit passage to the South and West in the rainy season.

To transport future production of crude from Southern Sudan, the Government, Chevron, and others had been financing a pipeline from Unity Field in northern Upper Nile Region to a new marine terminal 20 miles south of Port Sudan. The pipeline was to have an original capacity for 50,000 barrels per day (bpd) and could transport up to 200,000 bpd if pumping stations were added. Work on this project has been delayed indefinitely due to political difficulties in the South, and domestic petroleum production in Sudan is no longer included in future balance of payments calculations.

8. The Role of Private Oil Companies

Before 1973, when petroleum importation became the domain of the public sector, major private oil companies engaged in procurement of imported petroleum for Sudan. Today, private oil companies operate only in the fields of refining, marketing, exploration, and limited specialty imports. Based on their GPC allocations, Shell, Mobil, Total and Agip all market petroleum in Sudan. Several private companies are involved in petroleum exploration and development, chief among them being Chevron. Chevron, before security problems in the South reduced its activity, was spending about $200 million annually on exploration, the single largest investment in Sudan's energy sector.

9. Energy Shortages and Macroeconomic Losses

The Sudan incurs enormous economic losses every year because of petroleum shortages. These losses affect agriculture, industry and household productivity.

Petroleum is particularly important to diesel-supplied pump irrigation and mechanized rainfed agricultural schemes. Fuel shortages are most severe in the crucial preharvesting season when foreign exchange is scarcest. Failure to irrigate and perform critical mechanical operations at optimum times (because of energy shortages) results in partial or complete crop loss. Losses from this alone cost Sudan, at the very least, $100 million annually. Much of this is related to diesel shortages. Farmers face other direct losses as equipment is damaged for lack of lubricants; spoilage occurs due to delays in fumigation, storage and processing; production losses arise when inputs like fertilizer are delayed; and opportunity costs mount as fixed costs (labor, etc.) often must be paid even when production is halted or slowed. Indirect losses involve changes in production patterns towards, for example, less profitable but more drought resistant crops, or simply leaving land fallow.

Industrial customers face very similar types of problems and costs in production due to petroleum shortages. Such losses have not been extensively quantified, but are estimated to be nearly as high as those for agriculture. Households also face losses in time because of benzene queues, and in work time when kerosene is unavailable for lighting.

In all, a conservative estimate of net losses to Sudan's economy might be $250 million. It is an enormous and largely unnecessary price to pay.

C. Background and Objectives of the Petroleum Initiative CIP

The idea of a Petroleum Facility first came up during President Nimieri's visit to the United States in November 1983. At that time, it was decided to try to develop a new system to overcome Sudan's petroleum problems. At the meeting of the Consultative Group in December 1983, consideration was given to the difficulties Sudan has been having with petroleum importation, allocation

D. Operation of the Petroleum Initiative

1. The Petroleum Facility. The Facility will consist of contributions or pledges by donors and a special account for GOS foreign exchange. The deposits in this account are specifically earmarked for the procurement of petroleum products under this Initiative. The GOS will deposit foreign exchange in accordance with a schedule as required in the conditions precedent to initial disbursement of the Program Agreement. Bilateral and multilateral pledges or contributions to the Facility will be made in a way consistent with donor policies and regulations, but applied in the most reasonably efficient manner. Except for specific procurements waived by the Minister of Energy and Mining all imports of crude and petroleum products will be made within the limits of this Facility.

Technical aspects of the Facility will be administered by the GPC, which will (1) determine national petroleum requirements for volume and product mix, and (2) issue international tenders to meet donor requirements. The GPC will receive guidance on operating the Facility, particularly on matters related to distribution, from an advisory board comprised of representatives from the Ministry of Energy and Mining, the Bank of Sudan and the four distribution companies in the Sudan -- Shell, Mobil, Total and Agip.

To build international confidence in the Petroleum Facility, USAID will ask the GOS to contract with an internationally respected auditing firm to review periodically the Facility's financial status and procurement of petroleum. Reports and audits will be submitted to all donors contributing to the Petroleum Initiative.

2. GOS/Other Donor Contributions to the Petroleum Facility. Table 10 shows the estimated foreign exchange requirements for the importation of petroleum products into Sudan in 1985. The CY 1985 estimate of the foreign exchange requirement is $360 million. Of this sum, it will be Sudan's responsibility to provide $240 million from its own resources and from contributions by other donors. It is expected that Saudi Arabia will contribute $60 million and the Netherlands $5 million, leaving Sudan's net contribution $175 million. The Dutch have already deposited $5 million into a special account at the Bank of Khartoum. The Bank of Sudan has agreed to place its contributions in the same account.

A covenant will require the GOS to deposit, or cause to be deposited, not less than $240 million over CY 1985 (within which other donor contributions are included). A condition precedent will also require that the GOS has deposited $60 million up front into the Special Petroleum Account. When coupled with the $40 million A.I.D. contribution, this amount will constitute a "guarantee" for private sector forward financing. It will be sufficient for a regular procurement and supply schedule. In the first year, this forward financing will be a net resource insofar as the marketing companies are not providing it now.

3. Competitive International Procurement System. One of the major structural reforms of the Petroleum Initiative will be to get the General Petroleum Corporation into the international procurement process and to reinstate the private oil companies into the system. On a periodic basis (which will be quarterly unless the cash flow situation of the Petroleum Facility dictates differently), the GOS (probably the GPC), with input from the private oil marketing companies, will determine oil supply needs. Firms will be prequalified to bid for the international procurement of these supply requirements. Tenders will then be issued and an award will be made on the basis of the most favorable prices, as well as other terms (e.g. the level of supplier credits). A condition precedent will require mutually agreed upon procedures for the prequalification and tendering process, which will include the principle of open and public competitive procurement by qualified private sector oil companies for all petroleum imports into Sudan. Shell and the GPC each own 50 percent of the Port Sudan refinery and could conceivably reap advantages if the refinery were operated at substantially increased capacity. To ensure an open system and competition while retaining refinery efficiency, proportions of crude oil purchased will remain about constant.

4. Internal Allocation/Distribution System. The Petroleum Initiative will require that significant changes be made in the internal allocation and distribution systems. Initially, gasoil (diesel fuel) will be removed from the allocation system, and the existing mechanisms and procedures for such allocation eliminated. Marketing companies will then assume responsibility for competitively determining and satisfying customer demands. The Facility will import sufficient quantities to meet this demand.

This reform will insure that economic priorities are satisfied first, as gasoil is consumed almost exclusively in the productive transport, agricultural and industrial sectors. In addition, the reform will greatly reduce the size of the allocation program (as gasoil accounts for about 50 percent of consumption), thereby insuring greater efficiency in internal distribution and eliminating a major source of black market activities. In order to assure a reasonable level of consumption, a condition precedent to disbursement will require the GOS to adjust prices upward, to the world market level.

Benzine (gasoline) is currently priced at world market prices. It is anticipated that in future years, as total supplies increase, formal allocation on other fuels will also become less necessary. Eventually, by the end of the Petroleum Initiative, the pricing and distribution of all petroleum products will be determined by free market forces and the General Petroleum Corporation will shift to a regulatory role.

5. Guarantee Program. A.I.D.'s contribution will be used to finance the importation of $40 million worth of petroleum products.

This contribution will help ease the GOS balance of payments problem while supplying a commodity of highest priority to the Sudanese economy.

However, since a major objective of the initiative is to establish a permanent Facility capable of meeting Sudan's foreign exchange requirements for petroleum, it is intended that the A.I.D. $40 million contribution will be held in reserve and will be actually disbursed for petroleum purchases toward the end of the year. The purpose of holding these funds as a reserve is to provide a guarantee that will instill the necessary confidence for suppliers and other financing entities to issue credits and loans at more favorable terms. For example, a private international oil company would be more likely to bid on the oil tender using standard terms for supplier's credits if it is known that $40 million is held as a reserve in the Facility in the event that the GOS cannot meet its financial obligations when the bills come due. Such is not now the case given Sudan's credit rating.

While standing for most of the year as a guarantee, this $40 million can be used in the fourth quarter of the year to purchase petroleum, thereby providing commodity import support and saving foreign exchange for the GOS.

In the event that an oil bill came due that the GOS could not cover, the A.I.D.-financed $40 million would be used. Thus, there is a possibility that all or a portion of A.I.D.'s contribution could be called upon to retroactively finance a petroleum order under a bank Letter of Credit. The Letter of Commitment for USAID's $40 million contribution will contain specific provisions regarding how and when the funds may be disbursed based on the plan described above.

E. Program Implementation

The GOS and USAID/Sudan will conclude negotiations and sign the FY 1985 CIP Grant Agreement in May 1985. Immediately following that, the GOS, USAID, and the advisory board which includes private oil companies will meet to confirm the general parameters for the operation of the Facility and to agree on methods and details of financing the Facility, as well as implementation of the Initiative. Following this meeting, as conditions precedent to the A.I.D. contribution, the GOS will:

1) provide evidence that the Grantee has deposited to the same foreign exchange special account in the Bank of Khartoum into which the Netherlands has deposited US$ 5 million, the amount of US$ 60 million from either BOS or free foreign exchange sources;

2) at the beginning of the Petroleum Facility, establish import parity pricing. The base price will be the dollar value of the petroleum imported under any contract calculated at the commercial bank rate of exchange. This base price will be varied to reflect the portion of petroleum financed from the free foreign exchange market and the rate of exchange prevailing on the free market on the day the foreign exchange is acquired. Prices will be adjusted at a minimum on a quarterly basis to reflect any changes in the implied rate of exchange from the combination of bank rate and free rate transactions; and

3) submit 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.

As these conditions are met, the GOS will determine upcoming petroleum requirements. Based on this plan and on an analysis of market conditions, an international tender will be issued for a specified quantity of petroleum by product category. Prior to the issuance of tenders, firms will be prequalified so that only those suppliers which can prove their capability to deliver the quantities ordered during the specified timeframe can bid. Other prequalification criteria may be established by the mutual consent of USAID and the GOS.

Prior to issuance of the first tender, the GOS will have fulfilled all conditions precedent. Enough foreign exchange must be in the special account to cover at least one shipload (one month's supply) of oil imports at the onset of the Initiative. The amounts for tendering are planned to grow to cover Awards for three months' supply as the Facility accumulates resources. Under the proposed FY 1985 Petroleum Initiative CIP A.I.D. will open a conditional Letter of Commitment with a U.S. Bank for $40 million. The presence of a $40 million L/Com back-up in the Facility will induce favorable terms from bidders. By allowing private distributors to import gasoil directly with financing from the free foreign exchange market, the GOS will assure $100 million for the purchase of petroleum during the first three months of the Facility while demand will only require about $90 million. For the first time, Sudan will have the luxury of a small reserve.

Illustrative Date	Action	Symbol*	Responsible Agency/Office
April 7	GOS tenders for Second Procurement ($30 m).	tndrg-2	GPC
April 14	GOS receives bids for Second Procurement	eval-2	GPC
April 19	AID opens L/COM No.2 for $30 million to back (Award-2)	84 CIP=20	USAID, AID/FM, SER/CM
April 20	GOS tenders for Third Procurement of $30 million	tndrg-3	GPC
April 24	GOS completes evaluation of bids (Award-2)	eval-2	GPC *
April 26	GOS issues Award 2 for Second Procurement	AWARD-2	GPC
April 30	GOS makes and deposits second $15 m purchase from free foreign exchange market	FX2=$10	GOS, private sector
May 2	GOS receives bids for Third Procurement	eval-3	GPC
May 8	GOS completes evaluation of bids (Award-3)	eval-3	GPC *
May 9	Arrival of Second petroleum shipment	Deliv-2	Winning bidder *
May 9	Payment for second shipment ($30 m)	Pay 2	Citibank*
May 10	USAID/GOS signs FY 1985 CIP Program Agreement		GOS/ USAID

Illustrative Date	Action	Symbol*	Responsible Agency/Office
May 15	GOS issues Award-3 for $30 m	AWARD-3	GPC
May 18	GOS tenders for fourth Procurement	tndrg-4	
May 31	GOS makes and deposits third $15 million purchase from free foreign exchange market	FX3=$15	GOS
June 5	GOS makes second $15 m deposit to pay Deliv-3	BOS2=$15	BOS
June 6	Arrival of Third Petroleum Shipment	Deliv-3	Winning Bidder
June 6	Payment for third shipment	Pay-3	Citibank
June 6	GOS receives bids on Fourth Procurement	eval-4	GPC *
June 7	GOS evaluates bids on Fourth Procurement	eval-4	GPC *
June 14	AID opens Cond L/COM (95-CIP)	AIDCn=40	AID
June 15	GOS issues Award-4 for $40 m	AWARD-4	GPC
June 27	GOS tenders for fifth procurement ($90)	tndrg-5	GPC
June 30	GOS makes and deposits fourth $15 million purchase from free foreign exchange market	FX4=$15	
July 4	BOS makes third deposit ($20 m)	BOS(3)=20	

Illustrative Date	Action	Symbol*	Responsible Agency/Office
July 5	Arrival of fourth shipment		
July 5	Payment of shipment 4	Pay 5	Citibank
July 6	Saudi Arabia makes petroleum Grant for $60 million	Saudi=60	GSA
July 11	GOS receives available bids on fifth procurement		
July 12	GOS begins evaluation of fifth bids		
July 24	GOS makes Award-5 for $90 million	AWARD-5	GPC
July 31	GOS makes and deposits fifth $15 m purchase from free foreign exchange market.	FX5-15	
August 15	Delivery of first shipment of Award-5	Deliv-5A	
August 15	Payment for first shipment of Award-5	Pay-5A	Citibank
August 31	GOS makes and deposits sixth $15 million purchase from free foreign exchange	FX6=$15	GOS
Sept. 14	Arrival of the Second Shipment of Award-5	Deliv-5A	Winning Bidder

Illustrative Date	Action	Symbol*	Responsible Agency/Office
Sept. 14	Payment for Shipment SB	Pay 5A	Citibank
Sept. 30	GOS makes and deposits seventh $15 million purchase from free foreign exchange market	FX7=$15	GOS
Oct. 15	Arrival of Third Shipment of Award-5		
Oct. 15	Payment for Shipment of Award-5	Pay 5C	GPC
Oct. 20	AID converts FY 85 from Conditional to regular Letter of Commitment ($40 million)		USAID
Oct. 23	GOS make Award-6 ($4 m)	AWARD-6	GPC
Oct. 31	GOS makes and deposits eighth $15 million purchase from free foreign exchange market	FX8=$15	
Nov. 10	GOS makes and deposits ninth $15 million purchase from free foreign exchange market	FX9=$15	
Nov. 14	Arrival of Shipment No. 6	Deliv-6	
Nov. 14	GOS draws down $10 m of CIP		
Nov. 14	Payment of Shipment No. 6 ($40m)	Pay 6	
Nov. 15	GOS issues tenders for Seventh Award for $30 million	AWARD-7	GPC

Illustrative Date	Action	Symbol*	Responsible Agency/Office
Nov. 23	GOS receives bids for Seventh Award		
Nov. 27	GOS evaluates bids for Award-7	eval-7	
Dec. 3	GOS makes Award 7 ($30 m)	AWARD-7	
Dec. 24	Payment for Shipment of Award-7	Pay 7	
Dec. 31	GOS makes and deposits tenth $15 million purchase from free foreign exchange market	FX10=$15	GOS
Dec. 31	Bank of Sudan deposits $40 million into special account	BOS4=40	
Jan. 2	AID Opens Conditional Letter of Commitment under FY 86 CIP	86 CIP	
Jan. 2	GOS issues Award 8 for $90 million petroleum purchase	AWARD-8	
Jan. 23	Arrival of first Shipment under Award-8	Deliv-8A	

Table 10
Financing Plan
(Millions of dollars)

Project Day	Source	Amount
1	Netherlands Grant	5
1	Bank of Sudan: deposit # 1	20
10	84 AID CIP	40
28	Purchases from Free Foreign Exchange Market -- first phase	15
48	Bank of Sudan: deposit # 2	15
48	85 CIP: Openning of AID Conditional L/Com	40
59	Purchases from Free Foreign Exchange Market -- Second phase	15
89	Purchases from Free Foreign Exchange Market -- Third phase	15
109	Bank of Sudan: deposit # 3	25
109	Purchases from Free Foreign Exchange Market -- Fourth phase/Tranche I	5
120	Purchases from Free Foreign Exchange Market -- Fourth phase/Tranche II	5
121	Saudi Grant	60
151	Purchases from Free Foreign Exchange Market -- Fifth phase	15
182	Purchases from Free Foreign Exchange Market -- Sixth phase	15
213	Purchases from Free Foreign Exchange Market -- Seventh phase	15
243	Purchases from Free Foreign Exchange Market -- Eighth phase	15

Project Day	Source	Amount
253	Purchases from Free Foreign Exchange Market -- Ninth phase	15
284	Bank of Sudan: deposit # 4	50
288	86 AID CIP	40
304	Purchases from Free Foreign Exchange Market -- Tenth deposit	15
335	Purchases from Free Foreign Exchange Market -- Eleventh deposit	15
365	Purchases from Free Foreign Exchange Market -- Twelfth deposit	15
366	Bank of Sudan: deposit # 5	15

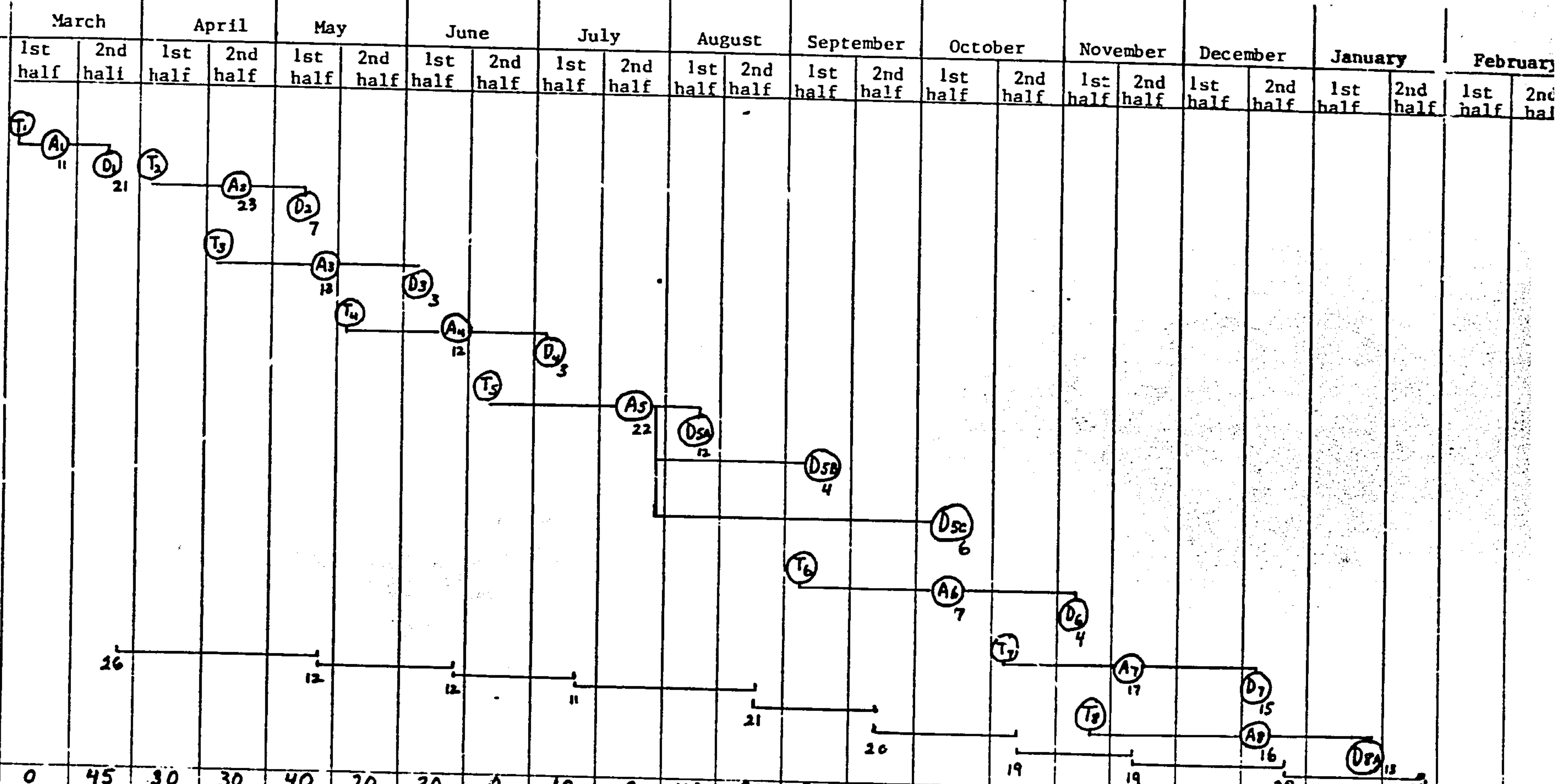
86

TABLE II SUPPLY AND FINANCIAL IMPLEMENTATION FLOW CHART

TENDERING/ DELIVERY FLOW:

T - TENDERING
A - AWARD
D - DELIVERY

CONSUMPTION FLOW:



FINANCIAL FLOW (MILLIONS OF DOLLARS):

	March 1st half	March 2nd half	April 1st half	April 2nd half	May 1st half	May 2nd half	June 1st half	June 2nd half	July 1st half	July 2nd half	August 1st half	August 2nd half	September 1st half	September 2nd half	October 1st half	October 2nd half	November 1st half	November 2nd half	December 1st half	December 2nd half	January 1st half	January 2nd half	February 1st half	February 2nd half
BEGINNING BALANCE	0	45	30	30	40	20	30	0	10	0	110	80	90	60	70	40	50	20	20	20	80			
INFLOW: USAID	20	20								40										40				
INFLOW: GOS	20	10		10	10	10		10	30	10		10		10		10	10			50				
INFLOW: NETHERLANDS	5																							
INFLOW: SAUDI ARABIA										60														
TOTAL CASH INFLOW	45	30	0	10	10	10	0	10	30	110	0	10	0	10	0	10	0	0	0	90	0			
TOTAL CASH OUTFLOW	0	45	0	0	30	0	30	0	40	0	30	0	30	0	30	0	40	0	0	30	30			
NET CASH INFLOW (OUTFLOW)	45	(15)	0	10	(20)	10	(30)	10	(10)	110	(30)	10	(30)	10	(30)	10	(30)	0	0	60	(30)			
ENDING CASH	45	30	30	40	20	30	0	10	0	110	80	90	60	70	40	50	20	20	20	80	50			

F. Policy Reform and Economic Benefits of the Petroleum Initiative

Even before the initial CIP disbursements are made, the GPC must begin to revise the transportation and distribution margins that do not reflect the real cost of moving fuel to the regions. A strong incentive will thus be introduced to deliver petroleum to remote regions where shortages and black markets have previously prevailed.

