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CLASSIFICATION:

AID 1120-1 (8-66)	DEPARTMENT OF STATE AGENCY FOR INTERNATIONAL DEVELOPMENT	1. PAAD NO.
		2. COUNTRY Democratic Republic of Sudan
		3. CATEGORY Commodity Financing - Standard Procedure 650-K-602
		4. DATE
5. TO:	Administrator, A.I.D.	6. OYS CHANGE NO. Not Applicable
7. FROM:	W. Haven North, Acting Assistant Administrator, Bureau for Africa	8. OYS INCREASE None
9. APPROVAL REQUESTED FOR COMMITMENT OF: \$ 50,000,000		10. APPROPRIATION - ALLOTMENT ESF
11. TYPE FUNDING <input type="checkbox"/> LOAN <input checked="" type="checkbox"/> GRANT <input checked="" type="checkbox"/> INFORMAL <input type="checkbox"/> FORMAL <input type="checkbox"/> NONE	12. LOCAL CURRENCY ARRANGEMENT	13. ESTIMATED DELIVERY PERIOD Dec. 1980 - Dec. 1982
14. TRANSACTION ELIGIBILITY DATE Grant Approval Date		

15. COMMODITIES FINANCED  
Commodities declared eligible under the A.I.D. Commodity Eligibility Listing (1978 as revised) will be eligible for A.I.D. financing.

16. PERMITTED SOURCE

U.S. only:  
 Limited F.W.: \$49,500,000 (Code 941)  
 Free World: \$ 500,000 (Code 899)  
 Cash:

17. ESTIMATED SOURCE

U.S.: \$49,500,000  
 Industrialized Countries: \$500,000  
 Local:  
 Other:

18. SUMMARY DESCRIPTION

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

The proposed grant will provide foreign exchange for essential public, parastatal and private sector imports and related services to be agreed upon by the GOS and A.I.D. It is expected that the GOS will elect to use about \$8 million for the public sector and parastatals and \$42 million for the private sector.

A grant to the Government of the Democratic Republic of the Sudan is hereby authorized in the amount of \$50,000,000 for financing the items described above, subject to the following terms and conditions:

1. Procurement will be restricted to A.I.D. Geographic Code 941 sources except for \$500,000 worth of transportation services from Code 899 sources as justified in Annex VI of the PAAD.

19. CLEARANCES	DATE
DAA/AFR, RStacy	
AAA/AFR/DR, JWKoehring	7/11/81
AFR/DR, NCohen	
AFR/EA, FPerry	
AFR/DP, EDonoghue	
SER/COM/ALI, TLaFrance	
AFR/DR/EAP, SWColson	2/19/81
GC/AFR, EADragon	
AFR/DR/EAP, SWColson	2/24/81
AFR/DR/EAP, SWColson	3/31/81

20. ACTION

APPROVED  DISAPPROVED

*M. Peter McPherson* 3/2/81  
 AUTHORIZED SIGNATURE DATE  
 M. Peter McPherson  
 Administrator  
 TITLE

UNCLASSIFIED

PAAD - Sudan - Commodity Financing  
(Continued)

2. Commodities procured under this grant may not be used in the production of palm oil, sugar or citrus products; and
3. Such other terms and conditions as A.I.D. may deem advisable.

Approval is also given USAID Mission to Sudan to:

- sign and issue implementation letters and Commodity Procurement Instructions for this grant.

SUDAN  
COMMODITY IMPORT GRANT

Table of Contents

	<u>Page</u>
Program Assistance Approval Document (PAAD) Facesheet	i
Definitions and Terms	v
I. Summary and Recommendations	1
A. Problem	1
B. U.S. Response	2
C. Recommendations	3
II. Political Considerations	4
III. U.S. Interests and Objectives	7
A. U.S. - Sudan Relations	7
B. U.S. Interests and Objectives	7
1. Peace in the Middle East	7
2. Domestic Political Stability	7
3. Economic Stability and Development	8
4. U.S. Business Investments	8
5. Prospects for Oil	8
C. U.S. Economic Assistance Program	8
1. A.I.D. Strategy	8
2. A.I.D. Program Elements	9
IV. Grant Justification	11
A. Structure and Development of the Sudanese Economy	11
1. Structure of the Economy	11
2. Economic Development to 1973	14
B. Current Economic and Financial Crisis	15
1. GOS Development Strategy	15
2. Development Strategy Results	16
3. Financial Crisis	20
4. Economic Growth: FY 1974-FY 1979	23
C. Corrective Measures	23
1. Revised Development Strategy	24
2. IMF Agreements	24
3. Payment of Arrears and Debt Relief	25
4. Export Action Program	26
D. FY 1979/80 Performance	26
E. Economic Prospects	27
F. FY 1980/81 Financial Outlook	29
G. Other Donor Assistance	30
V. Market Analysis	32
A. Import Community	32
1. Private Sector	32
2. Public Sector	32
B. Import Statistics	32

	<u>Page</u>
VI. Grant Administration and Implementation	34
A. Key Administrative Entities	34
1. GOS	34
2. A.I.D.	34
B. A.I.D. Import Procedures	34
1. Procurement and Financing Procedures	34
2. Eligible Commodities	35
3. Procurement Restrictions/Limitations	35
C. Disbursement Period	36
D. Port Clearance and Inland Transportation	36
E. Arrival Accounting and End-Use Monitoring	37
F. GOS Import Procedures	
1. Import Controls	38
2. GOS Licensing Systems	38
3. GOS Allocation and Control of CIP Funds	39
G. Implementation Schedule and Pipeline Analysis	
1. Implementation Schedule	
2. Pipeline Analysis	
VII. Prior Commodity Import Program Results	40
VIII. Other Considerations	43
A. Impact on U.S. Balance of Payments	43
B. Counterpart Generations	43
C. Internal Financial Effects	44
D. Use of U.S. Government Excess Property	44
E. Relation to Export-Import (Ex-Im) Bank Credits	44
F. Relation to Overseas Private Investment Corporation (OPIC) Program	44
IX. Recommendations	46
A. Terms and Conditions	46
B. Authorities	46
ANNEXES:	
I. Statistical Tables	48
II. USAID/SUDAN Project Descriptions	64
III. GOS Request for Assistance	69
IV. Initial Environmental Examination	71
V. Checklist of Statutory Criteria	73
VI. Waiver Justification	83
VII. Draft Grant Agreement	85
Bibliography	86

# BEST AVAILABLE DOCUMENT

## SUDAN: Commodity Import Grant

### I. Summary and Recommendation

#### A. Problem

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

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

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

As a result, Sudan's current account in the balance of payments (BCP) deteriorated from an average annual deficit of US \$27 million during FYs 1971-73 to US \$467 million in FY 1975. Since FY 1975, the deficit has exceeded US \$400 million for most years, and unpaid commitments of the public and private sectors have risen to about US \$200 million. Sudan's foreign exchange crisis has in turn forced the GOS to strictly limit its imports and curtail numerous planned development programs.

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

5

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2 -

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

## B. U.S. Response

In consideration of the problems described above and the objectives of U.S. economic assistance to Sudan, in FY 1980 A.I.D. granted the Government of Sudan \$40 million from the Economic Support Fund. This grant was utilized through a Commodity Import Program (CIP) to provide short-term balance of payments relief. However, to the extent possible, commodities financed under the grant have been selected with a view toward their longer term impact on the BOP, i.e. their contribution towards 1.) increasing export earnings; 2.) reducing import costs through import substitution activities; and 3.) supporting the maintenance or expansion of the nation's productive capacity.

In light of these criteria, illustrative commodity groups that have been financed by the public sector include wheat seed, land leveling equipment, tractors, spare parts for railroad locomotives, and canning machinery. Private sector procurement has included spare parts, machinery, raw materials, and product components used in import-substitution industries.

Because similar programs are being proposed/conducted by the World Bank/EEC (\$70 million) and the Netherlands (\$21 million), U.S. assistance at a level of \$50 million, proposed for FY 1981, is believed to be appropriate. (About \$42 million of the grant proceeds are tentatively allocated for private sector use.) However, recent IMF/GOS estimates indicate that \$900 million in new commitments will be required annually to finance projected deficits over the next three years. Thus, far larger amounts of such assistance will be needed ultimately and program-type assistance by major donors will be required for several years to come.

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

6

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The grant will be administered in accordance with A.I.D. Regulation 1, use standard Commodity Financing Procedures, be restricted to Code 941 source and origin procurement, and will strive for disbursement within 24 months. The grant is expected to have both short and long term beneficial effects on the U.S. Balance of payments, and it will complement Ex-Im Bank and OPIC activities in Sudan. All statutory criteria have been met.