To make the allocation of foreign exchange for petroleum purchases adequate and timely, a special account has been established into which GOS foreign exchange to purchase at least one month of supply must be deposited at the outset. This, combined with requirements for additional timely deposits, and the funds available from various donors will assure a minimum annual funding level of $360 million. Exclusive use of the account for all importation of crude, gasoil, benzene and kerosene will eliminate excess financing costs due to the Government's poor creditworthiness and demurrage charges incurred when cash was unavailable to pay shippers.

With a financing mechanism in place, the GOS will open petroleum supply importation up to competitive bids from reputable prequalified private oil companies. Reintroduction of such competition will assure the most favorable import prices and other terms to Sudan. No longer will the country need to resort to marginal dealers offering petroleum prices up to 20 percent over world levels. It is estimated that petroleum supplies in the Sudan will increase by about 17 percent in the first year of the Petroleum Initiative.

Price and financing savings will be very substantial, between $60-$100 million. Moreover, dealing with more reputable firms in strong competition helps eliminate opportunities for corruption. The level of funding established under the Petroleum Facility is $360 million annually.

The petroleum allocation system, currently based on politics, convenience, and historical levels rather than an analysis of economic priorities will be redesigned by the GPC and the private distributors. Specifically, as a first step the GPC will remove gasoil from the allocation system. Thereafter the marketing companies will determine demand and sufficient product will be imported to meet those demands. The aim is to (1) ensure the supply of the most critical fuels for economic activity, (2) reduce the bias in the system against the private sector and the regions, and (3) eliminate the substantial opportunities for corruption inherent in such a politicized process. More efficient allocation will mean increased production in Sudan and foreign exchange savings arising from competitive procurement.

As retail prices increase and financing improves, USAID expects supply shortages to lessen, reducing the need for a strict allocation system. Even from the first year of the Petroleum Facility, allocation will become a joint responsibility between the GPC, representing the Government, and the four marketing companies. By the end of year three, the Government's role in allocation will be greatly reduced, if not eliminated, and internal marketing will be competitive and private.

By improving financing, introducing competitive procurement and marketing, eliminating heavy price controls, and reducing Government control of allocation and basing it on economic priorities, Sudan could avoid severe petroleum shortages and save at least $150 million, and possibly as much as $200 million, annually in lost production and overpayments. Moreover, increases in overall production can be anticipated. Additionally, through the Petroleum Facility, Sudan will have established a more favorable credit rating.

VI. MARKET ANALYSIS AND CIP ALLOCATION

A. U.S. Share of Imports

In 1981/82, Sudan's imports reached a peak of $1.9 billion. Historically the U.S. has supplied only a small share of total imports--7 percent, rising to 12 percent in 1981/82 ($226 million). Western Europe and Arab countries have traditionally supplied over two-thirds of merchandise imports. The main commodities supplied by the U.S. are:

Agricultural commodities:	Wheat, wheat flour and tallow
Agricultural equipment and spare parts:	Medium and large tractors, plows, harrows, cultivators, cotton and peanut planters and harvestors, pumps and water well drilling equipment
Industrial raw materials, machinery and spare parts:	Tinplate, equipment for spinning and weaving, machinery for oil seed crushing and processing, and clay brick and cement block manufacturing
Transportation equipment and spare parts:	Primarily heavy trucks, aircraft parts, and material handling equipment

Significant market opportunities exist for telecommunications equipment, electric power generation and distribution equipment, and sugarcane harvestors and refining machinery. The key to capitalizing on these opportunities is concessional financing. Commercial sales are limited by the lack of foreign exchange and an inability to obtain supplier credits or loans from commercial sources.

The import community consists of approximately 2,000 private importers who are registered with the GOS' Ministry of Commerce, Industry and Cooperation. Public sector and parastatal enterprises are also major importers, primarily of commodities and equipment related to the construction and maintenance of infrastructural and public service facilities and the operation of the Sudan's large-scale agricultural schemes.

The official exchange rate is now $1.00 = LS 2.10. The unofficial free market rate was approximately $1.00 = LS 3.00 as of December 10, 1984.*

B. CIP Pipeline

The following table summarizes the status of the FY 1980, FY 1981, FY 1982, FY 1983, and FY 1984 CIP programs. Also shown are projected disbursements for the proposed FY 1985 program.

---

* See footnote on free foreign exchange rate, p. 51.

Table 12. CIP Pipeline

($000)
Through FY 84

FY	Amount	Oblig	xpend	Pipeline
1980	40.0	39.9	39.9	-
1981	50.0	50.0	49.4	0.6
1982	100.0	100.0	95.0	5.0
1983	60.2	60.2	41.4	18.8
1984	102.0	102.0		

Proposed
1985 - 114.0

Source: FM/CAD Report W. 214, 9/30/84

C. Allocation of Commodities to be Procured.

Financing under this CIP Grant will be restricted to $40 million in petroleum products. These supplies may be in the form of crude or refined products, such as gasoline, gasoil (diesel) or fuel oil. The exact composition will be determined during the operation of the Petroleum Facility.

VII. LOCAL CURRENCY COMPONENT

A. Counterpart Generations.

Local currency proceeds generated from Sudan's Commodity Import Programs have been and will continue to be utilized for development projects supportive of our CDSS objectives. Annex D presents allocations agreed upon with the Government of Sudan from the FY 1981, FY 1982, FY 1983 FY 1984 and FY 1985 Commodity Import Programs. The great majority of these allocations have been to A.I.D.'s Development Assistance projects in the agricultural, transportation, energy, refugee and health/education sectors. Such an integration of DA and CIP local currencies concentrates resources on common development objectives, assures GOS local currency contributions to meet USAID's project portfolio requirements and also assists with the Mission's management/monitoring of the uses of these local currencies. Consequently, first priority for CIP allocations will continue to go towards complementing USAID's development project portfolio.

There are limitations in the need for local currencies to support USAID's project portfolio. This is especially true because local currencies are also being generated from the FY 1980-84 $100 million PL 480 Title III Agreement and the FY 1984 $30 million and FY 1985 $50 million PL 480 Title I Agreements that are also earmarked to support our agricultural/rural development program and to cover expenses arising from purchasing and distributing emergency food supplies to the drought victims in Western Sudan. Programming of local currencies within the GOS's development budget in accordance with the Three Year Public and Private Investment Programs will give priority to supporting other donor-financed activities, particularly those of the World Bank. The funded line items will reflect the priorities which USAID holds in high regard, and also provide for sufficient flexibility in the Government of Sudan's budget to deal with its own internal financing program.

Under the proposed Petroleum Initiative CIP, local currencies will be generated at the time the local private oil marketing companies receive their respective petroleum procurement from the General Petroleum Corporation for internal distribution and sales. These local currencies equivalent to $40 million will be deposited into a special account within sixty (60) calendar days of receipt by the private oil marketing companies of the commodity paid for directly under the USAID Letter of Commitment. The Program Agreement will contain a special covenant requiring that the GOS deposit the local currency into a special account. The amount of local currencies generated by the $40 million CIP will be calculated at the commercial bank rate existing at the time of procurement by local distributors.

The FY 1985 CIP Program Agreement will require both parties to agree to program CIP generations within sixty (60) days of their deposit in the special account, unless, in a special case agreed to by USAID in writing, a longer period is justified. In no case will USAID allow any of the generations to be attributable to general budget support.

As with other USAID CIPs, the programming of local currencies generated is a continuing process due to uncertainties of the timing and amount (not formula amount) of counterpart deposits. To determine the status of the programming at a given point in time, projected disbursements from the CIP special account are compared with anticipated generations (formula amount). A cumulative unprogrammed balance is left as a cushion necessary to absorb possible shortfalls in counterpart deposits.

To assure satisfactory management and monitoring of generated local currencies, USAID has issued PILs outlining a semiannual financial/physical reporting system to monitor the use of CIP counterpart funds, which is similar to the one adopted for the PL 480 Title III Program. This reporting system will continue to be required on a semiannual basis for those projects which are DA financed and on an annual basis for those CIP local currency projects which are not tied to USAID's development portfolio to ensure the timely provision and utilization of local currencies. For projects funded in the Three Year Public and Private Investment Program, USAID will require the GOS to submit an annual audit report listing the disbursements made for these projects, but will not insist on a fuller accounting for the disbursements and the physical benchmarks achieved. As many of these other development projects will be managed by other donors and the GOS itself, USAID feels it should be the responsibility of the GOS and the other donors to track those disbursements.

As in the past, a proportion of the FY 1985 CIP local currency generations will also support Mission operations in Sudan. Within this Trust Account, funds will be utilized to meet the costs of arrival accounting being performed by a private firm under contract with USAID.

B. Trust Account Deposit

The Government of Sudan will make deposits of local currency to a Trust Account in the name of the U.S. Disbursing Officer upon request of A.I.D. and subject to approval by the GOS. Deposits in this Trust Account will be in local currency at levels proposed by USAID and agreed to by the GOS. Disbursements from the Trust Account may be made by the Government of the United States to cover the program and administrative costs of the United States Assistance Program and administrative costs of other elements of the U.S. Mission in the Sudan.

VIII. PROGRAM IMPLEMENTATION

A. Overview

Until recently each of USAID's divisions that have implementation responsibilities did not have the depth of staff to adequately monitor the CIP. To correct this weakness, USAID has strengthened each of the offices which participate in the CIP implementation. The Supply Management Office is now staffed with a Senior Supply Management Officer and an Assistant Supply Management Officer. The Office of Project Operations, General Development Division, employs a PSC Project Officer whose duties include primarily programming and monitoring local currency generated by the program and monitoring deposits and withdrawals from the Special Account. The Controller's Office has employed a TCN Accountant, whose primary duties include monitoring the arrival accounting system, performing end-use examinations, and reviewing AID/W accounting reports. The Economic Policy Program Officer has assigned economic analysis responsibility to a full-time US PSC economist. In addition, the petroleum component under the Energy Planning and Management Project has the task of monitoring and coordinating the technical elements of the proposed program for the GOS. T'e full team is now on board and will provide in-depth guidance and adequate monitoring of all phases of the implementation of the program.

B. Implementation Procedures

1. GOS The major GOS entities responsible for administering and implementing this CIP grant will be the Ministry of Finance and Economic Planning (MFEP), the Ministry of Energy and Mining, and the Bank of Sudan. Section V describes the operation of the Petroleum Facility and the roles of the private oil marketing companies. Further details are being decided upon between the GOS and the private oil marketing companies, USAID and other donors. A condition precedent to disbursement of any funds under this grant requires USAID approval of these arrangements.

The Ministry of Finance and Economic Planning has been responsible for the management of the Special Account for counterpart generations. While staff at the Ministry has been able to adequately carry on this function to date, the amount of work will grow as overall levels of counterpart generations increase by $170 million a year, including both PL 480 Title I and III as well as CIP local currencies. Consequently, as ability to manage these funds becomes more difficult, improved staffing to oversee this function is being required by another CIP agreement.

2. A.I.D. The USAID Project Manager for the Petroleum Initiative CIP will be the Energy Advisor, under the Associate Director for Project Operations. He will be responsible for monitoring: (i) GOS operation of the Petroleum Facility; (ii) relations between the Government and the private oil companies; (iii) GOS performance in living up to the conditions and covenants

in the Program Agreement; (iv) coordination with other donors contributing to the Facility; and (v) all other operational matters related to the successful achievement of the objectives of the program. The USAID/Sudan Supply Management Officer, seconded by an Assistant Supply Management Officer, in cooperation with support officers in AID/Washington, will have responsibility for monitoring and expediting procurement of petroleum supplies, whether on a prospective or retrospective basis. The USAID/Sudan Controller will be responsible for monitoring the generation of counterpart funds due the Special Account, performing reviews of arrival accounting and carrying out end-use monitoring to ascertain the effective arrival and utilization of CIP-financed commodities. The USAID General Development Officer under the Associate Director for Project Operations, will be responsible for programming counterpart funds generated by this CIP.

C. Procurement Financing Procedures and Financial Analysis

Procurement and financing procedures under this CIP will follow those set forth in AID Regulation 1. Under the conditions of this program, all procurement will follow Sudanese formal competitive bidding procedures consistent with normal practice in international petroleum tendering. These procedures consist of telexed request for bids, bids submitted by telex, and extremely short bid deadline. AID considers these procedures to be a type of negotiated procurement falling within the guidelines of section 201.23 of AID Reg 1. The method of financing normally will be through bank Letters of Credit.

USAID will initially issue a "Conditional" Letter of Commitment in an amount of $40 million to a U.S. bank selected by the GOS. The purpose of the "Conditional" L/COM is to provide a guarantee of reimbursement to the U.S. bank in the event of a default on the part of the GOS in providing funds for payment of petroleum purchases financed under Letters of Credit issued against a line of credit extended to the GOS by the U.S. bank to whom the "Conditional" L/COM is issued. The "Conditional" L/COM will not be subject to compliance with AID Regulation 1, as amended, in that the supplier's certificate and agreement with AID (Form AID 282) will not be required and a modified commodity approval application (AID Form 11) will be used.

Should the GOS not default in meeting its obligations for payment of transactions financed under the line of credit, AID will, with the approval of all parties concerned, cancel the "Conditional" L/COM to finance $40 million in additional petroleum purchases. The new L/COM will require full compliance with the provisions of AID Regulation 1, as amended.

D. Eligible Commodities

Petroleum products will be the only eligible commodities under this Program.

E. Procurement Restrictions/Limitations

This grant will be restricted to Code 899 sources and origins for commodities and related incidental services. Annex G provides a detailed justification for a source/origin waiver.

Local agents are not required by Sudanese regulations. Thus, there is no conflict with the AID Regulation 1 requirement that U.S. suppliers may sell directly to importers. All provisions of AID Regulation 1 regarding commodity eligibility review, price eligibility, and both prior review and post audit will apply to all transactions.

As with the previous Petroleum Initiative CIP, compliance with USG shipping rules presents certain problems under this program. The Cargo Preference Act establishes requirements for the use of U.S.-flag vessels when ocean transportation service may be used to transport U.S. Government-financed commodities. In summary, the Act requires that at least 50 percent of the gross tonnage of all A.I.D.-financed commodities which may be transported on ocean vessels (computed separately for dry bulk carriers, dry cargo liners and tankers) shall be transported on privately owned U.S. - flag commercial vessels, to the extent such vessels are available at fair and reasonable rates. At least 50 percent of the gross freight revenue generated by all shipments of A.I.D. - financed commodities transported to the cooperating country on dry cargo liners shall be paid to, or for the benefit of, privately owned U.S.-flag vessels, to the extent such vessels are available. When shipping is chartered for a quantitative unit of cargo, U.S.-flag vessels are to be used for at least 50 percent of the quantitative unit, if U.S.-flag vessels are available at fair and reasonable rates, before any movement is made of a non U.S. - flag vessel.

As in the original Petroleum Initiative CIP, A.I.D. financing under this CIP may occur directly, i.e. by the direct financing of oil purchases, or indirectly, through the payment by an A.I.D. guarantee of forward financing (a line of credit by a bank) of the oil purchases.

In the first situation, the cargo preference requirements may be readily applied. In the second situation, however, a transaction, i.e. oil purchase and shipment, has already occurred. In the second situation, it is difficult to devise a methodology of applying the cargo preference rules, either on a prospective or retroactive basis.

In these circumstances, in an effort to comply with the intent of the requirement, A.I.D. has determined that:

U.S. cargo preference requirements will apply to all transactions under the Grant, except that if transactions retroactively financed under the conditional Letter of Commitment have not met these requirements, such requirements will be satisfied by increasing the requirements under the remainder of the Commodity Import Program, in an amount equal to at least 50 percent of the gross tonnage of all such transactions financed under the conditional Letter of Commitment, provided, however, that such additional shipping requirement shall not be construed to require an amount of shipping in excess of that possible under the remainder of the Commodity Import Program. If A.I.D determines that privately owned U.S. flag commercial vessels were not available at fair and reasonable rates at the time of shipment of the petroleum under the conditional Letter of Commitment such additional shipping requirements shall not be applied.

F. Commodity Eligibility Date

The Eligibility Date for Commodities and Commodity Related Services procured under this FY 1985 CIP will be the date of the signing of the Agreement.

G. Terminal Disbursement Date

The grant's Terminal Disbursement Date (TDD) will be 42 months from the date conditions precedent are met.

H. Port Clearance and Inland Transportation

Sudan has one major seaport--Port Sudan. It comprises 15 berths, of which two can be used for tanker off-loading of crude oil and refined products. Operational efficiency is reasonable. From the port, there is a crude pipeline able to transport over 30,000 bpd to the Port Sudan Refinery. There is now plenty of excess capacity in this pipeline. There is also piping to nearby refined products storage tanks owned by the four marketing companies. Currently there is 109,000 MT of crude storage at the refinery and 99,000 MT of storage for refined products near the port. Two Romanian-financed storage tanks will be added to the port by early 1985. Present port facilities allow off-loading of petroleum supplies at a rate of 200 MT/per hour although tankers can discharge 1000 MT/per hour. The GPC plans to upgrade the port facilities to 1000 mt per hour. There appears to be more than adequate capacity at Port Sudan to efficiently handle increases in petroleum supplies, although there must be careful scheduling of shipments between the GPC and the port authorities.

Inland transport of petroleum products is arranged by road, rail, pipeline and, to a limited extent, river transport. For most products there is no problem with transportation capacity. Fuel oil, however, presents a problem in that its viscosity requires it to be moved in rail-tanker cars, of which there is a shortage. Scheduling problems interfere with the use of available cars. The GOS has plans however to dedicate special block trains to moving fuel oil.

A.I.D. will apply the standard 90 days port clearance and the 12 months utilization period requirements. These, with constant follow-up and pressure on both buyers and transportation officials, should serve to expedite the movement of A.I.D.-financed supplies. At present, there is a much reduced backlog of GOS public sector imports awaiting inland transportation in holding areas outside the port.

I. Methods of Implementation and Financing

Method of Implementation	Method of Financing	Approximate Amount
Petroleum, Host Country Procurement	Bank L/COM	$40.0 million

The GPC has an arrival and supply clearance unit established at Port Sudan for petroleum imports. This office serves as a "Customs Broker" and forwarding agent.

For Commodity Import Programs in general, the Mission has determined that records maintained by the GOS are not adequate for our purposes. Therefore, USAID has established a system that adequately tracks commodity arrival and movement through the port, indicating shortages, breakage and distribution to the ultimate end-user. Up to this point in time, USAID has records on approximately 21 percent of all CIP transactions from the FY 1981 through FY 1984 programs. This will be expanded and will include most of the high cost items under those programs. The Mission randomly selects the transactions to be accounted for. USAID's contractor performs the detailed work and prepares reports that indicate arrivals compared to shipments and reflects overages, shortages, and breakage. These reports are transmitted to the Supply Management Office for any necessary action. The contract is funded from local currency generated under the program. This system will also be applied to the Petroleum Initiative CIP.

In fiscal year 1983, USAID/Sudan initiated a program of end-use examinations of both private and public sector end-users. A report of findings is prepared for each examination. The report is forwarded to Mission senior management for information and to the Supply Management Office for any action that might be indicated by negative findings.

The Regional Inspector General in Nairobi is currently planning to include an audit of the Commodity Import Program in his FY 1985 audit schedule. This audit in conjunction with the FY 1984 CIP evaluation, existing arrival accounting system, and program of end-use examinations will provide necessary assurances that procured commodities are effectively used. At the same time, the GOS will covenant that it will contract with an internationally respected accounting firm to periodically audit the Petroleum Facility (see Section V for details).

J. Import Controls

Under the existing system, the GPC establishes levels and timing of petroleum shipments based on historical needs and an estimation of future consumption. The GPC then alerts the Ministry of Finance and Economic Planning of planned import levels which are then adjusted in light of the expected availability of foreign exchange. The Ministry of Finance and Economic Planning requests the Bank of Sudan to set aside sufficient foreign exchange. The Ministry of Commerce, Industry and Cooperation issues petroleum import licences automatically to the GPC following their application, as petroleum is considered an essential public import. Petroleum comprises a major portion of the foreign exchange budget for official imports. Unlike commercial imports, there is no requirement for deposit of pound balances in local banks as a margin against the use of foreign exchange for imports, an import reduction measure. As a result of the Petroleum Initiative, some modifications to these arrangements will be required.

K. Control of CIP Funds

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

L. Evaluation of Performance and Economic Impact

Monitoring and evaluating GOS performance during the implementation of the Petroleum Facility CIP and the economic impact of the program are important considerations. By the GOS contracting with an internationally respected accounting firm to monitor the financial aspects of the program, one element is covered. Monitoring and evaluating other elements of the program (for example the allocation system) will be undertaken jointly by USAID and the GOS, with technical services under the Energy Planning and Management Project (see Section VIII M below). Monitoring and evaluating performance and economic impact will be undertaken on a timely basis to coincide with USAID decisions regarding incremental obligations scheduled for FY 1985 and 1986, so that our decisions will be based on solid evidence and hard data.

M. Related Technical Services

The grant assistance proposed for the Petroleum Facility will be used entirely for the purpose of procuring petroleum products. If technical services or technical assistance is required by the Ministry of Energy and Mining, the General Petroleum Corporation or the Petroleum Facility group, approved services can be provided under the DA-financed Energy Planning and Management Project (650-0059). Under this project, a contract has been executed with Energy/Development International for short- and long-term technical assistance. The development of the Petroleum Facility is a result of work initiated by Energy/Development International under a previous contract in 1982/83.

IX. OTHER CONSIDERATIONS

A. Impact on U.S. Balance of Payments

The Petroleum Initiative CIP Program will have no impact on U.S. exports and balance of payments, since the U.S. is a net importer of oil. U.S. exports to Sudan amounted to $22.6 million in 1981/82, which was only about 0.1 percent of total U.S. exports. The U.S. share of Sudan's imports amounted to $12.5 million in 1981/82, or 3.3 percent of total Sudanese imports.

B. Internal Financial Effects

The generation and expenditure of local currency under the CIP program are probably somewhat deflationary in that the sale of imported commodities absorbs excess liquidity, and expenditures of local currency lag behind generations from sales. To the extent that CIP commodities are sold to the private sector with local currency accruing to the GOS, resources are diverted from the private to the public sector.

C. Use of U.S. Government Excess Property

Given the nature of the items for which this CIP will be utilized, U.S. Government excess property is not relevant.

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

The Ex-Im Bank currently has an exposure in Sudan of about $20 million. This total includes $16 million in project loans and $4 million in guarantees and insurance. Past deliquencies of $2.7 million, which caused the suspension of further U.S. supplier credits to Sudan, were rescheduled early in 1980. Ex-Im activity toward increased exposure is to be determined subsequent to a review of the Sudanese ability to meet the rescheduled debt commitments.

Two small Foreign Credit Insurance Association (FCIA) loans were completed in 1980, based upon long standing past acceptances. However, nothing new has been considered. The CIP grant for FY 1985 will complement, not conflict, with the Ex-Im Bank activities.

E. Relation to the Overseas Private Investment Corporation (OPIC) Program

OPIC was established to promote U.S. private investment in developing countries by making loans to overseas ventures and providing insurance against war, currency inconvertability and expropriation. For Sudan, OPIC emphasizes transportation and agricultural projects.

As of March 31, 1984, OPIC had 15 active contracts with six companies with insurance coverage ranging from $415,000 to $125 million. Applications to cover $30 million of investment were pending.

This CIP is not expected to directly assist firms which have an existing contract or pending application but complements OPIC support of the private sector.

X. RECOMMENDATIONS, TERMS AND CONDITIONS

A. Recommendations

Subject to acceptance by the GOS of the terms, Conditions Precedent and Covenants of the Petroleum Initiative CIP II, and based on the USAID determination that this CIP is an integral part, not only of A.I.D.'s but of the GOS and the International donor community's strategies and objectives for Sudan's economic stabilization and recovery, it is recommended that a grant of forty million dollars ($40,000,000) in FY 1985 to the Government of the Democratic Republic of Sudan be authorized for the financing and importing petroleum products. It is further recommended that waivers to requirements for the Suppliers' Certificate (Form AID 282) and the post audit of transactions falling under any Conditional Letter of Commitment, of source/origin from Code 941 to Code 849 and under Cargo Preference in the case of a draw-down under the Conditional Letter of Commitment be approved.

B. Terms and Conditions

USAID/Sudan, under its Commodity Import Programs, has placed considerable importance on the nature of all CIP commodities to be financed and reform in the benefitting economic sector. In requesting USG financing for petroleum, a commodity not normally financed by the USG, the GOS has made the case that a reliable, sufficient supply of petroleum is the single most critical commodity needed for economic stabilization and recovery. USAID has agreed to request AID/W financing of petroleum in light of recent and ongoing reforms in the petroleum sector under Sudan's Petroleum Initiative. Thus, GOS adherence to the following terms, Conditions Precedent and Covenants of the Petroleum Initiative CIP II is central to successful fulfillment of the GOS obligations to the Program Agreement.

With tremendous difficulty and with considerable sluggishness, the GOS has, with fulfillment of the conditions concerning oil pricing and foreign exchange earmarking, met all of the conditions and covenants of the Petroleum Intiative CIP I. The GOS has established a Special Account in a commercial bank earmarked solely for the purchase of petroleum products and will have deposited $60 million into it prior to the opening Conditional Letter of Commitment. The GOS has also now submitted a plan acceptable to A.I.D. for the deposit of foreign exchange into the Facility over the first and subsequent years of any future petroleum assistance. This plan has been incorporated into the narrative of the PAAD.

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, together with a specimen signature of each person certified as to its authenticity.

(c) Evidence that it has deposited or caused to be deposited into a foreign exchange Special Account not less than $50 million to be used exclusively for the purchase of petroleum. An in-kind contribution of petroleum may be provided by other donors in lieu of a cash deposit.

(d) 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.

2. Notification

When A.I.D. has determined that the conditions precedent specified above have been met, it will promptly notify the Grantee.

3. Terminal Date for Conditions Precedent

If all the conditions precedent specified above have not been met within one hundred and twenty [120] days from the date of this Agreement, or such later date as A.I.D. may specify in writing, A.I.D. at its option, may terminate this Agreement by written notice to Grantee.

4. Special Covenants

The Grantee covenants that, except as A.I.D. may otherwise agree in writing:

(a) Recognizing that an essential ingredient of Sudan's Petroleum Initiative is the assured financing of $360 million of petroleum per program year, the Grantee will deposit, or cause to be deposited, into the foreign exchange Special Account $240 million through the first cycle of the Petroleum Facility which is one calendar year after the beginning of the Facility. An in-kind contribution of petroleum may be provided by other donors in lieu of a cash deposit.

(b) Of this amount of $240 million under the Grantee's responsibility, the Grantee will actively encourage other donor [non-USG] financing for a minimum of $65 million through the first nine months of the Petroleum Facility's operation. Any donor financing above the $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 $175 million.

(c) The first deposit of $15 million will be made not later than thirty days after the initiation of the Petroleum Facility. Subsequent deposits of $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 will import all petroleum products into Sudan following open and public competitive procurement procedures by prequalified bidders to assure the most favorable prices and other terms. No tender will be for more than three months supply. For all petroleum purchased under the Petroleum Facility, the General Petroleum Corporation will make available to all participants upon request full information on prices and terms, including interest rates on forward financing and any administrative or other fees. However, lubricants, base oils, jet fuel and other petroleum or related products which have previously been procured outside the Bank of Sudan or which will be procured and marketed by the private sector in a free market manner may, on a case by case basis as both parties agree to in writing, be permitted to function outside the Petroleum Facility.

(e) All crude oil, fuel oil, gasoil, benzine 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 all 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.

(f) The Grantee will adhere to the financing plan provided as Table 10 to the PAAD.

(g) All deposits into the Facility will be timely enough to assure proper tendering, awarding and payments of petroleum procurements.

(h) In addition to the normal review by the Grantee's Auditor General, the Grantee will retain an internationally recognized auditing firm 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.

(i) The Grantee will maintain a system of import parity pricing for Petroleum and petroleum products which will reflect the real costs of international procurement and domestic marketing.

(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 in determining the mix of imports among crude oil and petroleum products, will consider all economic factors and make this analysis available to donors. In the event that the operations of the Petroleum Facility allow for increases in supply over 1984 levels with available financing, these increases will be devoted to importing additional gasoil.

(l) The grantee will allow the four distributors to submit to the GPC individual allocation plans for gasoil sales. These plans will specify how each distributor will use its 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 areas.

The GPC 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 in the Petroleum Facility's special account.

(n) The U.S. cargo preference requirements will apply to all transactions under the Grant, except that if transactions retroactively financed under the conditional Letter of Commitment have not met these requirements, such requirements will be satisfied by increasing the requirements under the remainder of the Commodity Import Program, in an amount equal to at least 50 percent of the gross tonnage of all such transactions financed under the conditional Letter of Commitment, provided, however, that such additional shipping requirement shall not be construed to require an amount of shipping in excess of that possible under the remainder of the Commodity Import Program. If A.I.D determines that privately owned U.S. flag commercial vessels were not available at fair and reasonable rates at the time of shipment of the petroleum under the conditional Letter of Commitment such additional shipping requirements shall not be applied.

Annex A

Initial Environmental Examination
or Categorical Exclusion

Project Country: Sudan

Project Title: Petroleum Initiative Commodity Import Program Grant

Funding: ESF FY (s) 1985 $ 40,000,000

IEE prepared by: John Gaudet, Regional Environment Officer

Environmental Action Recommended:

Positive Determination ______
Negative Determination XXX

Categorical Exclusion:

This activity meets the criteria for Categorical Exclusion in accordance with Section 216.2 (C) and is excluded from further review because:

Concurrence:

Bureau Environmental Officer (ACTING)

Approved: [signature]

Disapproved: ______

Date: 16 APRIL 85

Clearance: CG/AFR MAKlewman Date 4/17/85

Examination of Nature, Scope and Magnitude of Environmental Impacts:

I. Description of the Project.

The project proposes to provide a Commodity Import Grant of $40 million to the Government of Sudan (GOS) from the Economic Support Fund on standard A.I.D. terms. The principal objective of this grant is to help assure a sufficient and reliable supply of petroleum and to assure Sudan's establishment of an efficient system for the financing, procuring, importing, allocating and distributing of petroleum products for the Sudanese economy.

Commodities will be limited to petroleum products. However, it is not possible at this time to determine the amounts which might be in the form of crude or refined products (e.g. fuel oil, gasoline or gasoil). Each of these forms of petroleum has greatly different uses. Furthermore, USAID's contribution will be part of a larger petroleum initiative in which our contribution is approximately only 11 percent. At the same time, we will have no control over its use as this will be determined by the GOS and the four private oil marketing companies.

Although the general category of commodity has been identified as "petroleum, crude or refined", and because USAID cannot exert control over its use, it would be impossible at this time to define the magnitude of environmental impacts expected. In general, however, these impacts are not significant when compared to the enormous environmental problems now resulting from the improper management of renewable energy resources. Consequently, USAID/Sudan has initiated several activities in the area of renewable energy and natural resource sectors to help the host country cope with environmental problems relative to proper management and conservation of energy.

2. Recommended Environmental Action.

The GOS is well aware of USAID's concern regarding environmental effects of misuse of energy resources, but these concerns will be again brought to their attention prior to signing the grant agreement.

On the basis of the above information, a negative determination is requested. Mission appreciates early response.

Action requested by: ____________________
W.R. Brown, Mission Director

Concurrence: Approved: [signature]

Bureau Environmental Officer Disapproved: ____________________
(ACTING)

Date: 16 APRIL 85

Clearance: CG/AFR MAKleiman Date 4/17/85

il

3A(2) - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In part B a distinction is made between the criteria applicable to Security Supporting Assistance and the criteria applicable to Development Assistance. Selection of the appropriate criteria will depend on the funding source for the program.

CROSS-REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? IDENTIFY. HAS STANDARD ITEM CHECKLIST BEEN REVIEWED? YES. YES.

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE
FY 1985 Continuing Resolution Sec. 525;

1. FAA Sec 653(b), Sec 634A.

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

In FY 1985 Congressional Presentation.

(b) is assistance within (Operational Year Budget) country or international organization allocation reported to the Congress (or not more than $1 million over that figure plus 10%)?

Yes.

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

None re ired.

3. FAA Sec. 209, 619. Is assistance more efficiently and effectively given through regional or multilateral organizations? If so why is assistance not so given? Information and conclusion whether assistance will encourage regional development programs. If assistance is for newly independent country, is it furnished through multilateral organizations or in accordance with multilateral plans to the maximum extent appropriate?

No

N/A

4. FAA Sec. 601(a); (and Sec. 201(f) for development loans). Information and conclusions whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives; credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.	a) Assistance provides essential petroleum imports used for export production. b) Assistance will support competitive private sector petroleum marketing. c) N/A. d) Program encourages competition in petroleum purchasing. e) Increased petroleum imports allow fuller utilization of industrial and agric. capacity. f) N/A.
5. FAA Sec. 601(b). Information and conclusion on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation of foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	Program encourages greater private sector participation in petroleum purchases through a "guarantee" system. Significant Participation is anticipated for a U.S. private oil company.
6. FAA Sec. 612(b); Sec. 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the United States are utilized to meet the cost of contractual and other services.	Recent CIP evaluation, Quarterly Reviews of GOS/USG funded local currency projects recent audits confirm proper contributions, uses, drawdowns and reporting on CIP generated local currencies.
7. FAA Sec. 612(d). Does the United States own excess foreign currency and, if so, what arrangements have been made for its release?	No.

8. <u>FAA Sec. 601 (e).</u> Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? — YES

9. <u>FY 1985 Continuing Resolution Sec. 522.</u> If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? — N/A

10. <u>FAA 118(c) and (d).</u> Does the assistance comply with the environmental procedures set forth in AID Regulation 16. Does the assistance take into consideration the problem of the destruction of tropical forests? — YES

11. <u>FAA 121(d).</u> If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds? — N/A

12. <u>FY 1985 Continuing Resolution Sec. 536</u> Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? — NO

B. FUNDING CRITERIA FOR NON PROJECT ASSISTANCE

1. Nonproject Criteria for Security Supporting Assistance

a. FAA Sec. 531. How will this assistance support promote economic or political stability? Is the country among the 12 countries in which Supporting Assistance may be provided in this fiscal year?

Petroleum is a critical input into the Sudanese economy. Shortages cause economic descriptions and political unrest. Greater and more regular supplies promote economic and political stability.
N/A

2. Nonproject Criteria for Development Assistance

a. FAA Sec. 102(c); Sec. 111; Sec. 281(a). Extent to which activity will (1) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production, spreading investment out from cities to small towns and rural areas; and (2) help develop cooperatives, assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local government institutions?

N/A

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

N/A

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

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

(2) [104] for population planning or health; if so, extent to which activity extends low-cost, integrated delivery systems to provide health and family planning services, especially to rural areas and poor; extent to which assistance gives attention to interrelationship between (A) population growth and (B) development and overall improvement in living standards in developing countries. Is activity designed to build motivation for small families in programs such as education in and out of school, maternal and child health services, agriculture production, rural development, and assistance to urban poor?

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

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

(a) to help alleviate energy problem;

(b) reconstruction after natural or manmade disaster;

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

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

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

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

d. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government. N/A

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

4. Additional Criteria for Alliance for Progress — N/A

[Note: Alliance for Progress assistance should add the following two items to a nonproject checklist.]

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

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

3A(3) - STANDARD ITEM CHECKLIST

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

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

A. PROCUREMENT

1. FAA Sec. 602. Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed?	N/A
2. FAA Sec. 604(a). Will all commodity procurement financed be from the United States except as otherwise determined by the President or under delegation from him?	Yes. A waiver of source-origin is being requested.
3. FAA Sec. 604(b). Will all commodities in bulk be purchased at prices no higher than the market price prevailing in the United States at time of purchase?	Yes
4. FAA Sec. 604(c). Will all agricultural commodities available for disposition under the Agricultural Trade Development & Assistance Act of 1954, as amended, be procured in the United States unless they are not available in the United States in sufficient quantities to supply emergency requirements of recipients?	N/A
5. FAA Sec. 604(d). If the cooperating country discriminates against U.S. marine insurance companies, will agreement require the marine insurance be placed in the United States on commodities financed?	N/A
6. FAA Sec. 604(e). If offshore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity?	N/A
7. FAA Sec. 604(f). Are there arrangements whereby a supplier will not receive payment under the commodity import program unless he/she has certified to such information as the Agency by regulation has prescribed?	Yes

8. FAA Sec. 608(a). Will U.S. Government excess personal property be utilized wherever practicable in lieu of the procurement of new items? — N/A

9. MMA Sec. 901(b). (a) Compliance with requirements that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S.-flag commercial vessels to the extent that such vessels are available at fair and reasonable rates. — Yes

10. International Air Transport. Fair Competitive Practices Act, 1974 — Yes

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

B. OTHER RESTRICTIONS

1. FAA Sec. 620(h). Do arrangments preclude promoting or assisting the foreign aid projects or activities of Communist-Bloc countries, contrary to the best interests of the United States? — Yes.

2. FAA Sec. 636(i). Is financing prohibited from use, without waiver, for purchase, long-term lease, exchange, or guaranty of sale or motor vehicle manufactured outside the United States? — Yes

3. Will arrangement preclude use of financing:

    a. FAA Sec. 114 to pay for performance of abortions or involuntary sterilizations or to motivate or coerce persons to practice abortions? to pay for performance of involuntary sterilizations as method of family planning or to coerce or provide any financial incentive to any person to practice sterilizations? — Yes.

b. <u>FAA Sec. 620(g)</u>. to compensate owners for expropriated nationalized property?	Yes.
c. <u>FAA Sec. 660</u>. to finance police training or other law enforcement assistance, except for narcotics programs?	Yes.
d. <u>FAA Sec. 662</u>. for CIA activities?	Yes.
e. <u>App. Sec. 103</u>. to pay pensions, etc, for military personnel?	Yes.
f. <u>App. Sec. 106</u>. to pay U.N. assessment?	Yes.
g. <u>App. Sec. 107</u>. to carry out provisions of FAA Sections 209(d) and 251(h)? (transfer to multilateral organization for lending).	Yes.
h. <u>FY 1982 Appropriation Act. Sec. 510</u>. the export of nuclear equipment, fuel, or technology or to train foreign nationals in nuclear fields?	Yes.
i. <u>FY 1982 Appropriation Act. Sec. 511</u>. for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?	Yes.
j. <u>FY 1982 Appropriation Act, Sec. 515</u>. for publicity or propaganda purposes within U.S. not authorized by Congress?	Yes.

5c(1) - COUNTRY CHECKLIST-SUDAN FY 1985

Listed below are statutory criteria applicable generally to FAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

A. Country Checklist, Part A-General Criteria for Country Eligibility

1. FAA Sec. 481, FY 1985 Continuing Resolution. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1971) which are cultivated, produced or processed illicitly, in whole or in part, in such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

   No.

2. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor or any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government?

   No

3. FAA Sec. 620(e)(1). If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

   No.

4. FAA Sec. 620(a), 620(f), 620D; FY 1985 CR Act Secs. 512 and 513. Is recipient country a Communist country? Will assistance be provided to Angola, Cambodia, Cuba, Laos, Vietnam, Syria, Libya, Iraq, or South Yemen? Will assistance be provided to Afghanistan or Mozambique without a waiver?

No.

5. ISDCA of 1981 Secs. 724, 727 and 730. For specific restrictions on assitance to Nicaragua, see Sec. 724 of the ISDCA of 1981. For specific restrictions on assistance to El Salvador, see Secs. 727 and 730 of the ISDCA of 1981.

N/A

6. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action of U.S. property?

No.

7. FAA Sec. 620(l). Has the country failed to enter into an agreement with OPIC?

No.

8. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5.

(a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters?

No.

(b) If so, has any deduction required by the Fishermen's Protective Act been made?

No.

9. FAA Sec. 620(q); FY 1985 CR Act Sec. 518.

(a) Has the government of the recipient country been in default for more than six months on interest or principal of any AID loan to the country?

At present Sudan is not in arrears on loan repayments to A.I.D.

(b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the appropriation bill appropriates funds?

No.

10. FAA Sec. 620(s). If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the amount of foreign exchange or other resources which the country country has spent on military equipment? (Reference may be made to the annual "Taking into Consideration" memo "Yes, taken into account by the Administrator at time of approval of OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

Yes, taken into account by the Administrator at time of approval of Agency OYB.

11. FAA Sec. 620(t). Has the country servered diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

The Sudan Government severed diplomatic relations with the U.S. in 1967, but such relations were resumed in 1972. The 1958 Bilateral Assistance Agreement was reconfirmed in 1971 and remains in effect.

12. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)

While Sudan was slighty in arrears in payments of its U.N. obligations, this was taken into consideration when the A.I.D. Administrator approved the FY 85 OYB. Sudan was not delinquent within the meaning of Article 19 of the UN Charter.

13. FAA Sec. 620A; FY 85 CR Sec. 521.

Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism?

No.

Has the country aided or abetted, by granting sanctuary from prosecution to, any individual or group which has committed a war crime?

No.

14. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

No.

15. FAA Sec. 669, 670. Has the country after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device, after August 3, 1977? (FAA Sec. 602E permits a special waiver of Sec. 669 for Pakistan.)

No.

16. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Session of the General Assembly of the U.N. of Sept. 25 and 28, 1981, and failed to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.)

Sudan was represented at this meeting and to date has not disassociated itself with the communique in question. This action on the part of Sudan has been considered by the U.S. Government (see Taking into account memo dated November 9, 1984) in approving the Agency's FY 85 OYB.