## C. Recommendations

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

### Terms and Conditions:

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

### Authorities

Approval is given USAID/Sudan to:

- sign and issue implementation letters and Commodity Procurement Instructions under this grant; and

II. Political Considerations

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

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

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

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

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

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

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

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

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

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

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

### III. U.S. Interests and Objectives

#### A. U.S. - Sudan Relations

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

#### B. U.S. Interests and Objectives

##### 1. Peace in the Middle East

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

##### 2. Domestic Political Stability

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

11

### 3. Economic Stability and Development

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

### 4. U.S. Business Investments

U.S. commercial firms have investments of approximately 30 million in the Sudan. The contribution that U.S. economic assistance will make towards achieving political and economic stability will in turn serve to protect U.S. commercial interests.

### 5. Prospects for Oil

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

## C. U.S. Economic Assistance Program

### 1. A.I.D. Strategy

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

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

## 2. A.I.D. Program Elements

The A.I.D. program for Sudan is comprised of four major categories, one of which is the Commodity Import Program.

### a. Development Assistance

A.I.D. resumed bilateral development assistance to Sudan in FY 1978. Since then, the UGS has authorized approximately \$68 million for projects in the health and agriculture sectors. In the health sector, A.I.D. assistance is directed to improving the implementation of the Government's Primary Health Care Program, the most important element of its National Health Plan. This is a comprehensive, community-based, health delivery system which is specifically designed to reach the rural poor farmers and nomads and which relies on community (self-help) participation.

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

In the roads sector, A.I.D. authorized two new projects in FY 1980, totaling \$12.7 million, designed to stimulate agriculture production in the Southern Region — Southern Access Road, Phase I (financing the design of a road connecting the southern city of Juba with Kenya and the port of Mombasa) and Southern Rural Infrastructure (constructing two important road segments in the Southern Region).

A.I.D. has also made life-of-project commitments of more than \$3 million to rural development planning, in support of the Government's efforts to devolve more authority to the provincial governments, petroleum training, and experimental swamp transport.

During FY 1981/82, A.I.D. proposes to make life-of-project commitments totalling over \$10 million for new interventions in:

— wildlife and pest management;

13

- agricultural statistics and planning; and
- village renewable energy.

Annex II provides more information on A.I.D. project assistance in Sudan.

b. P. L. 480 Assistance

The U.S. has been providing a small amount of P.L. 480 (Titles I and II) assistance since the early 1960s. However, with the resumption of the bilateral program, the amount of P.L. 480 assistance has increased from \$12.2 million in FY 1978 (\$10.3 million of which was in Title I wheat sales) to a level of \$25 million in FY 1980 (\$20 million of which was in a Title III wheat program), with an identical projection for FY 1981. Sudan is one of the few first African countries with a P. L. 480 Title III program — it provides \$100 million in wheat sales for the U.S. FY 1980-84 period. In addition, \$2 million in P.L. 480 Title II resources are being provided to Catholic Relief Services to operate maternal child health/pre-school nutrition programs in 5 provinces.

c. Regional Projects

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

- aquatic weed management;
- rodent and pest control;
- manpower training;
- environmental studies; and
- science and technology.

d. Commodity Import Program

In FY 1980, the USG approved \$40 million for a commodity import program, with an additional \$50 million proposed for FY 1981. These funds are being used to help alleviate Sudan's pressing balance of payments problems by financing urgently needed imports required to:

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

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#### IV. Grant Justification

##### A. Structure and Development of the Sudanese Economy

###### 1. Structure of the Economy

###### a. General

Sudan, the largest country in Africa, lies across the middle reaches of the Nile River and is about one-third the size of the continental United States. The country supports a population of 17.5 million (mid-1979 estimate), 85% of which live in rural areas. Agriculture is the most important sector and accounts for about 40% of Gross Domestic Product (GDP). Other major contributors to GDP include trade and finance, 25%; government and other services, 15%, and manufacturing, 10%.

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

###### b. Potential and Constraints

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

Of the country's total land area of 625 million acres, 200 million is good arable soil with enough rain for most crops. So far only about 20 million acres is cultivated and GDS development efforts focus largely on exploiting this potential. In addition to arable land, there are about 50 million acres of pasture lands which are only sparsely settled by traditional herdsmen. Livestock breeding is carried out in a nomadic framework and the potential for developing a livestock industry is great.

<sup>1/</sup> Converted at the rate of LS 1 = U.S. \$ 2.00

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

Exploitation of Sudan's agricultural resource base continues to be a focus of development efforts. In addition, the search for oil is being pressed following recent discoveries, with a real possibility for Sudan to become self-sufficient in petroleum in the not too distant future. Thus— with unused land, unused water, favorable growing conditions, the absence of population pressures, and improved petroleum prospects — Sudan has the potential for rapid economic development.

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

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

### c. Productive Sectors

#### i. Agriculture

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

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

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

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

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

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

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

## ii. Industry

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

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

### iii. Public Sector

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

### iv. Foreign Trade

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

## 2. Economic Development to 1973

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

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

### b. 1956-1966: Political Instability and Economic Stagnation

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

c. 1967-1971: Experiment with Centralized State Socialism

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

d. 1972-1973: Change in Development Philosophy

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

3. Current Economic and Financial Crisis

1. GOS Development Strategy

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

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

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

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

## 2. Development Strategy Results

### a. Agriculture

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

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

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

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

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

Because of these declines in production, cotton export earnings sharply fell and attempts were made at restoring acreage to the previous level of 1.2 million feddans. By FY 1978, cotton acreage had reached 1.14 million feddans. Output recovered 771,000 bales in FY 1977 and 1,015,000 bales in FY 1978, but still remained below the level of the FY 1975 season.

Cotton yields per feddan also rose to 3.4 kantars, but this was still historically low. In addition to the incentive structure, other factors causing the decline in total production have been a rapid deterioration in the canalization and pump equipment used in the pump schemes along the Blue and White Niles; the competition of other crops for water; and insufficient weeding of the canals.

Production declined to 747,000 bales in FY 1979 from 1,025,000 bales in FY 1978. This was due mostly to a reduction in cotton acreage and yields in the Gezira as a result of floods in July 1978. Total acreage planted in FY 1979 was estimated at 1.06 million feddans.

Wheat output increased from 235,000 tons in FY 1974 to 317,000 tons in FY 1978. However, in FY 1979 output declined to 177,000 tons, while overall acreage remained the same at about 590,000 feddans. Yields also declined significantly over this period from 561 kilograms per feddan in FY 1974 to about 300 kilograms in FY 1979. The national average yield of about 0.5 ton per feddan is low compared to yields between 1.5 and 2.0 tons obtained at research stations. Factors contributing to declining yields are poor seed, inadequate land leveling, late sowing, weeds, inadequate irrigation, inadequate fertilization, and excessive losses due to delays in harvesting.

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

Groundnuts are Sudan's second most important foreign exchange earner. Production fell sharply in FY 1977 because of cutbacks in irrigated areas sown, but recovered in FY 1978 due mostly to a doubling of cultivated areas in Kordofan. However, because of the remoteness of this area, there was difficulty in transporting the FY 1978 crop to the port. Railway capacity was inadequate and emergency provisions were put into effect by using army trucks. Because of these transportation problems, farmers reduced the acreage for groundnuts in FY 1979. Serious flooding in 1978 also caused acreage in Gezira to be reduced by 12% and total production in FY 1979 declined 20%.

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

#### b. Industry

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

##### 1. Textiles

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

22

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

#### ii. Sugar

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

#### iii. Other Industries

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

#### c. Infrastructure

Actual public expenditures under the amended Second Five Year Plan (FY 1971-1975) reflect the shift in priorities to develop the nation's physical infrastructure. Actual investments for "Transportation, Communications, and Power" represented 32% of total expenditures over the plan period, compared to the 20% originally planned. Since FY 1975 these expenditures have averaged about 24-25% of total development budget outlays. Transport equipment also accounted for the largest increase in imports from 1973 to 1977.

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

Power shortages and limited telecommunication facilities also constrain development efforts in Sudan. At present, imported oil and hydro-electricity are the main sources of energy. In recent years Sudan's increasing demands for energy have far outpaced supply and power rationing has been necessary. Telephone communications are inadequate and unreliable, and availability of telex lines also falls far short of needs.

### 3. Financial Crisis

#### a. Public Finance

Implementing the development effort described above involved expensive investments in industry, infrastructure, and irrigated agriculture. From FY 1974 to FY 1979, development expenditures supporting these programs rose from \$ 125 million to \$ 500 million equivalent. Recurrent expenditures outpaced revenue collections over the period and many of the public corporations failed to generate surpluses. As a result, development budget expenditures have had to be financed entirely through domestic and foreign loans. Recourse to domestic bank financing increased from about \$ 30 million equivalent in FY 1975 to \$ 370 million in FY 1977, and this has been the main factor contributing to recent inflationary trends. Since FY 1976, the consumer price index has increased at an average annual rate of more than 25 percent.

#### b. Balance of Payments

The most immediate and severe problem resulting from past deficiencies in the management of the economy is the intensifying balance of payments (BOP) crisis. From an average annual deficit of \$ 27 million during the period FY 1971-74, the current account deficit rose to \$ 487 million in FY 1975 (see Annex I Table 3). Since FY 1975 the deficit has exceeded \$ 400 million, with the exception of FY 1976 when it declined to \$ 250 million. The deficit was near \$460 million in both FY 1978 and FY 1979.

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From FY 1971 to FY 1975 the relative share of cotton export earnings to total export earnings fell from 62% to 37% and recovered to 62% in FY 1979. However, over the seven-year period ending in FY 1978 the volume of cotton exports declined 36% (Table 4). Nevertheless, because of world market price increases for cotton, especially after 1976, cotton export earnings were maintained at about US \$ 300 million from FY 1975 to FY 1979.

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

Exports of groundnuts, Sudan's second most important foreign exchange earner, have also fallen in recent years. From FY 1976 to FY 1979 the relative share of groundnuts to total exports fell from 21% to 5%. Actual earnings fell from \$ 115 million to \$ 26 million. This decline was partly in response to decreasing prices on the world market; also the sharp 1978/79 decline reflected the negative effects of the 1978 floods which reduced both the area cultivated and yields. Other exports, particularly sesame seeds, have benefitted from improved market conditions; and constraints to higher exports have been supply, rather than demand related.

Imports averaged about \$ 1 billion between FY 1975 and FY 1977, rose to \$ 1.2 billion in FY 1978, and declined moderately to slightly over \$ 1.1 billion in FY 1979. From FY 1974 to FY 1978 the proportion of foodstuffs to total imports declined from 24% to 14% while the share of machinery and manufactured goods rose from 41% to 57%. This reflects purchases for the public sector's development programs (see Annex I, Table 7). The share of raw materials (including petroleum products and chemicals) remained relatively constant. Most of the increase in the costs of imports from FY 1975 to FY 1978 were financed by increases in unrequited transfers. These rose from \$ 101 million in FY 1975 to \$ 257 million in FY 1979 and reflect private transfers from Sudanese working abroad and remittances that finance imports under the nil-value license scheme (see Section V.B.)

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

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

While import prices rose over the period, world market prices for Sudan's principal exports, cotton and oilseeds, have risen more rapidly. Therefore, the terms of trade have not been a factor in the deterioration of the current account as in the case of other developing countries (See Annex I Table 4).

Net disbursements from foreign loans and other capital inflows have not been high enough to cover the current account deficits and, as a result, there has been a severe drain on foreign reserves. From the end of 1974 to the end of 1979, gross international reserves declined from \$ 125 million to \$ 217 million. As foreign reserves ran out, the accumulation of arrears on external debt repayments became unavoidable. By the beginning of 1980, arrearages totaled about US \$ 1.6 billion.

A closer look at the export performance shows that earnings rose from \$ 430 million in FY 1975 to \$ 527 (estimate) in FY 1979, or at an annual average rate of 7%. The overall increase largely reflects substantial world market price increases for Sudan's exports. Export volume did not increase significantly and some items, notably cotton, declined. Thus, despite the overall increase in earnings, export performance fell far below potential due to the decline in export volume. Further indication of this disappointing performance is reflected in the proportion of exports to GDP, which fell from 14% to 7% from FY 1971 to FY 1978.

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Net capital inflows declined from \$ 424 million in FY 1975 to \$ 65 million in FY 1978. This was entirely due to a reduction in drawings on foreign loans, as debt amortization remained at an annual average of \$ 63 million over this period. Despite the reduction in drawings, new commitments averaged over \$ 500 million, with bilateral government loans constituting over 50% of this amount. In FY 1979 the net flow increased to \$ 348 million due to disbursements from a \$ 300 million cash loan from Saudi Arabia, \$ 38 million from the IMF Trust Fund, and new commitments of about \$ 300 million from other sources.

Total disbursed and outstanding external debt rose from \$ 1.6 billion at the end of 1976 to \$ 2.6 billion at the end of 1979 (see Annex I, Table 12). Because of problems with project administration and implementation, disbursements for project loans slowed down. In the recent past, the overall maturity structure of the debt has been shortened and this has contributed to repayment problems and the accumulation of arrears.

#### 4. Economic Growth: FY 1974-FY 1979 :

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

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

#### C. Corrective Measures

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

## 1. Revised Development Strategy

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

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

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

## 2. IMF Agreements

### a. FY 1979 Program

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

- devaluation of the pound by 25% on June 3, 1978;
- establishment of a progressive profit sharing formula on cotton;

28

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

b. FY 1980-FY 1982 Program

Recognizing that the structural weaknesses in production and in public sector finances would best be corrected in the context of a medium term economic and financial program, the GOS in March 1979 agreed with the IMF to adopt a comprehensive program for the three years FY 1980-82. The agreement allowed Sudan access to resources under an Extended Fund Facility in an amount of SDK 200 million (about \$ 260 million). The program is essentially a continuation of the stabilization efforts started in 1978. Under the program, the GOS agreed to the following:

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

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

3. Payment of Arrears and Debt Relief

Debt relief and arrangements for the payment of arrears constitute a major part of GOS stabilization efforts. At the end of September 1979, arrearages totaled an estimated \$ 1.2 billion equivalent. Rescheduling agreements involving approximately \$ 400 million have been concluded with Paris Club leaders, and negotiations for rescheduling are nearing completion with commercial bank creditors. Earlier, in 1978, some debt relief was also provided on official debt by West Germany (\$ 218 million), the U.K. (\$ 10 million), and the Netherlands (\$ 19 million).

29

#### 4. Export Action Program

In June 1980, the GOS began a major Export Action Program (EAP) to bring about an increase in export production. The program is focusing on cotton, although groundnuts are also being considered. The EAP is receiving major financial support through program credits from the World Bank (\$ 40 million) and the EEC (\$ 2 million). These commodity credits are being used to provide equipment and materials to improve the following operations: irrigation, land preparation, fertilizer distribution and pest control. The program also includes action aimed at improving the timeliness of sowing, harvesting and cultivation practices. This program, and the GOS' other stabilization efforts, as described above, lend optimism to the prospects for economic recovery over the next decade.

#### D. FY 1979/80 Performance

Sudan's economic record for last year (FY 1979/80) was a mixed picture, in terms of both performance and the government's economic policies. Real GDP growth is estimated at about 2% compared to near zero in the previous year. This continuing low growth stemmed from lower cotton yields (acreage rose fractionally), pest damage, planting delays, continued distortions in the government's incentive program, and inadequate rainfall. This latter factor also reduced yields and output of groundnuts. However, higher prices resulted in increased production of sesame, sorghum, and gum arabic.

The GOS made some progress in restructuring the cost/price relationships that have been negatively affecting agriculture by partially eliminating discriminatory exchange rates against cotton exports and by removing cotton export taxes. However, land and water charges which were levied the year before on non-cotton crops in the Gezira, and were expected to strengthen incentives for cotton production, were not collected--primarily because of farmer resistance.

In the monetary sector, curbs on domestic financing of the government deficit reduced monetary expansion from 31 percent in FY 1978/79 to 19 percent in 1979/80. As a result, demand pressures eased somewhat and inflation slowed down during the second half. The government deficit increased only moderately to SDGs 246 million from 211 million the previous year. This amounted to a decline from 9% to 7% of estimated GDP. Revenue was up by 30% and total expenditures by 23%, both somewhat below estimated nominal growth in GDP. Pressures to cut current expenditures held the increase to 18 percent while investment outlays rose by an estimated 50 percent as disbursements of foreign development

assistance increased sharply. This together with the squeeze on public credit generation caused more of the deficit (about 2/3) to be financed from foreign sources.

Sudan's balance of payments remained under considerable pressure during FY 1979/80, still constituting the country's most critical economic problem as the current account deficit increased further to \$ 504 million from \$ 458 million in 1978/79. Imports were up by 18% over the year before, roughly one-half of the increase due to higher petroleum prices, while exports rose by only 13% mainly from increased sorghum prices. Also, transfers rose by 25% as a result of a higher inflow of worker remittances (arising from the year earlier devaluation) and increased disbursements of project and commodity grants from abroad. An expansion of program type assistance accounted for much of the increase to \$ 509 million from \$ 405 million in FY 1978/79 in official capital inflows. Disbursements for infrastructure and other development projects remained sluggish. Thus, the provision of increased amounts of quickly disbursing program type aid turned out to be essential last year in bolstering Sudan's balance of payments and heading off a dangerous weakening in Sudan's economic and financial structure.