17. ISDCA of 1981 Sec. 721. See special requirements for assistance to Haiti.

N/A

18. FY 1985 Continuing Resolution. Sec 530 Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States?

No.

19. FY 1985 Continuing Resolution. If assistance is from the population functional account, does the country (or organization) include as part of its population planning programs involuntary abortion?

N/A

Annex C

BIBLIOGRAPHY

1. International Bank for Reconstruction and Development. Consultative Group for the Sudan Chairman's Report on Proceedings. Paris: April, 18, 1983

2. International Bank for Reconstruction and Development. Report and Recommendation of the President of the International Development Association to the Executive Directors on a Proposed Credit of SDR 46.4 million to the Democratic Republic of the Sudan for the Agricultural Rehabilitation Program, II. Washington: May 23, 1983

3. International Bank for Reconstruction and Development. Sudan Investing for Economic Stabilization and Structural Change. Washington: IBRD, February 1982

4. International Bank for Reconstruction and Development. Sudan: Pricing Policies and Structural Balances Statistical Annexes Washington: IBRD, 1983 (Draft)

5. International Monetary Fund. Sudan: Recent Economic Developments Washington, September 1, 1983

6. International Monetary Fund. Sudan: Report on External Assistance and Debt Relief. Washington, July 14, 1983

7. International Monetary Fund. Sudan: Request fo Stand-By Arrangement Washington, January 1983

8. International Monetary Fund. Sudan: Staff Report for the 1983 Article IV Consultation and Review Under the Stand-By Arrangement. Washington, August 16, 1983

9. Ministry of Finance and Economic Planning, Joint Monitoring Committee. Consolidated Report to the Consultative Group Meeting, December 1983, on Implementation of the Economic Recovery Programme in Sudan. Khartoum: November 1983

10. Ministry of Finance and Economic Planning. Prospect, Programmes and Policies for Economic Development 1982/83 - 1984/85. Khartoum: October 1982

11. USAID/Sudan. Country Development Strategy Statement FY 1984. Khartoum: January 1982

12. USAID/Sudan. Program Assistance Approval Document (PAAD) Commodity Import Program FY 1983, (650-K-604) Khartoum: November 30, 1982

13. USAID/Sudan. Country Development Strategy Statement FY 1986 Khartoum: March 1984

14. USAID/Sudan. Program Assistance Approval Document (PAAD) Commodity Import Program FY 1984 (650-K-606) Khartoum: March 29, 1984

15. USAID/Sudan. Program Assistance Approval Document (PAAD) Petroleum Initiative Commodity Import Program (CIP) Grant (650-K-606) Khartoum: April 4, 1984

Annex D

Prepared: CO/PO, USAID
01/15/85

U.S. COMMODITY IMPORT PROGRAM
BUDGETED FLOW AND UTILIZATION (LS)

Item	Actual 81-83	Actual 83/84	84/85	85/86	86/87	Total
Local Resource Generation						
650-K-602	23,303,589	6,101,878				29,405,467
650-K-603	35,878,490	10,367,893				46,246,383
650-K-604 ($61.2 mil)		38,609,133	59,595,867			98,205,000
650-K-606A FY 84 ($40.0 mil)				84,000,000		84,000,000
650-K-606B FY 84 ($62.0 mil)			61,110,000	69,090,000		130,200,000
650-K-609A FY 85 ($40.0 mil)				84,000,000		84,000,000
650-K-609B FY 85 ($74.0 mil)				46,620,000	108,780,000	155,400,000
Total Generated	59,182,079	55,078,904	120,705,867	283,710,000	108,780,000	627,456,850
Projected Disbursement						
Attachment A	1,570,000	20,967,248	50,731,242	29,089,805	3,272,765	105,631,060
Attachment B			9,237,941	17,658,360	33,210,400	60,106,701
Trust Fund	7,693,900	17,385,000	63,379,200	28,750,000	20,250,000	137,458,100
Total Programmed	9,263,900	38,352,248	123,348,383	75,498,165	56,733,165	303,195,861
Unprogrammed Balance	49,918,179	66,644,835	64,002,319	272,214,154	324,260,989	324,260,989

U.S. COMMODITY IMPORT PROGRAM
COUNTERPART TRUST ACCOUNT (LS)

Item	Actual 81-83	Actual 83/84	84/85	85/86	86/87	Projected Requirement
— CIP Funded —						
USAID Administrative Costs	4,435,000	12,473,100	31,000,000	18,000,000	19,000,000	84,908,100
Program Costs:						
Program Support	350,000	400,000	300,000	250,000	250,000	1,550,000
Ag. Planning & Statistics	640,000		— Title III Funded —			640,000
Rural Renewable Energy	90,000		— Title III Funded —			90,000
S. Manpower Development	298,200			— Completed —		298,200
Yambio Agricultural Research	40,000	-40,000		— Completed —		0
Energy Planning & Management	1,410,000	770,000	6,428,000			8,608,000
Blue Nile Grid Rehabilitation	200,000	200,000	200,000			600,000
Health Constraint to R. Prod.	125,700	131,300	227,000			484,000
Energy Policy & Planning	105,000			— Completed —		105,000
Gedaref Water Supply		400,600	950,000			1,350,600
SORMAR I		2,000,000	3,720,000			5,720,000
Policy Analysis & Implementation			250,000			250,000
Roseires Dam S. & D. Control		900,000	54,200			954,200
Mat. Health Feed/Nut Ed. - SAWS		150,000	500,000			650,000
Policy Studies			1,000,000	500,000		1,500,000
Emergency Programs			15,050,000	10,000,000	1,000,000	26,050,000
B.N.G. Operation & Maintenance			3,500,000			3,500,000
Computer Center TA Project			200,000			200,000
Total CIP	7,693,900	17,385,000	63,379,200	28,750,000	20,250,000	137,458,100

Prepared: GDO/PO, USAID
01/15/85

Attachment A

U.S. COMMODITY IMPORT PROGRAM
COUNTERPART PROJECT ACCOUNTS (LS)

Name of Project	Actual 82/83	Actual 83/84	84/85	85/86	86/87	Projected Allocation
Ag. Planning & Statistics	255,000		Title III Funded			255,000
Sudan Seed Propagation		900,000	700,000	500,000		2,100,000
Yambio Training Institute	180,000			Completed		180,000
Energy Planning & Management		200,000	356,000	76,000	69,000	701,000
Health Constraints to Rural Prod	135,000	340,000	450,000	515,000	560,000	2,000,000
Port Sudan Water Supply	1,000,000	1,100,000	500,000	No Further Funding		2,500,000
SORMAR I			1,000,000	5,500,000		6,500,000
Juba Water & Sanitation		140,350	206,450	230,100		576,[illegible]
Literacy Training		116,303	190,948	No Further Funding		307,251
Policy Analysis & Implementation			1,317,000			1,317,000
Remit of Sud Nat Abroad		47,000				47,000
Princeton Studies			400,000			400,000
Sudan Rural Develop. Corporation		1,250,000	1,250,000			2,500,000
Roseires Dam S. & D. Control		3,345,600				3,345,600
Jonglei Canal		250,000				250,000
Admin. Support for Planning		240,000	10,000	No Further Funding		250,000
Malakal/Nasir Infrastructure		2,088,890		1,059,930	2,277,540	5,426,360
Upper Talanga Tea Project		119,000				119,000
Upper Talanga Afforestation		100,000		138,775	96,225	335,000
Central Region Water Supply		2,000,000	3,018,000	No Further Funding		5,018,000
Improved Seed Production Program		255,000	300,000	300,000		855,000
Emergency Power Generation		6,015,727				6,015,727
Emergency Food Transport		870,000	37,882,544	16,500,000		55,252,544
Kordofan Standby Generator		1,500,000				1,500,000
Dura & Oilseeds - Bahr El Ghazal			150,000			150,000
Small Holder Vegetable Prod -BEG			200,000			200,000
Small Holder Reforestation - BEG			358,150	150,000	150,000	658,150
Composite Flour Trial			227,500			227,500
Increased Sorghum Consumption - FRC			390,000	120,000	120,000	630,000
Darfur Water Spreading			450,000			450,000
Micro Project Support - EEC			400,000			400,000
Data Analysis for Pop Census		42,000	108,000			150,000
El Obeid - En Nahud Road				4,000,000		4,000,000
Sharaf Pharmaceuticals		47,378				47,378
Dept. of Stat. Computer Center			70,000			70,000
Kinyetti Hydro Power Project			796,650			796,650
Total Programmed	1,570,000	20,967,248	50,731,242	29,089,805	3,272,765	105,631,060

Attachment B

U.S. COMMODITY IMPORT PROGRAM
ALLOCATION TO PROJECTS IN THE DEVELOPMENT BUDGET (LS)

Project Code	Name of Project	84/85	85/86	86/87	Projected Allocation
1.8.2	Northern Region Ag. Scheme	500,000	1,000,000	1,400,000	2,900,000
1.8.4	Nuba Mountain Rural Develpment	1,289,081			1,289,081
1.4.2	Jebel Marra Rural Development	498,860	608,360	188,400	1,295,620
1.13.4	Develop of Gum Arabic Project	250,000	750,000	500,000	1,500,000
5.11.1	Livestock and Meat Market	200,000	600,000	900,000	1,700,000
7.1.10	Sennar/Singa/El Damazin Road	4,000,000	9,700,000	18,222,000	31,922,000
7.2.19	Extra Ordinary Maintenance	2,500,000	5,000,000	12,000,000	19,500,000
Total Programmed		9,237,941	17,658,360	33,210,400	60,106,701

Annex E

USAID KHARTOUM, SUDAN
MISSION ORDER

USAID Order Number: ADM - 9 | Original Issuance: February 23, 1983
Amendment No.: 1 | Amendment Date:

Subject: Commodity Import Program - Mission Responsibilities.

This Mission Order, as amended, designates the Office of the Controller as the overall coordinator for the Commodity Import Program, responsible for monitoring the performance of the four offices which share CIP responsibilities within the Mission. Each office will establish a listing of specific procedures for fulfilling these responsibilities.

Economic Policy and Program Office (EEP)

EPP is responsible for preparing the Program Assistance Approval Document (PAAD). In carrying out this responsibility, the Program Office reviews Sudan's economic situation, specifically its balance of payments position, so as to determine the most appropriate allocation of ESF funds and the most essential commodity import requirements. EPP also prepares any special covenants or conditions precedent to be included in the Program Assistance Grant Agreement (PAGA) which will enhance achievement of U.S. objectives.

Project Operations Office (PO)

PO is responsible for the issuance of the PAGA. This includes drafting, negotiating, issuing, and distributing the PAGA. In regard to implementing the PAGA, PO has the following responsibilities:

-- In accordance with guidelines contained in STATE 42612 (dated 2/15/83), reviews proposed CIP transactions in excess of $1 million which involve the construction, equipping, or alteration of a physical facility, and assists the Supply Management Office in determining their economic, financial and technical viability.

-- Programs counterpart funds generated from CIP procurement. This includes identifying, developing, monitoring, and non-financial reporting on projects and activities for which these funds are used. Financial reporting of counterpart funds not disbursed through the Trust Account is also the responsibility of PO.

In addition to the above, PO also reviews and clears the PAAD and implementation letters.

Office of the Controller

The Office of the Controller is responsible for performing reviews of arrival accounting and end-use monitoring to ascertain the effective arrival and use of CIP-financed commodities. The result of these reviews are reported to the Supply Management Office for action.

The Office of the Controller is also responsible for monitoring the generation of counterpart funds due the Special Accounts. This includes issuing billing documents to the GOS and establishing requirements for and receiving GOS reports on deposits to/disbursements from the Special Account.

In addition to the above, the Office of the Controller reviews and clears the PAAD, PAGA, and implementation letters.

Supply Management Office (SMO)

With the exception of those responsibilities assigned to other offices as discussed above, SMO is responsible for implementing the PAGA. SMO also reviews and clears the PAAD and PAGA. Specific SMO responsibilities include:

-- Initiate, control, and distribute Implementation Letters and Commodity Procurement Instructions.

-- Process Financing Requests for the issuance of committing documents.

-- Negotiate with the GOS specific allocations of CIP funds, including reallocation of unutilized funds and/or residual balances, prior to expiration of the PAGA.

-- Approve individual transactions as a prior condition to issuing committing documents.

-- Provide guidance to importers in developing formal invitations for bids, informal requests for quotations, and, as necessary, prepare waivers.

-- Assist the GOS in developing or amending import procedures and banking requirements, as necessary, to ensure effective procurement of CIP-financed commodities.

-- Maintain files for all CIP-financed transactions, including files for importers, suppliers, and specific commodities.

-- Assist PO in meeting STATE 42612 guidelines.

-- Investigate complaints by suppliers or importers regarding procurement irregularities (e.g., restrictive specifications, improper solictations, unjustified awards, etc.) and recommend corrective action to be taken.

-- Monitor the availability of USG excess property in regard to possible financing under CIP.

-- Review Office of Controller reports on arrival accounting and end-use monitoring and take necessary action.

Distribution of CIP Documents

The distribution of CIP-related documents is described below.

Document	Responsible Office	Distribution
PAAD	EPP	Forward draft to AID/W for issuance and distribution1/
PAGA	PO	Original - PO 1 - EPP 1 - SMO 3 - Controller 2 - AID/W GC 5 - AID/W AFR/PD/EA 2 - AID/W AFR/EA (Desk) 2 - REDSO/EA Director 1 - RIG/IG/EA 2 - GOS
Implementation Letters	SMO	Original - SMO 1 - Controller 1 - PO 3 - AID/W SER/COM 3 - GOS
Financing Requests	SMO	Same as Implementation Letters
Commitment Documents (L/COMs, PA/PRs, etc.)	2/	2/
Shipping Documents	3/	3/
Arrival Accounting/ End-Use Reports.	CONT	Original - Controller 1 - Director 1 - SMO

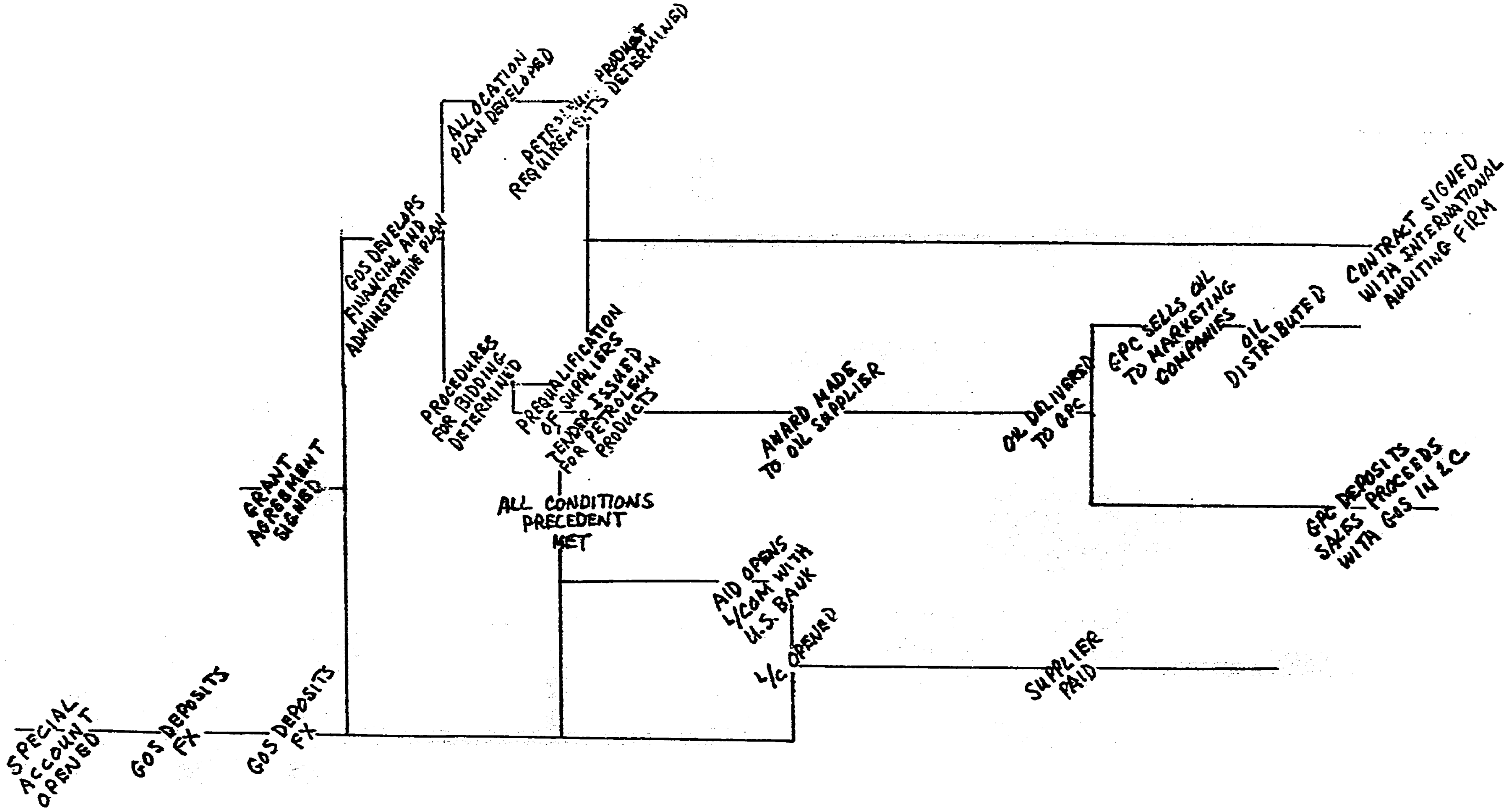
1/ EPP ensures that copies within the Mission are distributed: 1 - SMO; 1 - Controller, 1 - PO.

2/ Committing documents are generally issued by AID/W. Copies forwarded to the Mission should be routed to the Controller and SMO. Committing documents issued by the Mission are issued and distributed by the Controller.

3/ Shipping documents are distributed by the supplier. SMO should ensure that the Controller is included in the committing document for distribution of a copy of all shipping documents.

Annex F

PETROLEUM INITIATIVE IMPLEMENTATION FLOW CHART



ACTION MEMORANDUM FOR THE ADMINISTRATOR

Problem: A source/origin waiver is required to allow the procurement of petroleum products and commodity-related services from countries included in the AID Geographic Code 899 (including Sudanese flag vessels eligible for ocean freight) for the Petroleum Initiative portion of the FY 1985 Sudan Commodity Import Program, 650-K-608.

Discussion: At the meeting of the Consultative Group in December 1983, consideration was given to the problems Sudan has been having with petroleum importation, allocation, and distribution. The United States and other donors expressed a keen interest in establishing a petroleum financing facility, and the U.S. has taken the lead in working out the establishment of the facility with the Government of the Democratic Republic of Sudan (GOS).

The intent of the Petroleum Initiative portion of the FY 1985 Sudan CIP is to assure a sufficient and reliable supply and establish an efficient system for the financing, procurement, importation, allocation, and distribution of petroleum products into the Sudanese economy. This will be achieved through a cooperative effort conducted by the GOS, a number of bilateral and international donors, private oil marketing companies and USAID. The end result will be a decrease in the balance of payments gap because the GOS will be able to (1) purchase petroleum products at cheaper prices and on better terms, and (2) increase domestic agricultural and industrial production, leading to greater export earnings and import substitution.

USAID is proposing to authorize $40 million in the FY 1985 Sudan CIP for this Petroleum Initiative. This is approximately 11 percent of the $360 million estimated to be the annual petroleum import bill. Although a relatively small portion of Sudan's import requirements, the AID contribution will have much significance. For one, it will signal the GOS private oil companies and other donors that the US Government is fully behind the initiative. Secondly, the AID contribution is specifically conditioned on major structural reforms to transform the way the GOS has been going about petroleum financing, importation, allocation, and distribution. Thirdly, the AID contribution is specifically designed to instill confidence in the private oil marketing companies and associated commercial banks to extend forward financing to allow for a sufficient cash flow for the petroleum facility.

In order to achieve the objectives of this effort, a source/origin waiver allowing the purchase of petroleum products and commodity related services from AID Geographic Code 899 sources (including Sudanese flag vessels eligible for ocean freight) will be necessary. The only Code 941 source from which the Sudan could purchase petroleum realistically is Egypt. However, the Sudan's historical trading relationships are with the Arabian Gulf states, and it is highly unlikely that Egypt could fulfill Sudan's needs for each procurement on a timely basis.

The key justification for the waiver is that it is critical to the success of the program. The whole objective of the program is to create a situation wherein Sudan can procure petroleum products internationally on an open and competitive basis at the best terms and lowest price available. To restrict procurements to Code 941 would almost certainly thwart this objective. Additionally, since the AID contribution will be held in reserve in the event that the GOS cannot pay its oil import bill in any particular month, it will not be known in advance which oil purchase might require AID financing. For example, if an oil bill comes due and the GOS has insufficient foreign exchange to cover all of the payment, the AID fund would be used to pay the supplier, which may or may not be from a Code 941 country. In fact, the supplier will most likely not be from a Code 941 country. Furthermore, if the program operates as anticipated, AID funding will not be called upon as a "guarantee" but will be used toward the end of the year to purchase petroleum, thereby supplying a critically important commodity to Sudan's economy and helping to ease the country's balance of payments problem. Again, it is highly improbable that $40 million worth of petroleum products and commodity related services will be available during the last quarter at the best terms from Code 941 sources. Therefore, it is considered of utmost importance to the success of this significant program that Code 899 procurement (including Sudanese flag vessels eligible for ocean freight) be the authorized source for the entire $40 million.