Another factor in the increased net capital inflow was the debt relief obtained during the year from "Paris Club" members, plus additional postponements of debt service payments to commercial banks. In November, 1979 an agreement was worked out for the rescheduling of all principal and interest arrears on debt to "Paris Club" members as well as a substantial proportion of debt service payments falling due between October 1979 and June 1981. Also, negotiations were begun and now appear to be nearing completion with commercial creditors on a similar type arrangement.

The IMF provided some additional short term balance of payment relief to Sudan during FY 1979/80 by easing the terms of its 1979 agreement to permit Sudan to draw the full SDR 75 million (approximately \$ 100 million) intended for the first year of the SDR 200 million Extended Fund Facility (EFF) which it otherwise could not have done for failing to meet the original terms. (IMF support to Sudan of all types totalled about \$ 200 million during FY 1979/80.)

#### E. Economic Prospects

Sudan's considerable economic potential can be realized only if present formidable obstacles are overcome--primarily a restructuring of the agricultural sector, expansion of exports, and reduced reliance on imports. This continues to be a slow

process and much remains to be done. Some difficult steps have already been taken by Sudanese authorities, as described previously, in the areas of exchange rate reform, administered pricing policies, domestic credit limitations, curbs on growth of ordinary expenditures of the central government, and the start toward restructuring the agricultural sector. Most recently, in September, 1980, the GOS expanded the range of commodities that can be sold in Sudan's "parallel" market (1 SDR = \$ 1.25, compared to the official rate of \$2.00 which, in effect, constitutes a further devaluation of the Sudanese pound. In February, 1980 increased cotton acreage for this year's crop was announced and in June additional incentives for cotton production such as cash payment on delivery of cotton, advance pricing, consolidation and rescheduling of farmers' debts to state agricultural organizations, and changes in the cost/price structure of irrigated crops for next year (with IBRD advisory services). Cotton output (but not exports) is expected to increase by 20 percent this year, partially in response to these measures; also, adequate rainfall this year will help increase output of cotton as well as other crops.

A start has been made on tax reform. Development policy emphasis is to shift toward the completion of existing projects and rehabilitation of existing ones, plus removal of infrastructure bottlenecks which have plagued the nation's economic growth and development efforts in the past. Constraint will continue to be exercised in fiscal matters, and the credit squeeze will continue.

Although some benefits from the above and earlier actions will occur fairly quickly, Sudan's most critical problem at present--its balance of payments crisis--will deepen over the short run, as described below, and recover only gradually over the next several years as corrective measures and Sudan's positive longer run development efforts take hold. Thus, with sustained financial support from abroad, Sudan's long term economic prospects appear very favorable considering the country's vast development potential.

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

#### F. FY 1980/81 Financial Outlook

As previously indicated, corrective measures already undertaken or planned by the GOS do little to relieve Sudan's continuing critical balance of payments problem in the short run. Moreover, the problem has been further aggravated by events largely beyond the control of the GOS. Also, domestic fiscal and financial sectors remain under severe pressure despite tough measures undertaken by the GOS, some of which have been extremely difficult politically.

In the fiscal area, the central government's deficit is estimated to increase again this year to about SDR 500 million from 346 million in FY 1979/80. Revenues are projected to rise by 20 percent, mostly from non-tax sources although some minor tax boosts will lift tax revenues by about 7 percent. Planned conversion of most excises from specific to ad valorem will come too late in the fiscal year to benefit revenues. Total expenditures are budgeted to rise by 29 percent with the greater part of the increase in current expenditures. Although part of this apparent slippage in government austerity stems from revaluation of imported items at the new lower (parallel) exchange rate, the costs of subsidized petroleum prices remains a real problem. The proportion of the deficit financed from abroad is expected to rise again this year--to 75% of the total, compared to 68% in FY 1979/80 and 47% in the previous year. Overall credit is expected to expand by about 22% but is to be carefully controlled to allow greater increases to the private sector for increasing output. As indicated above, domestic financing of the central government deficit will shrink further this year.

Primary concern, however, centers on the expected further increase in Sudan's balance of payments gap during FY 1980/81, with the current account balance expected to reach approximately \$ 750 million, compared to \$ 504 million last fiscal year. Total exports will be down by \$ 100 million, with a major decline in cotton exports (from \$ 331 million to \$ 180 million) more than offsetting increases among Sudan's other principal exports. The decline in cotton continues to reflect last year's production loss from pest damage, delayed planting, and inadequate rainfall. The rising cost of imported commodities will lift the import total by 12% to about \$ 1500 million from \$ 1340 million last year. The projected increase for petroleum alone will be about \$ 110 million. In addition, interest costs are likely to increase by over \$ 100 million with interest payments due to resume on the official debt to "Paris Club" members rescheduled last year. Moreover, the indicated gap assumes new balance of payment relief through a debt rescheduling agreement with commercial bank creditors expected to be reached shortly.

Foreign financing already negotiated or expected to be made available should cover almost \$ 450 million of the \$ 750 million deficit, including the proposed \$ 40 million CIP loan from the U.S., leaving an unfinanced gap of around \$ 300 million. In view of the GOS's corrective efforts and its continuing cooperation with the IMF, the IMF is likely to agree to a recent GOS request to augment the existing three year Extended Fund Facility (EFF) from SDR 200 million to 427 million. This should contribute SDR 175 million (about \$ 230 million) toward filling Sudan's FY 1980/81 balance of payments gap. In addition, the Fund has basically accepted the GOS position that FY 1980/81 is an export "shortfall" year, involving factors beyond the control of the government, and is expected to agree to a Compensatory Financing Facility arrangement for this fiscal year in the amount of SDR 21.8 million (about \$29 million). Thus, Sudan still faces a balance of payments gap in FY 1980/81 of around \$ 40 million even under highly favorable assumptions regarding foreign capital inflows.

Intense pressure on Sudan's balance of payments are expected to continue into FY 1981/82, although hopefully they will ease somewhat from the extremely precarious FY 1980/81 situation. Exports can be expected to recover as the negative short term effects of last year finally dissipate and the beneficial effects of recent restructuring actions by the GOS begin to be felt. However, rising prices will continue to push up Sudan's import bill, and interest payments on external debt will rise sharply. Thus, the current account deficit may still remain in the \$ 700-800 million range. Beyond FY 1981/82, however, the improvement should be steady as the longer term effects of structural reform and expenditures on Sudan's overall development program start to take hold. Much will depend on the GOS's determination to sustain the present climate of economic and financial reform.

#### G. Other Donor Assistance

The donor community consists of some 60 members, including 25 bilateral donors, 15 non-government organizations, 4 multilateral organizations, and 12 agencies of the UN family. The Arab bilateral and multilateral donors provide several hundred million dollars a year and are the largest contributors. The World Bank, with an annual program of about \$ 70 million, is the largest Western donor, with the EEC, Federal Republic of Germany, and the Netherlands all in the \$ 20 to \$ 40 million a year range. The UK nearly falls in this category as well.

In 1979, the UNDP estimated that technical assistance totaled about \$50 million on an expenditure basis. Total obligations were over \$ 100 million. About 40% of the technical assistance provided

supports the agricultural sector, with transportation, communications, education, and health next in importance.

A number of donors also provide commodity loans and grants or other financing to ease Sudan's balance of payments problem. Saudi Arabia is the principal donor providing program-type support. In 1978, the GOS signed a \$ 300 million loan agreement with the Saudis. Other major donors providing balance of payments support to Sudan in 1980 were the Islamic Bank, France and Germany. The Paris Club of western donors also provided direct balance of payments aid to Sudan by agreeing at their November, 1979 meeting to a major debt rescheduling. This is estimated to provide approximately \$ 100 million relief annually to Sudan over the next few years.

To date, commodity assistance programs announced for 1981 total about \$ 84 million. This includes assistance from the World Bank, \$ 40 million; the EDF, \$ 22 million; and the Netherlands, \$ 22 million.

The consultative group for the Sudan, representing all major Sudan aid donors, held their fifth meeting April 9-11, 1980, in Paris under the sponsorship of the IBRD. There was general recognition of Sudan's need for continuing external assistance over the medium term, increasingly in the form of quickly disbursing balance of payments, aid with an implicit commitment of support somewhat higher than typical annual levels of the past.

## V. Market Analysis

### A. Import Community

#### 1. Private Sector

2,000 private importers are registered with the GOS' Ministry of Cooperation, Commerce and Supply (MCCS). However, it is expected that grant proceeds earmarked for private sector use will be made available mainly for importers operating in the industrial, agricultural and transportation sectors. In the industrial sector, major private industries include cement, spinning and weaving, petroleum refining, chemical industries, wooden and metallic furniture, electrical equipment, oilmills, tobacco, beer, beverages and alcoholic drinks. Private importers in the agricultural sector are primarily engaged in supplying tractors, spare parts and farm implements. The most significant importers in the transportation sector are the trucking firms, which are expected to buy vehicles, spare parts and some material handling equipment.