Primary justification: The primary justification for this source/origin waiver is that circumstances exist which have been determined to be critical to the success of the program objectives in accordance with Handbook 1, Supplement B, Chapter 5B.4a.(7).

Recommendation: That you approve a source/origin waiver from Code 941 to Code 899 (including Sudanese flag vessels eligible for ocean freight) to allow the procurement of up to $40 million of petroleum products and commodity-related services for the Petroleum Initiative portion of the FY 1985 Sudan CIP, 650-K-608, thereby certifying that "exclusion of procurement from Free World countries other than the cooperating country and countries included in Code 941 would seriously impede attainment of U.S. foreign policy objectives and objectives of the foreign assistance program".

Annex G

ACTION MEMORANDUM FOR THE ADMINISTRATOR

Problem: Your approval is required to waive AID Regulation 1 requirements for: (1) the Supplier's Certificate (Form AID 282) and, (2) the post audit of transactions for the conditional Letter of Commitment (L/COM) component of the Petroleum Initiative portion of the FY 1985 Sudan CIP Grant, 650-K-608.

The FY 1985 CIP provides $40 million to establish a conditional Letter of Commitment in support of the multi-donor "Petroleum Facility." The purpose of this conditional Letter of Commitment is to provide a guarantee that will instill the necessary confidence in suppliers and other potential financing entities to issue credits and loans at more favorable terms to the Government of the Democratic Republic of Sudan (GOS). In return for this guarantee, the GOS has agreed to a number of policy reforms, including switching some petroleum imports to the private sector and the use of open and public competitive procurement procedures. During the validity period of the conditional Letter of Commitment, should the GOS fail to pay its petroleum bill with non-AID funds, AID's $40 million would be drawn down to pay for petroleum purchases that had already been delivered. The conditional Letter of Commitment will contain specific provisions regarding how and when the funds may be disbursed. In the likely event that none of the $40 million is disbursed during the validity period of the conditional Letter of Commitment these funds will be used by the GOS to purchase additional petroleum during the fourth quarter of the year, following standard AID Regulation 1 procurement procedures.

Discussion: AID Regulation 1, Section 201.52, lists the documents normally required for payments to suppliers. It requires an Application for Approval of Commodity Eligibility (Form AID-11) and the Supplier's Certificate (Form AID 282). Under the conditional Letter of Commitment, however, AID might be required to finance eligible transactions originally intended for payment by the GOS with its own foreign exchange resources. In that case, these AID forms would not have been requested by the GOS as part of required documentation for transactions, and it would be impractical to request these forms from suppliers after shipment/delivery has already been made. Section 201.52 specifies that other documentation may be requested, and, therefore, a waiver of Regulation 1 is not necessary in order to change documentation requirements.

However, under Handbook 1, Supplement B, Chapter 8, a Supplier's Certificate is required unless waived. The main function of the Supplier's Certificate is to bind the supplier to all the provisions of AID Regulation 1 concerned with supplier's responsibilities and give AID refund rights against suppliers when transactions do not meet AID eligibility requirements. AID has already determined that petroleum, petroleum products and commodity-related services from Code 899 source and origin will be eligible under the Petroleum Initiative. Furthermore, allowing open and public competitive procurement from Code 899 source/origin will assure adequate competition and the purchase of petroleum at fair and reasonable prices. Any payment under the conditional

Letter of Commitment component of the Petroleum Initiative will require standard commercial documentation along with a certification from both AID and the GOS that non-AID funds were not available. Documentation will be reviewed by the conditional Letter of Commitment bank prior to payment. Therefore, for these reasons and because it is not practical to obtain a Form AID 282, the Supplier's Certificate should be waived. However, in order to assure compliance with FAA Section 604(b) and Regulation 1 price standards applicable to the financing of petroleum products, we will require from the GOS certification, acceptable to AID, that the procurement has taken place under competitive procurement procedures. This certification must be accompanied by a document, such as an abstract of bids, which evidences the prices offered by suppliers. Regulation 1 will apply for all other transactions under this activity.

In the absence of Form AID 282, the post audit requirement of AID Regulation 1, Section 201.60(c), becomes ineffective because AID would not have any recourse against suppliers not adhering to AID regulations. Moreover, since the conditional Letter of Commitment bank will conduct a review of documentation submitted for payment by the GOS before AID funds are authorized for disbursement, the post audit requirement of AID Regulation 1 is not necessary or practical in this case and should be waived in accordance with AID Regulation 1, Section 201.85.

With respect to Form AID-11, AID will design a modified Form 11 with which international bidders will be able to comply. The modified form 11 is not to be countersigned by AID.

Recommendation: It is recommended that for the conditional Letter of Commitment component of the FY 1985 Petroleum Initiative CIP Grant you approve waiving the requirements for: (1) the Supplier's Certificate (Form AID-282); and (2) the post audit of transactions, in accordance with your authority in AID Regulation 1, Section 201.85.

ACTION MEMORANDUM FOR THE ADMINISTRATOR

Problem: An exemption from Cargo Preference requirements is requested for the conditional Letter of Commitment (L/COM) provision of the Petroleum Initiative portion of the FY 1985 Sudan CIP Grant 650-K-608, based upon your finding that an exceptional situation exists which makes the application of Cargo Preference not practicable.

Discussion: AID is taking part in a cooperative effort known as the Petroleum Facility with the Government of the Democratic Republic of Sudan (GOS), a number of bilateral and international donors, and private oil marketing companies. The purpose of the cooperative effort is to help assure a sufficient and reliable supply of petroleum purchased at world prices and to establish an efficient system for the financing, procuring, importing, allocating and distributing of petroleum products for the Sudanese economy. AID will contribute $40 million in ESF funds in the form of the Petroleum Initiative portion of the FY 1985 Sudan CIP. The $40 million will be held in a special account in the form of a conditional Letter of Commitment to be drawn down only if the GOS fails to pay its petroleum bill on time. In the unlikely event that this should occur, AID would have no advance knowledge of which petroleum purchase might require AID financing and, therefore, could not assure that at least 50 percent of the petroleum was shipped in U.S. flag tankers, if available for charter at the time of shipment.

Furthermore, in addition to AID's contribution to the multi-donor Petroleum Facility, at least two other countries are contributing a combined total of not less than $65 million a year with which the Sudanese will purchase petroleum. The total yearly Sudanese estimated foreign exchange requirement for petroleum is $360 million. AID's $40 million contribution is 11 percent of the Sudanese total yearly requirement. Therefore, because AID's contribution is such a small percentage, it would be inappropriate for AID to insist that at least $20 million of non-AID financed petroleum be shipped in U.S. flag tankers, if available, just in case AID funds might be drawn down under the conditional Letter of Commitment. However, through a covenant in the Grant Agreement, the GOS will agree to ship on U.S. flag vessels, under any future portions (petroleum or non-petroleum) of this CIP, tonnage equivalent to 50% of the petroleum financed under the conditional Letter of Commitment, to the extent that it is determined that U.S. flag vessels were available for carriage of such petroleum and to the extent such shipping is possible under the remaining portions.

After the completion of the validity period of the conditional Letter of Commitment, the $40 million, if not drawn down as stated above, will be used by the GOS to purchase petroleum products in accordance with all AID Regulation 1 procurement procedures. Cargo Preference would apply to this procurement.

You have the authority to exempt a particular Agreement from the requirements of the Cargo Preference Act.

Recommendation: That you find that an exceptional situation exists and approve an exemption from Cargo Preference requirements of any petroleum procurement paid for with AID's $40 million contribution under the conditional Letter of Commitment provision of the Petroleum Initiative portion of the FY 1985 Sudan CIP Grant.

Annex H

DRAFT

LETTER OF COMMITMENT

(Bank)

ATTENTION:

RE: A.I.D. Conditional Letter of Commitment No: Value $40,000,000.00

Gentlemen:

1. At the request of the Government of the Democratic Republic of Sudan, (hereinafter "Government"), the Administrator, Agency for International Development, (hereinafter "A.I.D.,"), subject to compliance with the conditions hereinafter prescribed, hereby undertakes to reimburse you in an amount not to exceed $40,000,000.00, including your banking charges, to cover the U.S. dollar costs of the commodities and commodity-related services listed in paragraph 3 below.

2. Reimbursement will only be made hereunder in the event of a non-payment on the part of the "Government" in providing funds for payment of petroleum purchases under letters of credit issued, advised, or confirmed by you under a line of credit extended by you to the "Government."

3. Such reimbursement under this Letter of Commitment will be made with respect to the following eligible commodities and commodity-related services:

   A. Petroleum products and commodity-related services, procured from sources eligible under A.I.D. geographic code 899.

      1. Crude petroleum
         Schedule B Nos. 475.0710 - 475.0760

      2 Motor fuel; kerosene
         Schedule B Nos. 475.2520 - 475-3000

   B. Marine (including war risks) insurance procured from sources eligible under A.I.D. geographic code 935, including Sudan.

   C. Ocean transportation costs incurred on Flag carriers eligible under A.I.D. geographic code 935, including Sudan.

   D. Cost of bid and proformas bonds and guarantees.

4. REQUIRED DOCUMENTS: ALL CLAIMS FOR REIMBURSEMENT HEREUNDER MUST BE SUPPORTED BY THE FOLLOWING DOCUMENTS:

A. Bureau Voucher SF 1034 in Original and three (3) copies, prepared by you, showing the number of this letter of commitment.

B. One (1) copy of photostat of the suppliers detailed commercial invoices, marked "Paid," by the supplier, or accompanied by a certification of endorsement by the bank, on the invoice that payment has been made.

C. A letter from (bank), addressed to A.I.D. certifying that it is claiming reimbursement under Letter of Commitment No.____ by reason of non-payment on the part of the "Government" in meeting its obligation to provide funds for payment due under Letter(s) of Credit no.(s). A copy of the letter(s) of credit under which the non-payment occurred is (are) to be attached to the letter.

D. One (1) copy of a clean on-board ocean bill of lading evidencing shipment from a country eligible under A.I.D. geographic code 899, to Sudan, showing that shipment was made on or before (date). The bill of lading shall indicate the carrier's complete statement of charges, rates, and additional charges.

E. One (1) signed original of the modified Form AID-11 (Commodity Approval Application), executed by the commodity supplier.

5. EXPIRATION DATE: Documents submitted for reimbursement hereunder must be presented to A.I.D. at the address specified in paragraph 6.A. below, not later than (date).

6. COMMUNICATIONS WITH A.I.D.

A. The documents required for reimbursement hereunder, as specified in paragraph 3 above shall be forwarded directly to:

Agency for International Development
New York Certifying Office
252 Seventh Avenue, Room 8-S
New York, N. Y. 10001
Attention: Mr. Donald Williams

B. All other communications regarding this letter of commitment shall be addressed to:

Assistant Controller
Program Accounting and Finance Division
Office of Financial Management
Agency for International Development
Washington, D.C. 20523

Ministerial Resolution No. 37

Concerning Procedures for Payment of Local Counterpart of Commodity Aid

In order to safeguard collection and payment of the local counterpart of Commodity loans and grants, in full and without delay, it has been resolved that:

First: The National Export, Import Bank should collect and balance the local counterpart for all commodity loans and grants.

Second: The National Export, Import Bank should deposit what has been collected of the local counterpart within a week in the Government's accounts according to the directions of the Under-Secretary for Finance.

Third: In execution to the contents of the above paragraphs (first and second), we request sticking to the following procedures in the stages of signing and executing the various commodity aid protocols

(1) Stage of Signing Commodity Aid Protocol:

In case there are articles in the agreement on the method of payment stipulating forwarding of loading documents to NEIB.

(2) Stage of Clearance:

Secretariat of the Commodity Aid Committee shall send out letters allocating commodity aid protocols to benefitting quarters in both public and private sectors with photo-copies to: NEIB, Ministry of Cooperation, Commerce and Supply, Under-Secretary of Finance, Under-Secretary of Planning and Guardian General of the Customs Forces.

(3) Contracting Stage:

It shall be stipulated in execution contracts of the private sector, which are financed by commodity aid protocols, that Credit Letters shall be opened through NEIB and that the original loading documents shall be sent to it.

(4) Stage of Securing Import License:

No approval shall be given to an import license, which is financed by commodity aid protocols, for both public and private sectors, unless the commodity aid committee sends a letter - properly endorsed - confirming the financing. On a conspicuous part of the license there should be a seal indicating that the goods are financed by commodity aid protocols.

(5) Stage of Payment to Importer:

(a) Public Sector:

(1) In case of payment through Credit Letters, NEIB shall open the credit letters and collect the local counterpart in accordance with the current banking procedures (that is: collecting a certain proportion of the value of the credit letter at opening it, and the remainder at receiving of the loading documents.)

(2) In case of direct payment to the importer - that is direct drawing applications issued by the Secretariat of Commodity Aid Committee, it shall be stipulated that loading documents shall be forwarded to NEIB.

(b) Private Sector:

The Private Sector shall open Letters of Credit either through NEIB or through the commercial banks in which case these banks shall collect the local counterpart for the letters of credit which are opened through them in accordance with the current banking procedures. These banks shall transfer the collected amounts to the NEIB within one week. NEIB shall carry on a perpetual following-up of the collection of the local counterpart at the commercial banks via allocation letters to the private sector which come to NEIB from the Secretariat of the Commodity Aid Committee.

(6) Stage of Clearing Goods from Customs:

Customs Forces shall not clear any goods - which are financed by the Commodity Aid protocols for both Public and Private Sectors - unless they receive a Certificate (or letter) from NEIB confirming that the local counterpart has been paid on all amounts stated in the import license and the other loading documents.

Fourth: The Exchange Rate, by which the local counterparet of Commodity Aid protocols is remitted, is the exchange rate as determined by commercial banks from time to time. [At present it is 210 piastres for the dollar.]

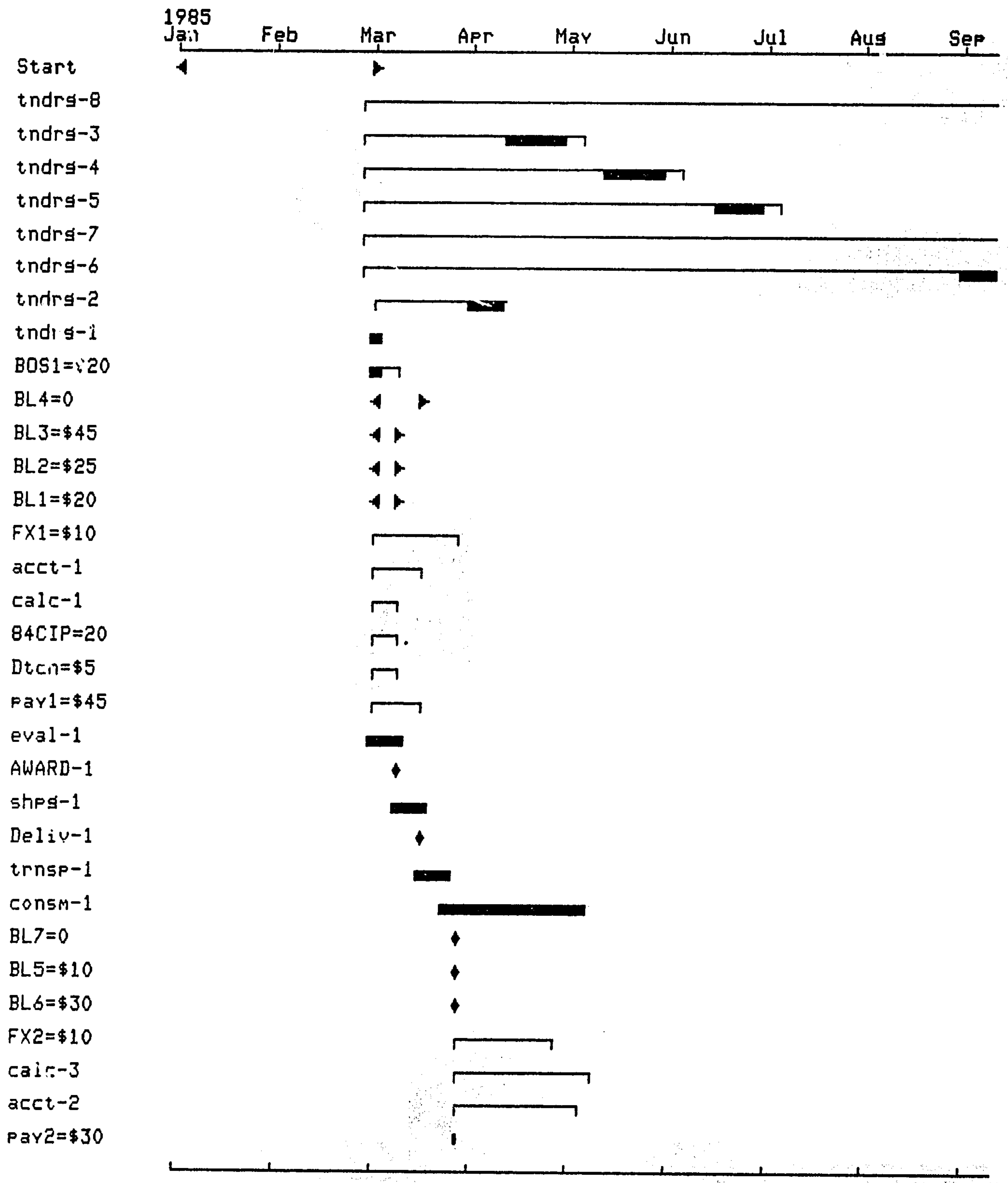
Fifth: NEIB shall send a monthly statement to the Secretariat of Commodity Aid Committee showing Credit Letters which have been opened, details of loading documents which have been received and the amounts of local counterpart which have been collected during the month with a photo-copy to the Under-Secretaries of Financing and Planning.

Issues under my signature on Nov. 20, 1984.

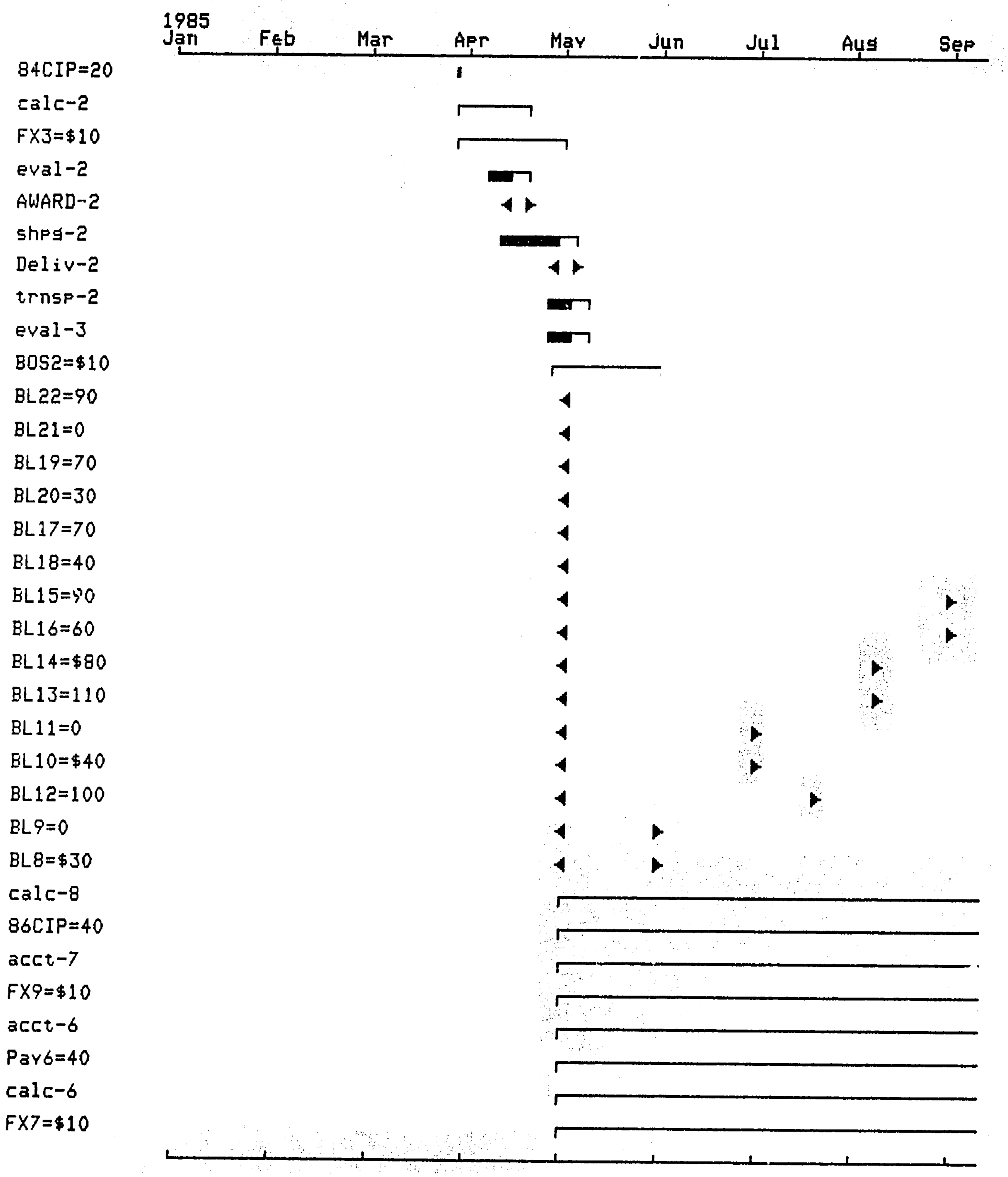
Dr. Abd Al Rahman Abd Al Wahab
Minister of State for Finance & Economic Planning, And
Chairman, Commodity Aid Committee.

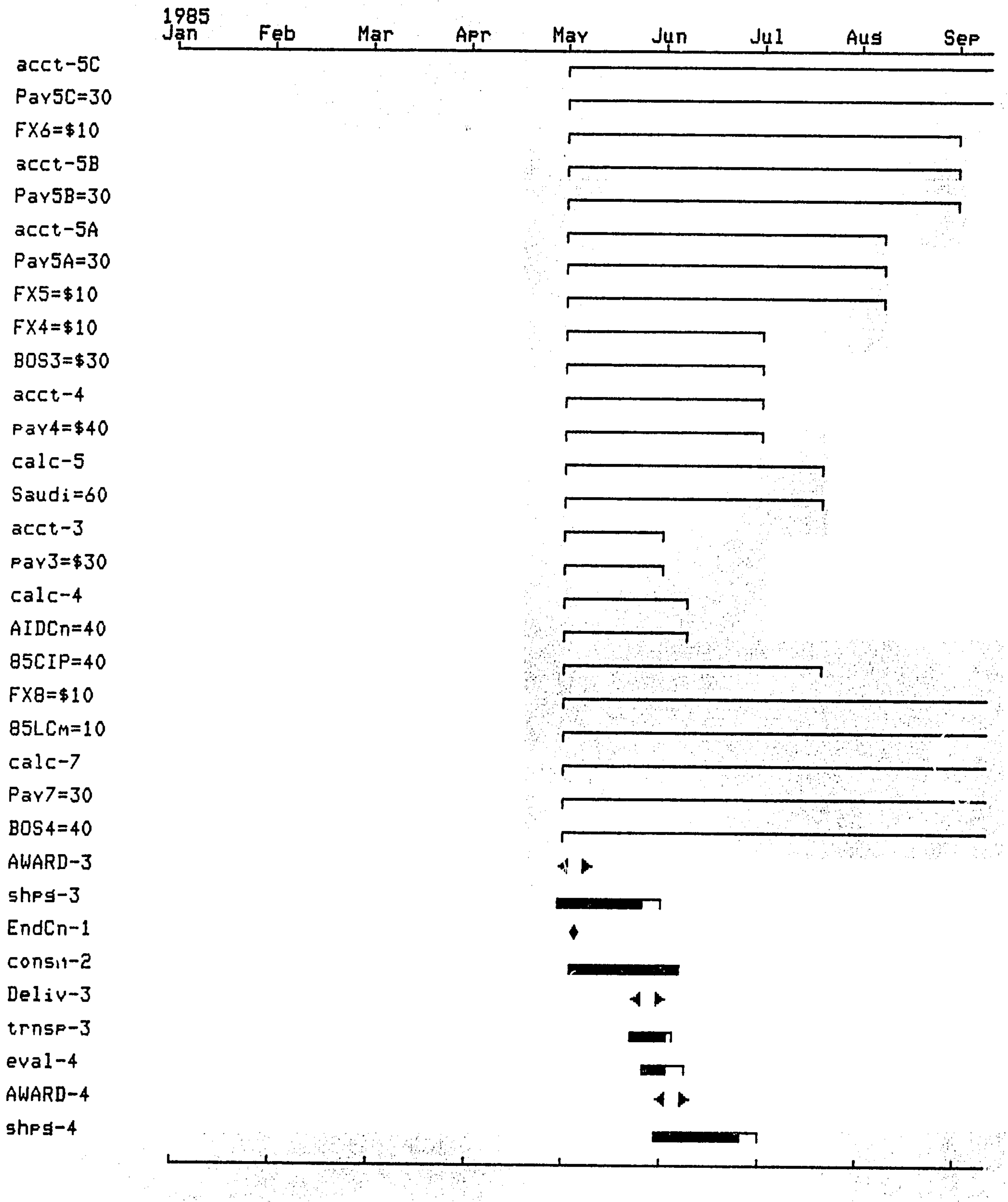
Annex J

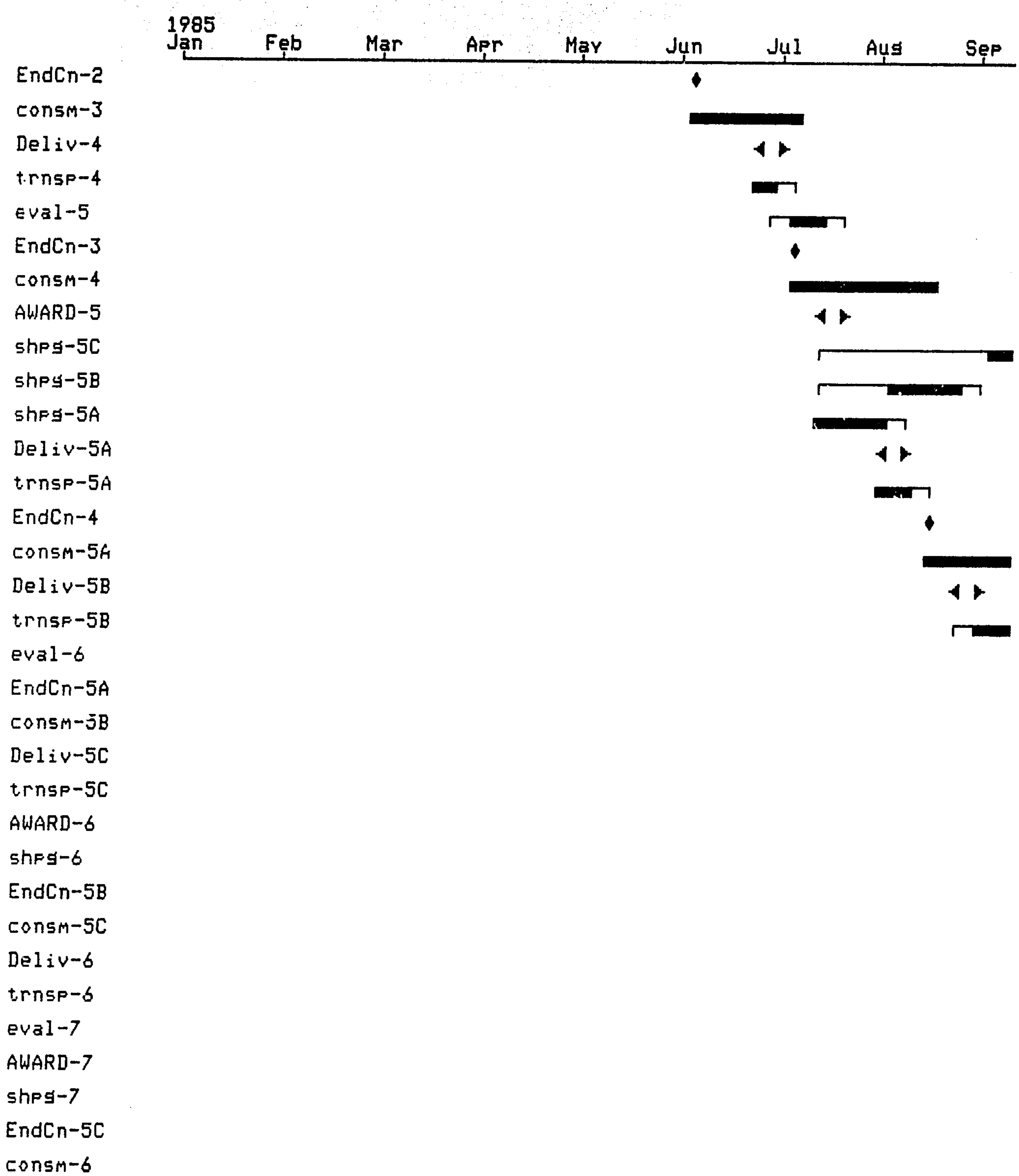
PERT SCHEDULE OF PETROLEUM INITIATIVE ACTIVITIES



Note: This schedule is keyed to the Program Implementation Plan (Table 9) and the Activity Detail List (Annex K), which explain abbreviations.


1985
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
84CIP=20
calc-2
FX3=$10
eval-2
AWARD-2
shpg-2
Deliv-2
trnsp-2
eval-3
BOS2=$10
BL22=90
BL21=0
BL19=70
BL20=30
BL17=70
BL18=40
BL15=90
BL16=60
BL14=$80
BL13=110
BL11=0
BL10=$40
BL12=100
BL9=0
BL8=$30
calc-8
86CIP=40
acct-7
FX9=$10
acct-6
Pay6=40
calc-6
FX7=$10

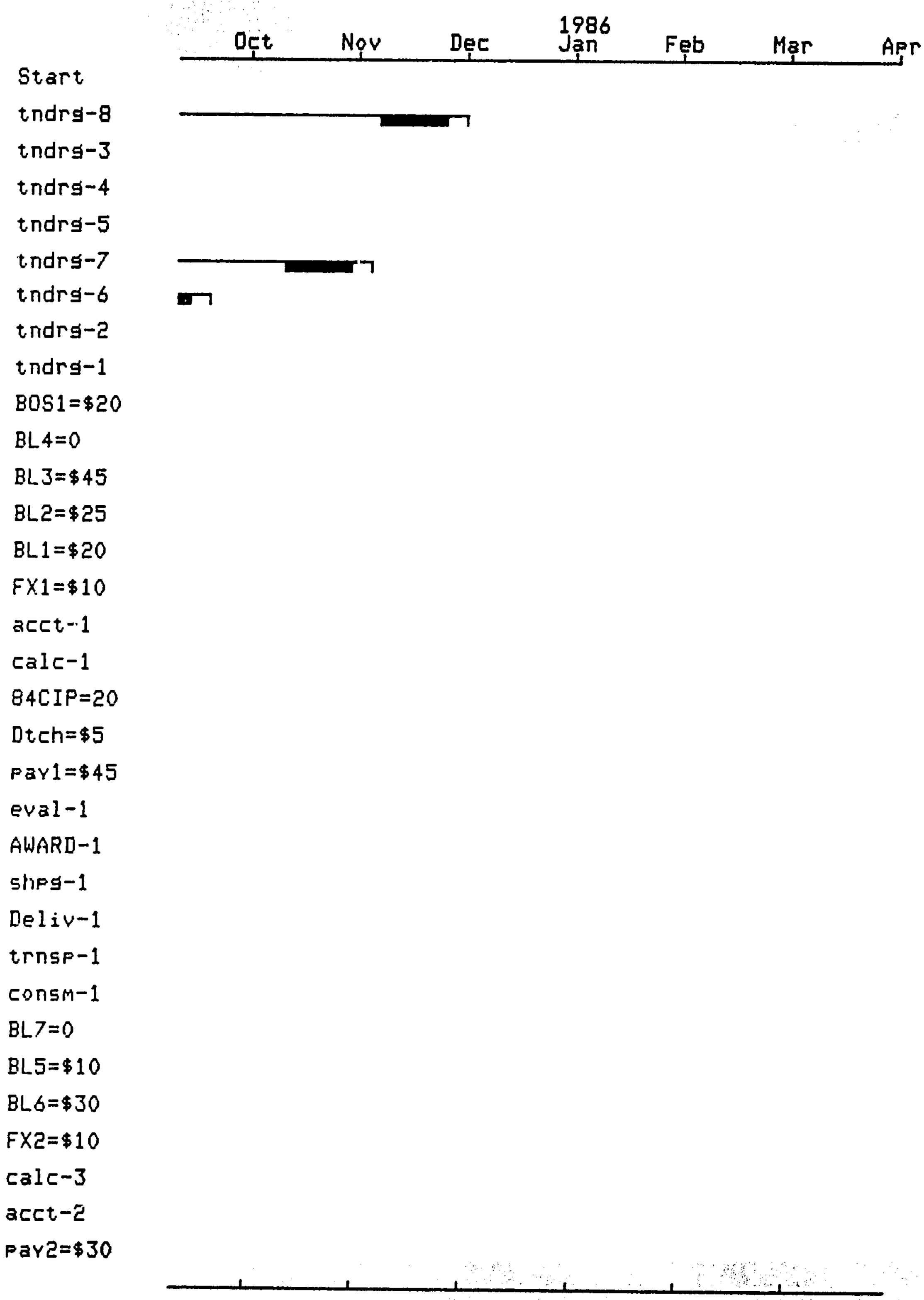

1985
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
acct-5C
Pay5C=30
FX6=$10
acct-5B
Pay5B=30
acct-5A
Pay5A=30
FX5=$10
FX4=$10
BOS3=$30
acct-4
pay4=$40
calc-5
Saudi=60
acct-3
pay3=$30
calc-4
AIDCn=40
85CIP=40
FX8=$10
85LCm=10
calc-7
Pay7=30
BOS4=40
AWARD-3
shpg-3
EndCn-1
consn-2
Deliv-3
trnsp-3
eval-4
AWARD-4
shpg-4

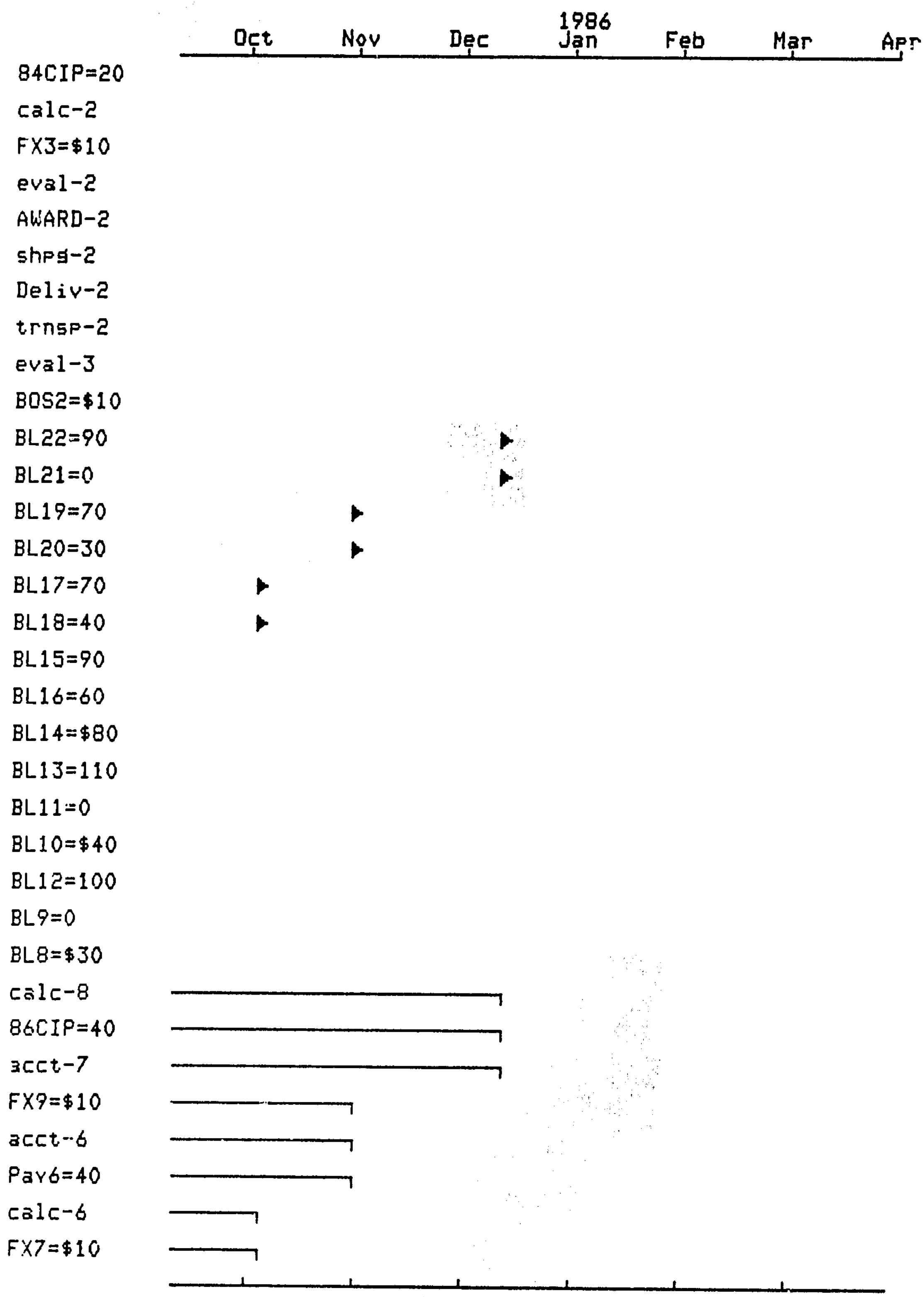

1985
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
EndCn-2
consm-3
Deliv-4
trnsp-4
eval-5
EndCn-3
consm-4
AWARD-5
shpg-5C
shpg-5B
shpg-5A
Deliv-5A
trnsp-5A
EndCn-4
consm-5A
Deliv-5B
trnsp-5B
eval-6
EndCn-5A
consm-5B
Deliv-5C
trnsp-5C
AWARD-6
shpg-6
EndCn-5B
consm-5C
Deliv-6
trnsp-6
eval-7
AWARD-7
shpg-7
EndCn-5C
consm-6