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

### B. Import Statistics

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

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

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

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

## VI. Grant Administration and Implementation

### A. Key Administrative Entities

#### 1. GOS

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

#### 2. A.I.D.

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

### B. A.I.D. Import Procedures

#### 1. Procurement and Financing Procedures

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

38

For private sector procurement, normal commercial trade practices will be used similar to the negotiated procurement provisions of A.I.D. Regulation 1. Financing will be carried out through a single L/Com. The selected U.S. bank will be authorized by the Approved Applicant (Bank of Sudan) to accept letters of credit issued by one or more of the eleven (six public and five foreign) Sudanese commercial banks serving the private sector. The Bank of Sudan will control individual bank participation through its approval and assignment of foreign exchange to individual banks.

## 2. Eligible Commodities

Commodities eligible under the A.I.D. Commodity Eligibility Listing (1978 as revised) will be eligible for A.I.D. financing and will be included in all Commodity procurement Instructions. However commodities financed will be determined largely by the allocations made by the Economic Group and transmitted to A.I.D. by the Ministry of National Planning. The Ministry of National Planning has transmitted an indicative listing of allocations for the FY 81 CIP agreement. Public sector purchasing will be limited to agriculture equipment such as cotton harvesters (pickers and strippers) and cotton planters; and spare parts and equipment for the telecommunications electrical distribution sectors. The private sector will participate in the CIP with purchases of tinsplate, pharmaceuticals, spare parts, chemicals, milling equipment, tallow and rice. Two Arabic Language newspapers will also purchase newsprint.

The Ministry of Cooperation, Commerce and Supply in coordination with the Ministry of Industry has existing guidelines that prohibit the use of GOS foreign exchange resources and foreign aid funds for importing luxury goods, non-essentials, household appliances and consumer goods normally considered ineligible under A.I.D. eligibility criteria. Review of these procedures and their actual application to the past CIP program have revealed that they are extremely effective in combination with the additional requirement on CIP buyers that a separate import licence must be approved for each CIP Funded Import.

## 3. Procurement Restrictions/Limitations

This grant will be restricted to Code 941 source and origin for commodities and related incidental services. U.S. flag vessel service to Sudan is supplied by two U.S. vessel operators, one on an inducement basis and the other providing monthly Lash and Charter transportation. Because of the relatively small U.S. vessel participation in U.S. to Sudan ocean transportation, U.S. vessels may not always

be available. Therefore, it will be necessary to issue a source waiver with a value of up to \$500,000 to permit CIP funding of Code 899 vessel freight service when U.S. vessels are not available. The Sudanese flag line does not provide cargo service between the U.S. and Port Sudan.

Local agents are not required by Sudanese regulation. Thus, there is no conflict with A.I.D. Regulation 1 requirements that U.S. suppliers may sell direct to importers. All provisions of A.I.D. Regulation 1 regarding commodity eligibility review, price eligibility, and both prior review and post audit will apply to all transactions.

### C. Disbursement Period

The grant's Terminal Disbursement Date (TDD) will be 24 months from the date Conditions Precedent are met. Recognizing an urgent need to provide balance of payments support, efforts are made by the Sudanese authorities and USAID to channel A.I.D. funding into short leadtime, large value procurements. The bulk of the grant will be committed to individual purchases in the first 12 months. There will be some small value equipment and spares purchases for public sector that may take longer than 12 months to identify appropriate U.S. procurement specifications that match Sudanese performance desires. Additionally, there are some elements among the present allocations, such as milling equipment and spare parts that normally have long leadtimes after purchase for full completion of all shipments. These or similar items may require extension of the TDD to ensure final delivery and payment to suppliers for committed but undisbursed funds.

### D. Port Clearance and Inland Transportation

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

410

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

#### E. Arrival Accounting and End-use Monitoring

At present the GOS has an arrival and cargo clearance unit established at Port Sudan for many, but not all public sector imports. This office serves as a "Customs Broker" and forwarding agent for the public sector. In addition, many public sector agencies have their own representative office at Port Sudan that is charged with expediting their own organizational cargo through the port and on to inland transportation. The Ministry of Cooperation, Commerce and Supply also maintains its own cargo accounting unit at both the port and Khartoum for monitoring imports within the Ministry's concerns.

There has not been a need on the previous CIP grant to establish any added GOS monitoring capability. The public sector allottees under the FY 80 CIP have been highly interested in receiving and using their A.I.D. imports. As the volume of arriving cargo increases, there may be a need to establish a monitoring unit outside the GOS. In this respect, USAID has held discussions with two foreign freight forwarders active in the Sudan. One of these, an American corporation joint venture with a Sudanese freight forwarder has indicated that if the need arises, an agreement funded in local currency can be established that will suit the needs of A.I.D. in the areas of arrival accounting and port clearances.

For end-use monitoring, the utilization of A.I.D. financed imports within 12 months of clearing the port, USAID/Sudan will carry out inspections and evaluations, as required.

The bulk of the FY 81 CIP is directed toward the private sector. Private importers use either their own personnel or employ an established forwarder at Port Sudan to receive, clear and transport their imports. The private sector's clearance rate in non-AID funded imports is considerably better than the public sector. It is not anticipated that the private sector will have an inordinate delay in either removing or using CIP funded imports. Again, if problems do develop, USAID/Sudan can employ the American forwarder mentioned above to monitor cargo arrivals and customs clearances.

## 1. Import Controls

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

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

## 2. Licensing Systems

There are three licensing systems currently operating.

- a. The "Open General Licensing System" (OGL) permits unrestricted or restricted imports of any commodity or product. Limitations and classes of commodities or products change frequently and are dependent upon decisions of the governing "Economic Group" chaired by the Minister of Finance and National Economy.
- b. A new version of the old "Consultation System" (CS) whereby import licences for a specific purchase are issued in accordance with guidelines provided and administered by the Ministry of Cooperation, Commerce and Supply.
- c. "Special" Import Licences issued by the Ministry of Cooperation, Commerce and Supply for either a class of commodities or a specific purchase when funding of international payments is not a demand on GOS owned resources. It is this system that is used for all Commodity Import Program purchasing. It permits the Ministry to both monitor grant implementation beyond the purchase order stage and to control allocations.

### 3. GOS Allocation and Control of CIP Funds

Specific dollar amounts will be allocated by the MONP to individual governmental units and a single dollar amount for specific commodities will be designated for private sector use. Control of the A.I.D. foreign exchange accounts/allocation will be maintained by the Ministry of Cooperation, Commerce and Supply in coordination with involved Ministries, which is responsible for approval of the GOS import licenses.

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

### G. Implementation Schedule and Pipeline Analysis

#### 1. Implementation Schedule

November	1980	Agreement signed
January	1980	Condition Precedent met
January	1980	First letter of commitment issued
March	1981	First shipments made
April	1982	Grant fully committed in purchase letters of credit or direct letter of commitment
March	1983	Probable final shipments
April	1983	Probable final disbursement

#### 2. Pipeline Analysis:

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

#### Cumulative Purchases and Disbursement (US \$ MILLION)

	Apr 81	July 81	Oct 81	Jan 82	Apr 82	July 82	Oct 82	Jan 83	Apr 83
Purchase Orders	11.0	21.0	33.0	35.0	38.0	40.0	-	-	-
Disbursement	2.0	13.0	25.0	31.0	34.0	36.0	37.0	38.0	40.0

13

## VII. Prior Commodity Import Program Results

### a. Background

There has been one prior Commodity Import Program to the Sudan since relations resumed in 1974. In fiscal Year 1979, a \$50 million CIP was proposed for FY 1980 and \$40 million authorized on December 27, 1979 under authority contained in A.I.D.'s FY 1980 Continuing Resolution. A Grant Agreement was signed between the GOS and A.I.D. on December 31, 1979 for the full \$40 million. Conditions Precedent were met March 24, 1980.

### b. Progress

Progress on the FY 1980 CIP has been excellent, reflecting both the critical need for foreign exchange and GOS desires to take full advantage of available resources. Allocations of the \$40 million were completed promptly. By the end of the fiscal year (six months after Conditions Precedent were met), all funds were covered by Financing Requests: \$35,547,701 (89% of Agreement) had been committed; \$25,081,701 (63% of Agreement) was in completed purchases and \$7,115,701 (18% of Agreement) was disbursed and the items in use in the Sudan. \$14,918,299 (37% of Agreement) remains for purchases that are planned, identified and in various stages of preparation.