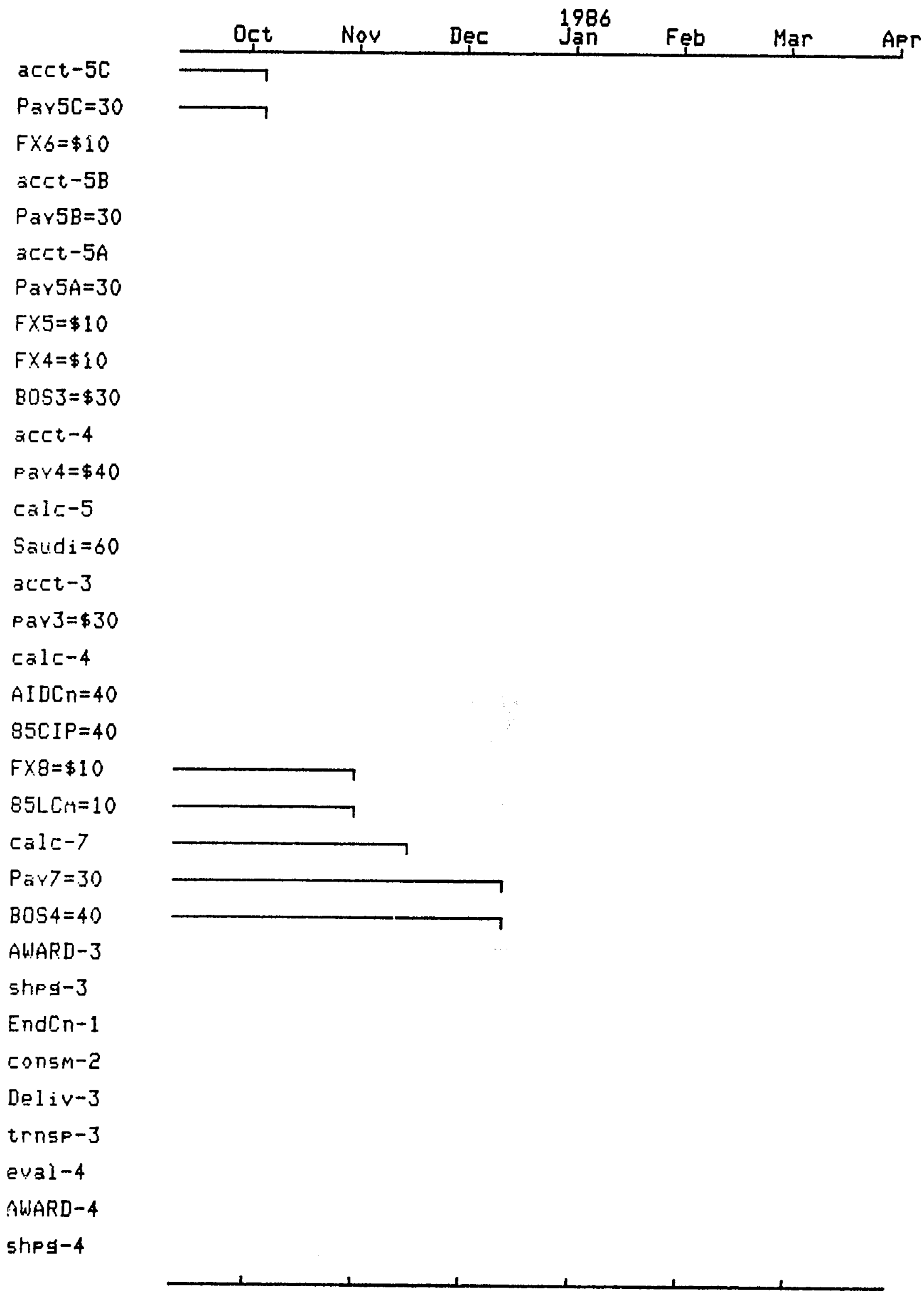
1985

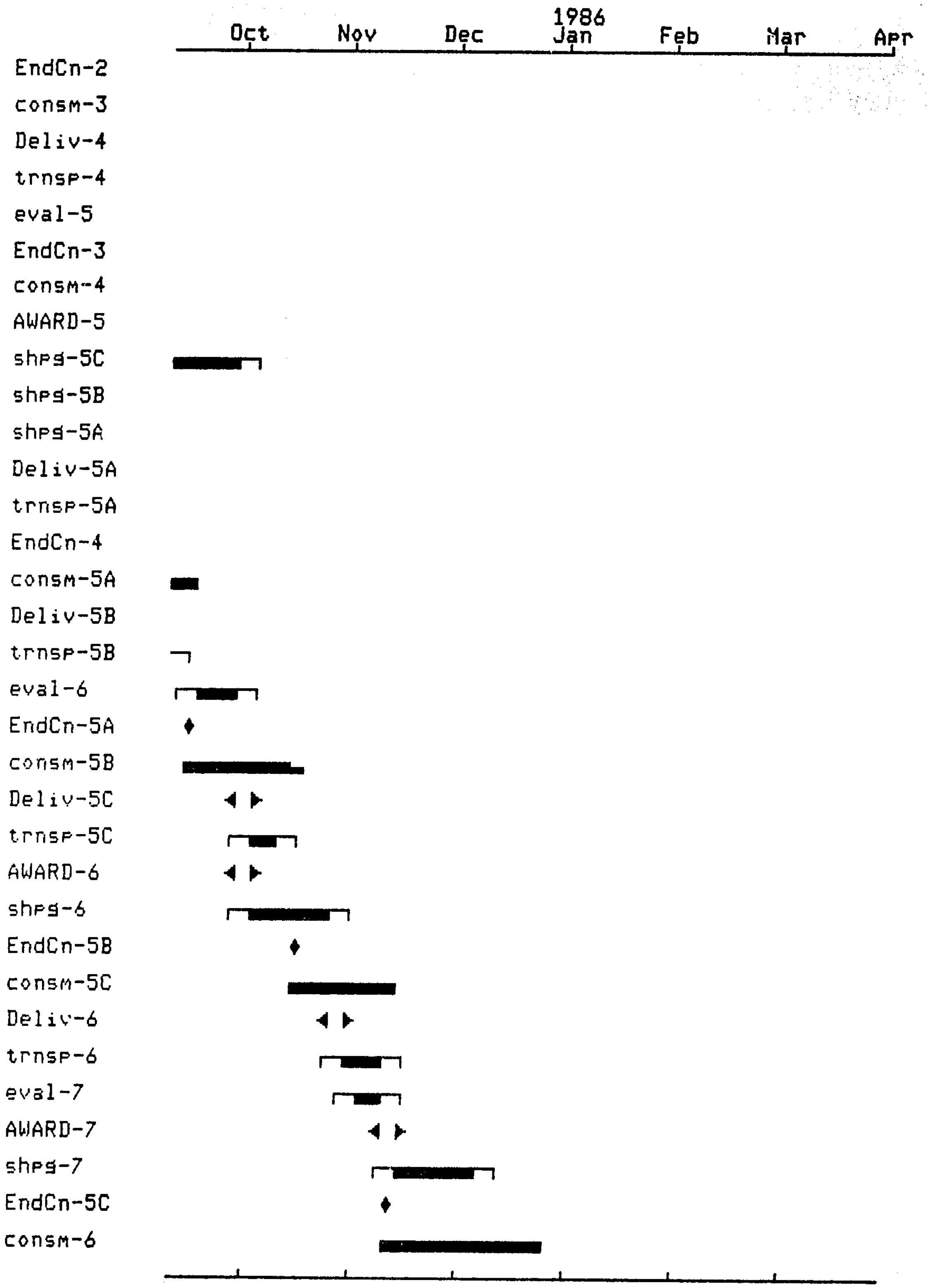
Jan Feb Mar Apr May Jun Jul Aug Sep

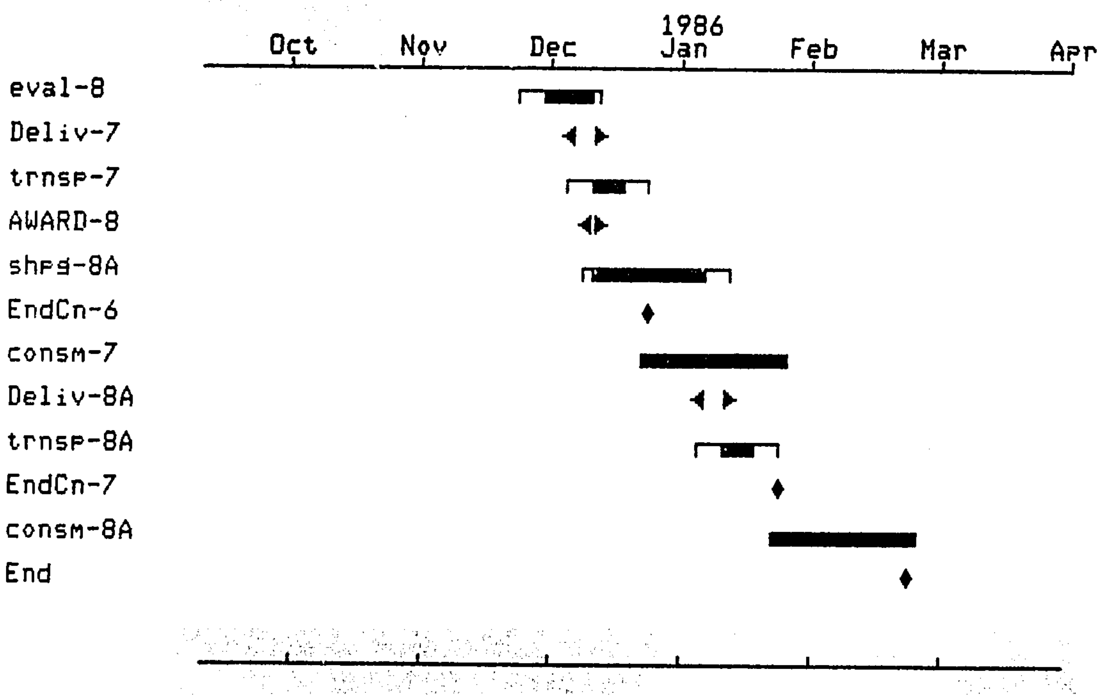
eval-8
Deliv-7
trnsp-7
AWARD-8
shps-8A
EndCn-6
consm-7
Deliv-8A
trnsp-8A
EndCn-7
consm-8A
End


1986
Oct
Nov
Dec
Jan
Feb
Mar
Apr
Start
tndrg-8
tndrg-3
tndrg-4
tndrg-5
tndrg-7
tndrg-6
tndrg-2
tndrg-1
BOS1=$20
BL4=0
BL3=$45
BL2=$25
BL1=$20
FX1=$10
acct-1
calc-1
84CIP=20
Dtch=$5
pay1=$45
eval-1
AWARD-1
shpg-1
Deliv-1
trnsp-1
consm-1
BL7=0
BL5=$10
BL6=$30
FX2=$10
calc-3
acct-2
pay2=$30


1986
Oct
Nov
Dec
Jan
Feb
Mar
Apr
84CIP=20
calc-2
FX3=$10
eval-2
AWARD-2
shpg-2
Deliv-2
trnsp-2
eval-3
BOS2=$10
BL22=90
BL21=0
BL19=70
BL20=30
BL17=70
BL18=40
BL15=90
BL16=60
BL14=$80
BL13=110
BL11=0
BL10=$40
BL12=100
BL9=0
BL8=$30
calc-8
86CIP=40
acct-7
FX9=$10
acct-6
Pay6=40
calc-6
FX7=$10


1986
Oct
Nov
Dec
Jan
Feb
Mar
Apr
acct-5C
Pay5C=30
FX6=$10
acct-5B
Pay5B=30
acct-5A
Pay5A=30
FX5=$10
FX4=$10
BOS3=$30
acct-4
pay4=$40
calc-5
Saudi=60
acct-3
pay3=$30
calc-4
AIDCn=40
85CIP=40
FX8=$10
85LCm=10
calc-7
Pay7=30
BOS4=40
AWARD-3
shpg-3
EndCn-1
consm-2
Deliv-3
trnsp-3
eval-4
AWARD-4
shpg-4


1986
Oct
Nov
Dec
Jan
Feb
Mar
Apr
EndCn-2
consm-3
Deliv-4
trnsp-4
eval-5
EndCn-3
consm-4
AWARD-5
shpg-5C
shpg-5B
shpg-5A
Deliv-5A
trnsp-5A
EndCn-4
consm-5A
Deliv-5B
trnsp-5B
eval-6
EndCn-5A
consm-5B
Deliv-5C
trnsp-5C
AWARD-6
shpg-6
EndCn-5B
consm-5C
Deliv-6
trnsp-6
eval-7
AWARD-7
shpg-7
EndCn-5C
consm-6


1986
Oct
Nov
Dec
Jan
Feb
Mar
Apr
eval-8
Deliv-7
trnsp-7
AWARD-8
shpg-8A
EndCn-6
consm-7
Deliv-8A
trnsp-8A
EndCn-7
consm-8A
End

Activity Detail List Node Data Annex K

Name	Responsible	Slack	Code	Early Start	Early Finish
	Subproject			Late Start	Late Finish
	Scheduled:	Duration	Cost	Start	Finish
%	Actual:	Duration	Cost	Start	Finish
84CIP=20		7.00 Dys E		3/ 4/85 7:00A	3/ 4/85 7:00A
				3/11/85 7:00A	3/11/85 7:00A
			0.00		
0			0.00		
84CIP=20				3/31/85 12:00P	3/31/85 12:00P
				3/31/85 12:00P	3/31/85 12:00P
			0.00		
0			0.00		
85CIP=40		78.79 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				7/22/85 7:00A	7/22/85 7:00A
			0.00		
0			0.00		
85LCm=10		184.00 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				11/ 4/85 12:00P	11/ 4/85 12:00P
			0.00		
0			0.00		
86CIP=40		226.00 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				12/16/85 12:00P	12/16/85 12:00P
			0.00		
0			0.00		

1/ 1/80 4:53A

Name / %	Responsible Subproject / Scheduled: / Actual:	Slack / Duration	Code / Cost	Early Start / Late Start / Start	Early Finish / Late Finish / Finish
acct-1		17.00 Dys E		3/ 4/85 7:00A	3/ 4/85 7:00A
				3/21/85 7:00A	3/21/85 7:00A
			0.00		
0			0.00		
acct-2		36.79 Dys E		3/31/85 12:00P	3/31/85 12:00P
				5/ 7/85 7:00A	5/ 7/85 7:00A
			0.00		
0			0.00		
acct-3		29.79 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				6/ 3/85 7:00A	6/ 3/85 7:00A
			0.00		
0			0.00		
acct-4		59.79 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				7/ 3/85 7:00A	7/ 3/85 7:00A
			0.00		
0			0.00		
acct-5A		99.79 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				8/12/85 7:00A	8/12/85 7:00A
			0.00		
0			0.00		

```
Name       Responsible   Slack          Code        Early Start          Early Finish
           Subproject                               Late Start           Late Finish
         Scheduled:    Duration        Cost           Start                Finish
  %      Actual:       Duration        Cost           Start                Finish
============================================================================================

acct-5[illegible]           123.00 Dys E                   5/ 4/85 12:00P  5/ 4/85 12:00P
                                                      9/ 4/85 12:00P  9/ 4/85 12:00P
                                          0.00
  0                                       0.00

--------------------------------------------------------------------------------------------

acct-5C                155.00 Dys E                   5/ 4/95 12:00P  5/ 4/85 12:00P
                                                     10/ 6/85 12:00P 10/ 6/85 12:00P
                                          0.00
  0                                       0.00

--------------------------------------------------------------------------------------------

acct-6                 184.00 Dys E                   5/ 4/85 12:00P  5/ 4/85 12:00P
                                                     11/ 4/85 12:00P 11/ 4/85 12:00P
                                          0.00
  0                                       0.00

--------------------------------------------------------------------------------------------

acct-7                 225.00 Dys E                   5/ 4/85 12:00P  5/ 4/85 12:00P
                                                     12/15/85 12:00P 12/15/85 12:00P
                                          0.00
  0                                       0.00

--------------------------------------------------------------------------------------------

AIDCn=40                38.79 Dys E                   5/ 4/85 12:00P  5/ 4/85 12:00P
                                                      6/12/85  7:00A  6/12/85  7:00A
                                          0.00
  0                                       0.00

--------------------------------------------------------------------------------------------
```

Name	Responsible Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
%	Scheduled: / Actual:	Duration / Duration	Cost / Cost	Start / Start	Finish / Finish

AWARD-1 0.00 Dys W 3/11/85 7:00A
3/11/85 7:00A

First Award for $45 mil. of petroleum under the Initiative backed by: BOS=$20, 84CIP=$20 and Dutch=$5.

AWARD-2 4.38 Dys W 4/16/85 12:00P
4/23/85 7:00A

Award contract for $30 million of petroleum backed by 84CIP=$20 and Feb. foreign exchange purchases=$10m

---

AWARD-3 4.38 Dys W 5/ 6/85 12:00P
5/13/85 7:00A

Award contract for $30 million of petroleum backed by Conditional L/Com under FY 1985 CIP Petroleum Initiative.

AWARD-4 4.38 Dys W 6/ 5/85 12:00P
6/12/85 7:00A

Award for $40 m of petroleum backed by L/COM conditional (still available).

AWARD-5 4.38 Dys W 7/15/85 12:00P
7/22/85 7:00A

Award 5 for $90 million (backed by AID Cn L/Com;Saudi $60)

Name	Responsible Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
%	Scheduled: / Actual:	Duration / Duration	Cost / Cost	Start / Start	Finish / Finish

AWARD-6 6.00 Dys W 9/29/85 12:00P
10/ 7/85 12:00P

Sixth award for $40 million worth of petroleum backed by the 85CIP Conditional L/Com still available ($30 million conditional L/Com; $10 million regular L/Com to be drawn down.

AWARD-7 3.00 Dys W 11/12/85 12:00P
11/17/85 12:00P

Award for $30 million of petroleum back by the remaining $30 million 85 CIP -- regular (non-conditional) L/Commitment.

AWARD-8 5.00 Dys W 12/ 9/85 12:00P
12/16/85 12:00P

First Award under Second Phase Petrol. Initiative for $90 mil backed by the 86 CIP conditional L/Comm =$40 m; $40 million from Bank of Sudan; and $10 million from December free foreign exchange purchases.

BL10=$40 43.00 Dys W 5/ 4/85 12:00P
7/ 3/85 7:00A

BL11=0 43.00 Dys W 5/ 4/85 12:00P
7/ 3/85 7:00A

156

Name	Responsible / Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
%	Scheduled: / Actual:	Duration / Duration	Cost / Cost	Start / Start	Finish / Finish
BL12=100		56.00 Dys W		5/ 4/85 12:00P	7/22/85 7:00A
BL13=110		71.00 Dys W		5/ 4/85 12:00P	8/12/85 7:00A
BL14=$80		71.00 Dys W		5/ 4/85 12:00P	8/12/85 7:00A
BL15=90		88.62 Dys W		5/ 4/85 12:00P	9/ 4/85 12:00P
BL16=60		88.62 Dys W		5/ 4/85 12:00P	9/ 4/85 12:00P

Name %	Responsible Subproject Scheduled: Actual:	Slack Duration Duration	Code Cost Cost	Early Start Late Start Start Start	Early Finish Late Finish Finish Finish
BL17=70		110.62 Dys W		5/ 4/85 12:00P	10/ 6/85 12:00P
BL18=40		110.62 Dys W		5/ 4/85 12:00P	10/ 6/85 12:00P
BL19=70		131.62 Dys W		5/ 4/85 12:00P	11/ 4/85 12:00P
BL1=$20		5.00 Dys W		3/ 4/85 7:00A	3/11/85 7:00A
BL20=30		131.62 Dys W		5/ 4/85 12:00P	11/ 4/85 12:00P

Name	Responsible Subproject	Slack	Code	Early Start Late Start	Early Finish Late Finish
%	Scheduled: Actual:	Duration Duration	Cost Cost	Start Start	Finish Finish
BL21=0		160.62 Dys W		5/ 4/85 12:00P	12/15/85 12:00P
BL22=90		161.62 Dys W		5/ 4/85 12:00P	12/16/85 12:00P
BL2=$25		5.00 Dys W		3/ 4/85 7:00A	3/11/85 7:00A
BL3=$45		5.00 Dys W		3/ 4/85 7:00A	3/11/85 7:00A
BL4=0		13.00 Dys W		3/ 4/85 7:00A	3/21/85 7:00A

Name %	Responsible Subproject Scheduled: Actual:	Slack Duration Duration	Code Cost Cost	Early Start Late Start Start Start	Early Finish Late Finish Finish Finish
BL5=$10		0.00 Dys W		3/31/85 12:00P	3/31/85 12:00P
BL6=$30		0.00 Dys W		3/31/85 12:00P	3/31/85 12:00P
BL7=0		0.00 Dys W		3/31/85 12:00P	3/31/85 12:00P
BL8=$30		21.00 Dys W		5/ 4/85 12:00P	6/ 3/85 7:00A
BL9=0		21.00 Dys W		5/ 4/85 12:00P	6/ 3/85 7:00A

Name / %	Responsible / Subproject / Scheduled: / Actual:	Slack / Duration / Duration	Code / Cost / Cost	Early Start / Late Start / Start / Start	Early Finish / Late Finish / Finish / Finish
BOS1=$20		5.00 Dys W		3/ 3/85 7:00A	3/ 4/85 7:00A
				3/10/85 7:00A	3/11/85 7:00A
		1.00 Dys W	0.00		
0			0.00		
BOS2=$10		33.79 Dys E		4/30/85 12:00P	4/30/85 12:00P
				6/ 3/85 7:00A	6/ 3/85 7:00A
			0.00	5/ 4/85 12:00P	5/ 4/85 12:00P
0			0.00		
BOS3=$30 20		59.79 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				7/ 3/85 7:00A	7/ 3/85 7:00A
			0.00		
0			0.00		
BOS4=40		226.00 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				12/16/85 12:00P	12/16/85 12:00P
			0.00		
0			0.00		

BOS deposits $50 million to begin New Petrol Initiative as Condition Prec. to 86 CIP.

Name / %	Responsible / Subproject / Scheduled: / Actual:	Slack / Duration / Duration	Code / Cost / Cost	Early Start / Late Start / Start / Start	Early Finish / Late Finish / Finish / Finish
calc-1		7.00 Dys E		3/ 4/85 7:00A	3/ 4/85 7:00A
				3/11/85 7:00A	3/11/85 7:00A
			0.00		
0			0.00		

Name / %	Responsible / Subproject / Scheduled: / Actual:	Slack / Duration / Duration	Code / Cost / Cost	Early Start / Late Start / Start / Start	Early Finish / Late Finish / Finish / Finish
calc-2		22.79 Dys E		3/31/85 12:00P	3/31/85 12:00P
				4/23/85 7:00A	4/23/85 7:00A
			0.00		
0			0.00		
calc-3		42.79 Dys E		3/31/85 12:00P	3/31/85 12:00P
				5/13/85 7:00A	5/13/85 7:00A
			0.00		
0			0.00		
calc-4		38.79 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				6/12/85 7:00A	6/12/85 7:00A
			0.00		
0			0.00		
calc-5		78.79 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				7/22/85 7:00A	7/22/85 7:00A
			0.00		
0			0.00		
calc-6		156.00 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				10/ 7/85 12:00P	10/ 7/85 12:00P
			0.00		
0			0.00		

Name	Responsible	Slack	Code	Early Start	Early Finish
	Subproject			Late Start	Late Finish
	Scheduled:	Duration	Cost	Start	Finish
%	Actual:	Duration	Cost	Start	Finish
calc-7		197.00 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				11/17/85 12:00P	11/17/85 12:00P
			0.00		
0			0.00		
calc-8		226.00 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				12/16/85 12:00P	12/16/85 12:00P
			0.00		
0			0.00		
consm-1				3/26/85 7:00A	5/10/85 7:00A
				3/26/85 7:00A	5/10/85 7:00A
		45.00 Dys E	0.00		
0			0.00		
consm-2				5/10/85 7:00A	6/ 9/85 7:00A
				5/10/85 7:00A	6/ 9/85 7:00A
		30.00 Dys E	0.00		
0			0.00		
consm-3				6/ 9/85 7:00A	7/ 9/85 7:00A
				6/ 9/85 7:00A	7/ 9/85 7:00A
		30.00 Dys E	0.00		
0			0.00		

Name %	Responsible Subproject Scheduled: Actual:	Slack Duration Duration	Code Cost Cost	Early Start Late Start Start Start	Early Finish Late Finish Finish Finish
consm-4 0		40.00 Dys E	0.00 0.00	7/ 9/85 7:00A 7/ 9/85 7:00A	8/18/85 7:00A 8/18/85 7:00A
consm-5A 0		30.00 Dys E	0.00 0.00	8/18/85 7:00A 8/18/85 7:00A	9/17/85 7:00A 9/17/85 7:00A
consm-5B 0		30.00 Dys E	0.00 0.00	9/17/85 7:00A 9/17/85 7:00A	10/17/85 7:00A 10/17/85 7:00A
consm-5C 0		30.00 Dys E	0.00 0.00	10/17/85 7:00A 10/17/85 7:00A	11/16/85 7:00A 11/16/85 7:00A
consm-6 0		40.00 Dys E	0.00 0.00	11/16/85 7:00A 11/16/85 7:00A	12/26/85 7:00A 12/26/85 7:00A

Name	Responsible	Slack	Code	Early Start	Early Finish
	Subproject			Late Start	Late Finish
	Scheduled:	Duration	Cost	Start	Finish
%	Actual:	Duration	Cost	Start	Finish
consm-7				12/26/85 7:00A	1/25/86 7:00A
				12/26/85 7:00A	1/25/86 7:00A
		30.00 Dys E	0.00		
0			0.00		
consm-8A				1/25/86 7:00A	2/24/86 7:00A
				1/25/86 7:00A	2/24/86 7:00A
		30.00 Dys E	0.00		
0			0.00		
Deliv-1		0.00 Dys W		3/21/85 7:00A	
					3/21/85 7:00A
Deliv-2		4.38 Dys W		4/30/85 12:00P	
					5/ 7/85 7:00A
Deliv-3		4.38 Dys W		5/27/85 12:00P	
					6/ 3/85 7:00A

Name %	Responsible Subproject Scheduled: Actual:	Slack Duration Duration	Code Cost Cost	Early Start Late Start Start Start	Early Finish Late Finish Finish Finish
Deliv-4		4.38 Dys W		6/26/85 12:00P	7/ 3/85 7:00A
Deliv-5A		4.38 Dys W		8/ 5/85 12:00P	8/12/85 7:00A
Deliv-5B		5.00 Dys W		8/28/85 12:00P	9/ 4/85 12:00P
Deliv-5C		5.00 Dys W		9/29/85 12:00P	10/ 6/85 12:00P
Deliv-6		5.00 Dys W		10/28/85 12:00P	11/ 4/85 12:00P

Name	Responsible	Slack	Code	Early Start	Early Finish
	Subproject			Late Start	Late Finish
	Scheduled:	Duration	Cost	Start	Finish
%	Actual:	Duration	Cost	Start	Finish
Deliv-7		5.00 Dys W		12/ 8/85 12:00P	
					12/15/85 12:00P
Deliv-8A		5.00 Dys W		1/ 6/86 12:00P	
					1/13/86 12:00P
Dtch=$5		7.00 Dys E		3/ 4/85 7:00A	3/ 4/85 7:00A
				3/11/85 7:00A	3/11/85 7:00A
			0.00		
0			0.00		
EndCn-1		0.00 Dys W		5/10/85 7:00A	
					5/10/85 7:00A
EndCn-2		0.00 Dys W		6/ 9/85 7:00A	
					6/ 9/85 7:00A

Name	Responsible Subp. ject	Slack	Code	Early Start Late Start	Early Finish Late Finish
%	Scheduled: Actual:	Duration Duration	Cost Cost	Start Start	Finish Finish
EndCn-3		0.00 Dys W		7/ 9/85 7:00A	 7/ 9/85 7:00A
EndCn-4		0.00 Dys W		8/18/85 7:00A	 8/18/85 7:00A
EndCn-5A		0.00 Dys W		9/17/85 7:00A	 9/17/85 7:00A
EndCn-5B		0.00 Dys W		10/17/85 7:00A	 10/17/85 7:00A
EndCn-5C		0.00 Dys W		11/16/85 7:00A	 11/16/85 7:00A

Name	Responsible	Slack	Code	Early Start	Early Finish
	Subproject			Late Start	Late Finish
	Scheduled:	Duration	Cost	Start	Finish
%	Actual:	Duration	Cost	Start	Finish
EndCn-6		0.00 Dys W		12/26/85 7:00A	
					12/26/85 7:00A
EndCn-7		0.00 Dys W		1/25/86 7:00A	
					1/25/86 7:00A
End		0.00 Dys W		2/24/86 7:00A	
					2/24/86 7:00A

Procurement and Consumption cycle are in equilibrium and regularized.