1. Implementation Schedule

February	1981	Agreement Signed
MARCH	1981	Condition Precedent met
April	1981	First Letter of Commitment issued
June	1981	First Shipments made
April	1982	Grant fully committed in Purchase Letters of Credit or Direct Letters of Commitment
March	1983	Probable final shipments
April	1983	Probable final disbursement.

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c. Allocations

FY 1980 CIP allocations are as follows:

<u>Item</u>	<u>Amount</u>	<u>Status</u>
Wheat and wheat flour	\$10 million	Purchased
Wheat seed	1.7	Purchased
Cotton Lubricant	1.2	Purchased
Cotton Bale straps	2.4	Purchased
Cotton harvestors	3.3	Purchased
Locomotive Spares	1.4	0.3 purchased
Tallow (for soap)	13.0	6.1 purchased
Tinplate (for canning)	1.6	in process
Industrial Chemicals	2.0	in process
Newsprint	1.6	in process
Tractor spare parts	1.0	0.1 purchased
Rural Water spare parts	.3	in process
Various seed and other small items	.5	in process
<b>Total</b>	<b>\$40.0 million</b> =====	

d. Future

The future for the FY 1980 CIP consists of \$14 million in purchases in progress. There is a small element of about \$750,000 to \$1 million in funds that are currently allocated but may be excess to the allottee's needs. These are planned for re-allocation in the first 3 months of 1981 to items and allottees that have priority needs for relatively small purchases. The bulk of the FY 1980 CIP remaining "in process" consists of \$6.9 million planned for a single tallow purchase in November/December to coincide with supply needs of the soap industry. Delivery and disbursements will be spaced over a 3-4 months period following purchase. In addition, the Sudanese are holding an October 1980 IFB for over \$1 million in newsprint for local

44

newspapers and about \$1.8 million in industrial chemicals and tinplate for the private sector is being prepared for announcement to U.S. suppliers by AID/W. Slowest moving items appear to be spare parts. These are relatively simple to purchase yet, for large equipment such as locomotives, have extremely long production leadtimes and final delivery estimates. These types of spares have been averaging over 12 months in supplier estimated delivery periods. The majority of Agreement funds will be disbursed well before the present Agreement Terminal Disbursement Date of March 24, 1982. However, there will be a need to extend this date for a few purchased, yet undelivered items in the spare parts area.

e. Private and Public Sector

The FY 1980 CIP contained allocations to both private and public sector endusers. There is no commodity under the FY 1980 CIP that is being imported for commercial resale except wheat and wheat flour (\$10 million) that is purchased by the Ministry of Cooperation, Commerce and Supply and resold at concessional rates to private millers and bakers. The Sudanese Government does not own or participate in flour milling or baking. All other FY 1980 CIP items are purchased by the enduser or a "group leader" acting on behalf of several endusers. Private sector participation is about \$15.4 million (39% of Agreement), omitting wheat and flour. The private sector elements directly benefiting from the FY 1980 CIP are soap manufacturers (26 companies), food canners (2) and textile mills (3). Public sector parastatals benefiting directly are two government farms (Rahad and Gezira); several public cotton gins (lubricants to improve ginning of white fly contaminated cotton and cotton bale strapping); one public textile mill and one nationalised food canner; two public newspapers (newsprint) and several government farms receiving agricultural equipment spares. Central government participation has been limited by the GOS to wheat seed for propagation; equipment spares for Rural Water Authority and spare parts for the Sudan Railway Corporation.

4/7

## VIII. Other Considerations

### A. Impact on U.S. Balance of Payments

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

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

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

### B. Counterpart Generations

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

A probable use of the counterpart will be to meet the public sector costs for port clearance, duties and inland transportation costs for CIP goods. Costs for other public sector goods at Port Sudan whose movement could be facilitated may be considered also. While most public sector importers have sufficient funds in approved budgets for these costs, these budgets are often unfunded because of insufficient government revenues. However, they virtually never have sufficient funds available to finance road hauling, which runs two to three times as much as rail transport to remote areas and 70 percent higher than rail costs on paralleling all weather roads.

48

Another possible use will be to pay a private firm active in Port Sudan to conduct arrival accounting functions and expedite inland transportation. USAID does not have the necessary staff to perform this function itself.

C. Internal Financial Effects

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

D. Use of U.S. Government Excess Property

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

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

The Ex-Im Bank currently has an exposure in the Sudan of about \$20 million. This total includes \$16 million in project loans and \$4 million in guarantees and insurance. Past delinquencies of \$2.7 million, which caused suspension of further supplier credit activity for Sudanese purchases, 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 present rescheduled debt commitments to Ex-Im.

There have been two small Foreign Credit Insurance Association (FCIA) loans completed in 1980 that were based upon long pending past acceptances. However, there has been nothing new considered for 1980. The CIP grant for FY 1981 will complement, not conflict, with Ex-Im Bank activities.

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

OPIC, an agency now under the authority of IDCA, was established to promote U.S. private investment in developing countries by making

419

loans to overseas ventures and providing insurance against war, currency inconvertibility and expropriation. For Sudan, OPIC emphasizes transportation and agricultural projects.

Before 1979, OPIC had issued four insurance policies covering \$12.5 million in investments in the Sudan. During the period 1979-1980, additional OPIC coverage of \$20 million was issued for activities in transportation.

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

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IX. Recommendations

It is recommended that a grant to the Government of the Democratic Republic of the Sudan of forty (40) million dollars (\$50,000,000) be authorized for financing the importation of selected commodities, commodity related services, and other services as described below.

A. Terms and Conditions :

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

B. Authorities

Approval is given USAID/Sudan to:

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

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## ANNEX I

STATISTICAL TABLES

1. Sudan: Supply and Use of Cotton Lint, 1973/74 - 1978/79
2. Area Planted and Output of Major Noncotton Crops, 1974/75 - 1979/80
3. Sudan: Balance of Payments, 1975/76 - 1980/81
4. Sudan: Export Indices, 1970-78
5. Gross Reserves and Net Foreign Assets, 1976-79
6. Composition of Exports, 1975/76 - 1979/80
7. Imports by Category of Commodity, 1974-79
8. Imports by Commodity, 1974-1979 (Detailed Breakdown)
9. Percentage Share of Sudan's Main Suppliers in the Total Value of Imports, 1971-1979
10. Sudan: Imports from U.S. 1977
11. Sudan: External Debt, 1975-1979

52

Table 1

Sudan: Supply and Use of Cotton Lint, 1973/74-1978/79 <sup>1/</sup>  
(In thousands of bales)

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79
Total supply	<u>1,416</u>	<u>1,933</u>	<u>1,594</u>	<u>1,127</u>	<u>1,265</u>	<u>1,133</u>
Opening stocks (March 1)	364	680	418	545	403	115
Production <sup>2/</sup>	1,052	1,253	1,176	582	782	1,018 <sup>3/</sup>
Total use	<u>736</u>	<u>1,515</u>	<u>567</u>	<u>644</u>	<u>1,150</u>	<u>953 <sup>3/</sup></u>
Export sales	<u>660</u>	<u>1,443 <sup>4/</sup></u>	<u>504 <sup>5/</sup></u>	<u>501</u>	<u>1,070</u>	<u>853 <sup>6/</sup></u>
Domestic consumption	60	72	63	63	72	100 <sup>3/</sup>
Ending uncommitted stocks (February 28)	<u>680</u>	<u>418</u>	<u>545</u>	<u>483</u>	<u>115</u>	<u>180 <sup>3/</sup></u>
Memorandum item:						
Export shipments during fiscal year	909	596	1,106	792	821	910

Sources: Cotton Public Corporation and Bank of Sudan.

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

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

<sup>3/</sup> Estimates

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

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

<sup>6/</sup> Derived as a residual



Table 2

Sudan: Area Planted and Output of Major  
Noncotton Crops, 1974/75 - 1979/80

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

	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 <sup>1</sup>
<b>Sorghum</b>						
Area planted	5,864	6,179	6,287	6,662	7,202	6,490
Output	1,774	2,026	1,800	2,017	2,408	1,897
Yield	297	328	286	303	334	292
<b>Dukhn</b>						
Area Planted	2,646	2,512	2,773	2,984	3,078	2,375
Output	444	403	473	488	550	369
Yield	168	160	171	164	179	155
<b>Groundnuts</b>						
Area planted	1,717	2,066	1,894	2,629	2,327	2,354
Output	875	931	740	1,021	804	846
Yield	510	451	391	388	345	359
<b>Sesame</b>						
Area planted	2,199	2,291	2,288	2,349	2,057	2,079
Output	282	238	253	245	214	231
Yield	128	104	110	104	104	111
<b>Wheat</b>						
Area planted	598	714	639	592	586	448
Output	246	264	294	317	177	219
Yield	411	370	460	535	302	489
<b>Gum Arabic</b>						
Output <sup>2/</sup>	53	43	26	39	35	-

Source: Ministry of Agriculture, Food and Natural Resources.

<sup>1/</sup> Estimates

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

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Table 3

Sudan: Balance of Payments, 1975/76-1980/81  
(In millions of U.S. dollars) 1/

	1975/76	1976/77	1977/78	Estimate 1978/79	1979/80	1980/91
Exports, f.o.b. <u>2/</u>	<u>500.5</u>	<u>3.8</u>	<u>551.0</u>	<u>527.0</u>	<u>580</u>	<u>690</u>
Cotton	300.4	285.7	295.8	320.7	260	320
Imports, c.i.f. <u>2/</u>	<u>-1,061.6</u>	<u>- 985.9</u>	<u>-1,188.0</u>	<u>-1,137.9</u>	<u>- 1,370</u>	<u>- 1,600</u>
Trade balance	<u>- 511.1</u>	<u>- 392.1</u>	<u>- 637.0</u>	<u>- 610.9</u>	<u>- 790</u>	<u>- 910</u>
Services (net) <u>3/</u>	<u>- 41.4</u>	<u>- 44.5</u>	<u>- 73.5</u>	<u>- 104.5</u>	<u>- 92</u>	<u>- 242</u>
Receipts	107.9	118.6	158.8	181.0	210	245
Payments	- 149.3	- 163.1	- 232.3	- 285.5	- 302	- 487
Interest on debt	(43.9)	27.9)	(60.0)	(77.8)	(62)	(212)
Unrequited transfers (net)	<u>150.7</u>	<u>183.3</u>	<u>244.7</u>	<u>257.2</u>	<u>290</u>	<u>340</u>
Receipts	150.7	183.3	244.7	257.2	290	340
Payments	--	--	--	--	--	--
Current account	<u>- 401.8</u>	<u>- 251.1</u>	<u>- 65.8</u>	<u>- 458.2</u>	<u>- 592</u>	<u>- 812</u>
Official capital (net)	<u>324.6</u>	<u>198.1</u>	<u>65.4</u>	<u>347.9</u>	<u>488</u>	<u>162</u>
Receipts	401.3	255.2	132.0	405.0	577	405
Repayments	-70.7	- 56.5	- 65.5	- 55.3	- 89	- 243
Compensation for nationalization	- 6.0	0.6	- 1.1	- 1.8	--	--
Allocation of SDR:	--	--	--	13.0	13	13
Monetary movements (nimus = increase)	95.5	- 2.3	75.5	- 6.0	91 <sup>4/</sup>	100 <sup>4/</sup>
Errors and Omissions <u>5/</u>	-18.3	57.5	324.9	103.3	--	(537)

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

1/ Conversion rates: to 1977/78, Lsd 1 = US \$2.87; 1978/79, \$2.50; 1979/80-80/81, \$2.00

2/ Customs data. 3/ Includes estimated interest on external debt. 4/ Net IMF financing excluding Trust Fund.

5/ Includes short term capital flows and accumulation of errors.

Table 4  
Sudan: Export Indices, 1970-79  
(1970-71 = 100)

	1970	1971	1972	1973	1974	1975	1976	1977	1978
Volume index	95	104	96	101	49	70	90	37	71
of which: cotton <u>1/</u>	94	106	94	83	29	56	70	70	56
Value index	99	101	113	133	221	193	192	243	227
Export price index of industrial countries <u>2/</u>	97	103	112	133	163	183	185	203	234

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

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

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

Table 5

## Sudan: Gross Reserves and Net Foreign Assets, 1976-79

(In millions of U.S. dollars)

	1976		1977		1978		1979	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Monetary authorities	<u>-532</u>	<u>-600</u>	<u>-588</u>	<u>-625</u>	<u>-603</u>	<u>-600</u>	<u>-602</u>	<u>-692</u>
Convertible foreign exchange <u>1/</u>	33	20	25	28	22	32	31	80
Net bilateral claims <u>2/</u>	-38	-30	-36	-45	-41	-36	-37	-52
Net IMF position <u>3/</u>	-152	-140	-134	-117	-92	-130	-145	-212
Bank of Sudan short-term liabilities to foreign banks	-271	-346	-341	-386	-391	-399	-384	-445
Liabilities from Kuwait loan	-203	-104	-104	-105	-102	-67	-67	-63
Commercial banks	<u>-21</u>	<u>-4</u>	<u>38</u>	<u>27</u>	<u>58</u>	<u>61</u>	<u>99</u>	<u>121</u>
Assets	26	68	55	58	81	168	120	194
Liabilities	-48	-72	-17	-30	23	-107	-21	-73
Net foreign assets	<u>-553</u>	<u>-605</u>	<u>-551</u>	<u>-598</u>	<u>-545</u>	<u>-539</u>	<u>-503</u>	<u>-571</u>

Source: Data provided by the Sudanese authorities.

1/ The bank is required to maintain at all times gold and external assets (including SDRs) of not less than the equivalent of LSd 7 million.2/ Including balances on account established under loan agreements with certain East Bloc countries.3/ As reported by Bank of Sudan.

PS

Table 6

Sudan: Composition of Exports, 1975/76 - 1979/80

(In millions of Sudanese Pounds)

	1975/76	1976/77	1977/78	1978/79	July-March 1979/80
Exports (f.o.b.)					
Ginned cotton	104.6	99.5	103.0	128.3	135.3
Gum Arabic	10.7	11.9	12.3	16.0	17.3
Groundnuts	40.2	36.0	27.9	10.2	4.1
Sesame	11.5	21.6	19.3	11.1	11.3
Livestock	0.4	3.6	5.4	7.1	n/a
Dura	1.8	4.5	3.0	3.5	25.2
Meat	—	0.4	0.3	—	n/a
Hides and Skins	3.5	4.2	3.8	3.5	4.0
Castor Seeds	1.1	1.0	0.2	0.3	—
Karkadesh	0.4	1.4	0.6	1.0	1.0
Cake and Meal	5.6	9.1	2.8	8.4	11.2
Others	11.9	13.6	13.3	28.5	16.3
Total	<u>191.7</u>	<u>206.8</u>	<u>191.9</u>	<u>217.9</u>	<u>225.7</u>

Source: Bank of Sudan

59

**Table 7**  
**Sudan: Imports by Category of Commodity**  
**1974 to 1979**  
**(In millions of Sudanese pounds)**

	1974	1975	1976	1977	1978	1979
Foodstuffs and tobacco	59.7	64.7	50.5	41.8	61.6	61.6
Raw materials, including petroleum products	34.0	28.2	31.9	45.6	50.8	73.2
Chemicals	27.2	40.2	33.4	32.7	41.6	48.8
Textiles	24.1	43.0	21.9	28.2	37.8	26.7
Machinery and transport equipment	63.8	123.6	153.6	165.3	169.4	171.7
Other manufactured goods	<u>38.7</u>	<u>60.2</u>	<u>50.0</u>	<u>62.9</u>	<u>88.3</u>	<u>95.9</u>
Total	247.5	359.9	341.4	376.5	449.5	477.3

Source: Bank of Sudan

60

Table 8  
Imports by Commodity  
(Value in LS.000's)