Name	Responsible	Slack	Code	Early Start	Early Finish
eval-1		0.00 Dys W		3/ 6/85 7:00A	3/11/85 7:00A
				3/ 6/85 7:00A	3/11/85 7:00A
	3.00 Dys W		0.00		
0			0.00		
eval-2	GPC	4.38 Dys W		4/10/85 12:00P	4/16/85 12:00P
				4/17/85 7:00A	4/23/85 7:00A
	4.00 Dys W		0.00		
0			0.00		

Evaluation of bids for second award.

Name	Responsible Subproject	Slack	Code	Early Start	Early Finish
				Late Start	Late Finish
	Scheduled:	Duration	Cost	Start	Finish
%	Actual:	Duration	Cost	Start	Finish
eval-3	GPC	4.38 Dys W		4/30/85 12:00P	5/ 6/85 12:00P
				5/ 7/85 7:00A	5/13/85 7:00A
		4.00 Dys W	0.00		
0			0.00		
	Evaluation of bids for third award.				
eval-4	GPC	4.38 Dys W		5/30/85 12:00P	6/ 5/85 12:00P
				6/ 6/85 7:00A	6/12/85 7:00A
		4.00 Dys W	0.00		
0			0.00		
	Evaluation of suppliers bids of fourth award.				
eval-5	GPC	9.38 Dys W		7/ 2/85 12:00P	7/ 8/85 12:00P
				7/16/85 7:00A	7/22/85 7:00A
		4.00 Dys W	0.00	7/ 9/85 12:00P	7/15/85 12:00P
0			0.00		
	Evaluation of suppliers bids for Award-5.				
eval-6		11.00 Dys W		9/16/85 12:00P	9/22/85 12:00P
				10/ 1/85 12:00P	10/ 7/85 12:00P
		4.00 Dys W	0.00	9/23/85 12:00P	9/29/85 12:00P
0			0.00		
eval-7		8.00 Dys W		10/30/85 12:00P	11/ 5/85 12:00P
				11/11/85 12:00P	11/17/85 12:00P
		4.00 Dys W	0.00	11/ 6/85 12:00P	11/12/85 12:00P
0			0.00		

Name / %	Responsible Subproject / Scheduled: / Actual:	Slack / Duration / Duration	Code / Cost / Cost	Early Start / Late Start / Start / Start	Early Finish / Late Finish / Finish / Finish
eval-8		10.00 Dys W		11/26/85 12:00P	12/ 2/85 12:00P
				12/10/85 12:00P	12/16/85 12:00P
		4.00 Dys W	0.00	12/ 3/85 12:00P	12/ 9/85 12:00P
0			0.00		
FX1=$10		27.21 Dys E		3/ 4/85 7:00A	3/ 4/85 7:00A
				3/31/85 12:00P	3/31/85 12:00P
			0.00	3/31/85 12:00P	3/31/85 12:00P ?
0			0.00		

Sudanese foreign exchange deposits for the month of March.
1985

Name / %	Responsible Subproject / Scheduled: / Actual:	Slack / Duration / Duration	Code / Cost / Cost	Early Start / Late Start / Start / Start	Early Finish / Late Finish / Finish / Finish
FX2=$10		30.00 Dys E		3/31/85 12:00P	3/31/85 12:00P
				4/30/85 12:00P	4/30/85 12:00P
			0.00		
0			0.00		

Foreign exchange purchases for the month of April , 1985

Name / %	Responsible Subproject / Scheduled: / Actual:	Slack / Duration / Duration	Code / Cost / Cost	Early Start / Late Start / Start / Start	Early Finish / Late Finish / Finish / Finish
FX3=$10		34.00 Dys E		3/31/85 12:00P	3/31/85 12:00P
				5/ 4/85 12:00P	5/ 4/85 12:00P
			0.00	Schedule:	
0			0.00	5/30/85	5/31/85

Foreign exchange purchases for the month of May , 1985

Name / %	Responsible Subproject / Scheduled: / Actual:	Slack / Duration / Duration	Code / Cost / Cost	Early Start / Late Start / Start / Start	Early Finish / Late Finish / Finish / Finish
FX4=$10		59.79 Dys E		5/ 4/85 12:00P	5/ 4/85 12:00P
				7/ 3/85 7:00A	7/ 3/85 7:00A
			0.00	6/30/85	6/30/85
0			0.00		

Foreign exchange purchases for the month of June, 1985

Name %	Responsible Subproject Scheduled: Actual:	Slack Duration Duration	Code Cost Cost	Early Start Late Start Start Start	Early Finish Late Finish Finish Finish
FX5=$10 0		99.79 Dys E	 0.00 0.00	5/ 4/85 12:00P 8/12/85 7:00A 7/31/85	5/ 4/85 12:00P 8/12/85 7:00A 7/31/85
	Foreign exchange purchases for the month of July, 1985				
FX6=$10 0		123.00 Dys E	 0.00 0.00	5/ 4/85 12:00P 9/ 4/85 12:00P 8/31/85	5/ 4/85 12:00P 9/ 4/85 12:00P 8/31/85
	Foreign exchange purchases for the month of August, 1985				
FX7=$10 0		155.00 Dys E	 0.00 0.00	5/ 4/85 12:00P 10/ 6/85 12:00P 9/30/85	5/ 4/85 12:00P 10/ 6/85 12:00P 9/30/85
	Foreign exchange purchases for the month of September				
FX8=$10 0		184.00 Dys E	 0.00 0.00	5/ 4/85 12:00P 11/ 4/85 12:00P 10/31/85	5/ 4/85 12:00P 11/ 4/85 12:00P 10/31/85
	Foreign exchange purchases for the month of October				
FX9=$10 0		184.00 Dys E	 0.00 0.00	5/ 4/85 12:00P 11/ 4/85 12:00P 11/30/85	5/ 4/85 12:00P 11/ 4/85 12:00P 11/30/85
	Foreign exchange purchases for the month of November, 1985				
FX10=$10		214.00 Dys E		5/4/85 12/31/85	5/4/85 12/31/85
	Foreign exchange purchases for the month of December, 1985				
FX11=$10				1/31/85	1/31/85
	Foreign exchange purchases for the month of January, 1986				

172

Name	Responsible / Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
%	Scheduled: / Actual:	Duration / Duration	Cost / Cost	Start / Start	Finish / Finish
pay1=$45		17.00 Dys E		3/ 4/85 7:00A 3/21/85 7:00A	3/ 4/85 7:00A 3/21/85 7:00A
0			0.00 0.00		

GOS=20;AID=20 and Dutch = 5.

Name	Responsible / Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
pay2=$30				3/31/85 12:00P 3/31/85 12:00P	3/31/85 12:00P 3/31/85 12:00P
0			0.00 0.00		

GOS Free FX 1 = 10; AID = 20

Name	Responsible / Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
pay3=$30		29.79 Dys E		5/ 4/85 12:00P 6/ 3/85 7:00A	5/ 4/85 12:00P 6/ 3/85 7:00A
0			0.00 0.00		

FX 2 = 10; FX 3 = 10 and BOS pays $10million.

Name	Responsible / Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
pay4=$40		59.79 Dys E		5/ 4/85 12:00P 7/ 3/85 7:00A	5/ 4/85 12:00P 7/ 3/85 7:00A
0			0.00 0.00		

BOS pays $30 m and $10 million from fourth purchase of free foreign exchange market.

Name	Responsible / Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
Pay5A=30		99.79 Dys E		5/ 4/85 12:00P 8/12/85 7:00A	5/ 4/85 12:00P 8/12/85 7:00A
0			0.00 0.00		

FX5 pays $10 million; Saudi's pay $20 million. (Saudi balance = $40 million).

Name	Responsible Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
%	Scheduled: / Actual:	Duration / Duration	Cost / Cost	Start / Start	Finish / Finish

Pay5B=30		123.00 Dys E		5/ 4/85 12:00P 9/ 4/85 12:00P	5/ 4/85 12:00P 9/ 4/85 12:00P
0			0.00 0.00		

FX 6 pays $10 million; Saudi grant pays $20 million. (Saudi balance = $20 million. AID Cond. L/Com still intact.)

Pay5C=30		155.00 Dys E		5/ 4/85 12:00P 10/ 6/85 12:00P	5/ 4/85 12:00P 10/ 6/85 12:00P
0			0.00 0.00		

Purchases from free foreign exchange mkt (no. 7) pays $10 million; final draw-down of Saudi grant for $20 million.

Pay6=40		184.00 Dys E		5/ 4/85 12:00P 11/ 4/85 12:00P	5/ 4/85 12:00P 11/ 4/85 12:00P
0			0.00 0.00		

Free foreign exchange purchases 8 and 9 for $10 million each; $10 disbursement from the FY 85 CIP.

Pay7=30		225.00 Dys E		5/ 4/85 12:00P 12/15/85 12:00P	5/ 4/85 12:00P 12/15/85 12:00P
0			0.00 0.00		

FY 85 CIP drawn down for $30 million.

Saudi=60		78.79 Dys E		5/ 4/85 12:00P 7/22/85 7:00A	5/ 4/85 12:00P 7/22/85 7:00A
0			0.00 0.00		

Name / %	Responsible / Subproject / Scheduled: / Actual:	Slack / Duration / Duration	Code / Cost / Cost	Early Start / Late Start / Start / Start	Early Finish / Late Finish / Finish / Finish
shpg-1				3/11/85 7:00A	3/21/85 7:00A
				3/11/85 7:00A	3/21/85 7:00A
		10.00 Dys E	0.00		
0			0.00		
shpg-2		6.79 Dys E		4/16/85 12:00P	4/30/85 12:00P
				4/23/85 7:00A	5/ 7/85 7:00A
		2.00 Wks E	0.00		
0			0.00		
shpg-3		6.79 Dys E		5/ 6/85 12:00P	5/27/85 12:00P
				5/13/85 7:00A	6/ 3/85 7:00A
		3.00 Wks E	0.00		
0			0.00		
shpg-4		6.79 Dys E		6/ 5/85 12:00P	6/26/85 12:00P
				6/12/85 7:00A	7/ 3/85 7:00A
		3.00 Wks E	0.00		
0			0.00		
shpg-5A	Winn'n bidr	6.79 Dys E		7/15/85 12:00P	8/ 5/85 12:00P
				7/22/85 7:00A	8/12/85 7:00A
		3.00 Wks E	0.00		
0			0.00		

Shipment of AWARD 5A to Port Sudan, $30 million.

Name %	Responsible Subproject Scheduled: Actual:	Slack Duration Duration	Code Cost Cost	Early Start Late Start Start Start	Early Finish Late Finish Finish Finish
shpg-5B	Supplier	30.00 Dys E		7/15/85 12:00P	8/ 5/85 12:00P
				8/14/85 12:00P	9/ 4/85 12:00P
		3.00 Wks E	0.00	8/ 7/85 12:00P	8/28/85 12:00P
0			0.00		
	Shipment of second portion of Award 5.				
shpg-5C	Supplier	62.00 Dys E		7/15/85 12:00P	8/ 5/85 12:00P
				9/15/85 12:00P	10/ 6/85 12:00P
		3.00 Wks E	0.00	9/ 8/85 12:00P	9/29/85 12:00P
0			0.00		
	Shipment of third portion of Award 5.				
shpg-6		15.00 Dys E		9/29/85 12:00P	10/20/85 12:00P
				10/14/85 12:00P	11/ 4/85 12:00P
		3.00 Wks E	0.00	10/ 7/85 12:00P	10/28/85 12:00P
0			0.00		
shpg-7		12.00 Dys E		11/12/85 12:00P	12/ 3/85 12:00P
				11/24/85 12:00P	12/15/85 12:00P
		3.00 Wks E	0.00	11/17/85 12:00P	12/ 8/85 12:00P
0			0.00		
shpg-8A		14.00 Dys E		12/ 9/85 12:00P	12/30/85 12:00P
				12/23/85 12:00P	1/13/86 12:00P
		3.00 Wks E	0.00	12/16/85 12:00P	1/ 6/86 12:00P
0			0.00		

Name	Responsible Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
%	Scheduled: / Actual:	Duration / Duration	Cost / Cost	Start / Start	Finish / Finish

Name	Responsible	Slack / Duration	Code / Cost	Early Start / Late Start / Start	Early Finish / Late Finish / Finish
Start		42.37 Dys W		1/ 1/85 12:00P	3/ 1/85 12:00A 3/ 3/85 7:00A

Beginning of Sudan's Petroleum Initiative.

Name	Responsible	Slack / Duration	Code / Cost	Early Start / Late Start / Start	Early Finish / Late Finish / Finish
tndrg-1		0.00 Dys W		3/ 3/85 7:00A	3/ 6/85 7:00A
				3/ 3/85 7:00A	3/ 6/85 7:00A
		3.00 Dys W	0.00		
0			0.00		

Name	Responsible	Slack / Duration	Code / Cost	Early Start / Late Start / Start	Early Finish / Late Finish / Finish
tndrg-2	GPC	29.00 Dys W		3/ 3/85 7:00A	3/ 7/85 7:00A
				4/11/85 7:00A	4/17/85 7:00A
		4.00 Dys W	0.00	4/ 4/85 12:00P	4/10/85 12:00P
0			0.00		

Tender for second award for $30 million.

Name	Responsible	Slack / Duration	Code / Cost	Early Start / Late Start / Start	Early Finish / Late Finish / Finish
tndrg-3	GPC	53.29 Dys E		3/ 1/85 12:00A	3/15/85 12:00A
				4/23/85 7:00A	5/ 7/85 7:00A
		2.00 Wks E	0.00	4/16/85 12:00P	4/30/85 12:00P
0			0.00		

Tender fo third award, $40 million.

Name	Responsible	Slack / Duration	Code / Cost	Early Start / Late Start / Start	Early Finish / Late Finish / Finish
tndrg-4		83.29 Dys E		3/ 1/85 12:00A	3/15/85 12:00A
				5/23/85 7:00A	6/ 6/85 7:00A
		2.00 Wks E	0.00	5/16/85 12:00P	5/30/85 12:00P
0			0.00		

Name	Responsible	Slack	Code	Early Start	Early Finish
	Subproject			Late Start	Late Finish
	Scheduled:	Duration	Cost	Start	Finish
%	Actual:	Duration	Cost	Start	Finish
tndrg-5	GPC	116.50 Dys E		3/ 1/85 12:00A	3/15/85 12:00A
				6/25/85 12:00P	7/ 9/85 12:00P
		2.00 Wks E	0.00	6/18/85 12:00P	7/ 2/85 12:00P
0			0.00		

Tendering of fifth shipment for AWARD-5.

Name	Responsible	Slack / Duration	Code / Cost	Start	Finish
tndrg-6		192.50 Dys E		3/ 1/85 12:00A	3/15/85 12:00A
				9/ 9/85 12:00P	9/23/85 12:00P
		2.00 Wks E	0.00	9/ 2/85 12:00P	9/16/85 12:00P
0			0.00		
tndrg-7		236.50 Dys E		3/ 1/85 12:00A	3/15/85 12:00A
				10/23/85 12:00P	11/ 6/85 12:00P
		2.00 Wks E	0.00	10/16/85 12:00P	10/30/85 12:00P
0			0.00		
tndrg-8		263.50 Dys E		3/ 1/85 12:00A	3/15/85 12:00A
				11/19/85 12:00P	12/ 3/85 12:00P
		2.00 Wks E	0.00	11/12/85 12:00P	11/26/85 12:00P
0			0.00		
trnsp-1		0.00 Dys W		3/21/85 7:00A	3/26/85 7:00A
				3/21/85 7:00A	3/26/85 7:00A
		3.00 Dys W	0.00		
0			0.00		

178

Name	Responsible Subproject	Slack	Code	Early Start	Early Finish
				Late Start	Late Finish
	Scheduled:	Duration	Cost	Start	Finish
%	Actual:	Duration	Cost	Start	Finish
trnsp-2		4.38 Dys W		4/30/85 12:00P	5/ 5/85 12:00P
				5/ 7/85 7:00A	5/12/85 7:00A
		3.00 Dys W	0.00		
0			0.00		
trnsp-3		4.38 Dys W		5/27/85 12:00P	6/ 2/85 12:00P
				6/ 3/85 7:00A	6/ 9/85 7:00A
		4.00 Dys W	0.00		
0			0.00		
trnsp-4		4.38 Dys W		6/26/85 12:00P	7/ 2/85 12:00P
				7/ 3/85 7:00A	7/ 9/85 7:00A
		4.00 Dys W	0.00		
0			0.00		
trnsp-5A GPC		4.38 Dys W		8/ 5/85 12:00P	8/11/85 12:00P
				8/12/85 7:00A	8/18/85 7:00A
		4.00 Dys W	0.00		
0			0.00		
Transportation of Deliv-5A to domestic distribution centers.					
trnsp-5B GPC		9.38 Dys W		8/28/85 12:00P	9/ 3/85 12:00P
				9/11/85 7:00A	9/17/85 7:00A
		4.00 Dys W	0.00	9/ 4/85 12:00P	9/10/85 12:00P
0			0.00		
Transportation of Delivery 5B to domestic distribution centers.					

Name	Responsible / Subproject	Slack	Code	Early Start / Late Start	Early Finish / Late Finish
%	Scheduled: / Actual:	Duration / Duration	Cost / Cost	Start / Start	Finish / Finish

trnsp-5C	GPC	9.38 Dys W		9/29/85 12:00P	10/ 3/85 12:00P
				10/13/85 7:00A	10/17/85 7:00A
		4.00 Dys W	0.00	10/ 6/85 12:00P	10/10/85 12:00P
0			0.00		

Transportation of delivery 5C to domestic distribution centers.

trnsp-6		9.38 Dys W		10/28/85 12:00P	11/ 3/85 12:00P
				11/11/85 7:00A	11/17/85 7:00A
		4.00 Dys W	0.00	11/ 4/85 12:00P	11/10/85 12:00P
0			0.00		

trnsp-7		9.38 Dys W		12/ 8/85 12:00P	12/12/85 12:00P
				12/22/85 7:00A	12/26/85 7:00A
		4.00 Dys W	0.00	12/15/85 12:00P	12/19/85 12:00P
0			0.00		

trnsp-8A		9.38 Dys W		1/ 6/86 12:00P	1/12/86 12:00P
				1/20/86 7:00A	1/26/86 7:00A
		4.00 Dys W	0.00	1/13/86 12:00P	1/19/86 12:00P
0			0.00		