Commodity	Unit	1975		1976		1977		1978		1979	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
<b>Food Stuffs</b>											
Rice	M.T.	---	---	1,003	141	1,590	166	2,560	301	7,589	1,440
Wheat	"	128,860	8,323	195,647	11,731	109,239	6,488	119,782	5,955	130,816	9,736
Wheat Flour	"	8,061	659	7,380	636	52	2	46,317	2,970	144,096	12,271
Sugar	"	132,231	39,706	143,693	21,951	141,637	13,440	197,750	18,930	155,608	20,479
Tea	"	11,636	4,231	11,744	3,875	12,683	6,551	26,236	17,398	6,899	6,185
Coffee	"	7,533	2,197	4,925	2,095	2,005	1,695	2	5	46,029	1,598
Dairy Products	"	2,984	1,393	3,022	1,379	3,611	1,712	4,477	2,994	3,023	2,025
Fish and Fish Preparations	"	1,319	287	24	12	76	20	227	85	115	41
Meat and Meat Preparation	"	1	1	9	10	17	18	253	96	82	147
Fruits and Fruits Preparation	"	8,262	1,015	5,461	856	4,054	898	3,055	1,417	1,986	831
Vegetables and Vegetables Preparation	"	587	152	1,679	200	1,965	463	1,515	315	1,751	647
Confectionery, Sweets, Cakes and Biscuits	"	268	93	691	175	626	199	2,564	637	3,534	763
Malt	"	1,513	221	1,457	171	2,002	242	1,915	246	1,899	248
Lentils	"	511	98	1,956	363	7,341	1,053	4,422	672	3,000	663
Animal and Vegetables oils	"	664	178	1,155	260	913	251	1,646	673	775	447
Spices	"	235	160	520	301	438	879	298	256	503	262
Miscellaneous	"	---	1,734	---	1,084	---	1,673	---	2,040	---	2,033
<b>DRINKS AND TOBACCO</b>											
Non Alcoholic	M.T.	22	41	31	110	57	154	149	266	134	300
Whisky	Lit.	201,813	332	181,607	193	229,179	259	283,193	368	285,418	489
Brandy	"	76,204	97	102,299	118	69,545	170	141,253	157	940,022	424
Gin	"	13,017	16	16,964	11	21,078	19	10,442	15	218,410	70
Champagne	"	2,310	4	600	1	2,678	1	16,982	71	36,872	76
Beer	"	384,300	40	263,109	69	624,362	175	1,045,071	349	1,631,613	595
Other Alcoholic	"	9,753	13	128,056	76	84,335	98	132,280	83	86,414	85
Cigars	M.T.	2	9	4	17	19	88	2	14	1	4
Cigarettes	"	935	3,304	1,140	4,023	950	4,650	1,110	4,214	519	591
Tobacco	"	400	383	586	627	447	446	984	1,244	590	605
Miscellaneous	"	---	16	---	---	---	1	---	---	---	---
<b>CRUDE MATERIALS</b>											
Crude Rubber	M.T.	2	4	---	---	---	---	5	2	---	---
Waste Papers	"	2,253	181	951	64	4,004	294	297	43	---	---
Coal	"	---	65	3	---	126	10	---	---	310	20
Petroleum Prod.	"	840,302	27,228	916,687	31,119	1,168,052	44,354	1,142,942	49,953	1,226,764	71,889
Seeds for Sowing	"	---	3	---	12	596	209	---	49	76	172
Fallow	"	1,089	215	2,450	509	2,570	519	1,902	481	1,009	622
Miscellaneous	"	---	550	---	219	---	228	---	251	---	470

17

Table 2 (continued)

Commodity	Unit	1975		1976		1977		1978		1979	
		Quantity	Value								
<b>CHEMICALS</b>											
Medical and Pharmaceutical Products	Value	---	9,761	---	8,398	---	10,158	---	11,527	---	10,581
Perfumes and Cosmetics	M.T.	448	801	789	1,031	761	978	731	1,252	452	834
Fertilizers	..	276,057	9,681	189,809	9,169	70,614	3,370	6,255	411	88,711	5,969
" Manufactured "	..	14,287	9,070	8,434	5,823	9,743	7,137	11,072	9,613	8,197	10,296
Insecticides	M.T.	68	26	201	89	390	214	53	38	213	108
Explosives	M.T.	---	10,818	---	8,915	---	10,811	---	15,725	53	21,027
Miscellaneous	..	---	---	---	---	---	---	---	---	---	---
<b>MANUFACTURED GOODS</b>											
Leather and Leather Manufactures	M.T.	311	174	193	146	153	154	244	218	194	287
Rubber Manufactures	..	2,431	1,230	1,984	1,054	1,463	2,421	3,682	1,803	1,545	1,240
Wood and Cork Manufactures	..	27,125	4,426	10,016	986	28,937	3,988	30,245	3,449	12,339	2,942
Glass and Glass Wares	..	9,172	1,550	4,185	915	7,193	1,481	11,105	2,806	8,268	2,841
Iron and Steel	..	63,120	13,381	36,833	6,812	62,439	8,327	51,044	8,750	30,980	8,759
Metals Manufactures	..	42,294	11,731	34,631	14,203	69,549	20,759	64,957	32,855	101,776	42,217
Foot-Wears	Pair	1,200	10	---	---	179,427	160	95,978	88	33,577	50
Hute and Sacks	No.	36 726,630	7,663	15,699,550	2,395	26,565,487	3,577	24,829,507	4,544	19,765,690	5,300
Books, Magazines, News Papers, Films Stationery	M.T.	4,572	2,518	2,885	1,539	3,493	2,261	2,552	3,109	2,601	1,699
Asbestos Cement Pipes	..	81,022	3,528	53,680	8,043	114,480	5,815	166,360	7,416	69,095	11,087
Scientific Instruments	Value	---	2,865	---	3,187	---	1,988	---	5,852	---	1,845
Paper Manufactures	M.T.	21,561	5,571	26,884	4,229	45,858	6,787	101,265	7,391	29,777	6,066
Plastic Manufactures	..	7,409	1,390	7,521	3,749	9,857	3,724	11,530	6,116	10,123	7,319
Ceramic Products	..	3,448	617	979	355	2,591	604	3,301	1,136	2,115	954
Toys and Sporting Goods	M.T.	301	206	425	416	518	317	415	681	525	384
Miscellaneous	..	---	1,529	---	1,915	---	1,284	---	2,201	---	810
<b>MACHINERY AND EQUIPMENTS</b>											
Machinery Electric	M.T.	2,256	1,624	2,572	3,405	7,897	6,383	2,331	4,746	4,524	12,435
Machinery Non-Electric	..	22,038	19,221	21 147	25,631	35,027	34,128	22,166	26,583	16,909	32,025
Refrigerators	No.	364	30	25	1	192	15	3	3	210	65
Air Conditioners	..	171	61	236	47	709	200	341	111	631	345
Ovens	..	5	7	5	12	---	---	2	10	---	---
Machinery Spare Parts	M.T.	30,541	26,527	55,732	59,271	51,876	71,214	45,861	60,104	19,074	38,666
T.V., Radios and T. Rec.	Value	---	643	---	792	---	1,168	---	916	---	1,917
Dry Batteries	M.T.	1,605	475	1,593	540	811	512	---	78	181	359
Tractors	No.	1,900	6,355	2,813	5,628	846	2,702	2,898	4,835	947	4,417
Textile Machinery and Parts	M.T.	3,278	4,202	35,016	15,267	6,852	9,297	10,681	14,589	4,708	10,567

Table 8 (continued)

Commodity	Unit	1975		1976		1977		1978		1979	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
<b>TRANSPORT EQUIPMENTS</b>											
Aircrafts	No.	4	5,900	10	523	3	313	10	2,729	2	282
Railway Locomotives	"	16	326	6	525	1	23	5	57		
Railway Wagons	"			33	311	102	1,032				
Road Passenger Cars	"	2,169	10,195	2,770	4,754	3,092	5,911	2,369	7,298	2,168	6,420
Lorries	"	5,065	19,245	2,286	14,664	5,928	8,697	1,603	11,679	1,924	14,001
Buses	"	40	530	71	210	181	475	175	1,121	116	2,283
Tyres and Tubes	"	1,158,523	5,193	761,475	2,769	1,122,891	6,509	1,584,993	9,657	638,172	11,173
Ferries and Steamers	"	307	1,115	8	421	49	40	19	186	74	822
Auto-Spare Parts	Value		14,962		12,868		12,947		22,118		33,136
Motor Cycles	No.	1,105	60	67	25	149	25	171	151	791	125
Bicycles	"	8,900	171	6,671	157	3,957	81	19,287	761	22,245	766
Locomotive Parts	Value		2,962		3,627		1,892		470		1,841
Aircrafts Parts	"		1,920		2,171		1,342		1,123		07
Miscellaneous	"		1,868								
<b>TEXTILES</b>											
Grey Unbleached Wholly of Cotton	M.T.	10,936	9,100	2,337	1,945	4,853	4,846	10,349	10,869	1,693	2,191
Bleached Wholly of Cotton	"	5,460	6,214	1,562	2,176	1,854	2,437	1,356	1,942	1,743	3,121
Printed Wholly of Cotton	"	3,440	5,032	1,141	1,408	1,175	3,768	2,057	4,212	2,648	5,976
Other Dyed in the Piece Wholly of Cotton	"	3,459	5,454	1,988	3,335	2,378	5,242	2,727	4,855	3,242	5,811
Dyed in the Yarn Wholly of Cotton	"	104	137	147	184	135	194	84	301	147	475
Other Fabrics Wholly of Cotton	"	44	66	11	20	13	25	17	30	3	12
Other Fabrics Cotton Mixed with other Materials	"	2,396	3,173	1,230	1,230	682	852	1,547	2,491	464	904
Woven Silk Fabrics	"	13	31		2	2	3	5	11		
Woven Wool Fabrics	"	89	153	3	11	28	103	3	8	9	25
Woven Fabrics Flax and Ramie	"	2,713	755	476	135	1,064	240	2,018	431	15	35
Woven Fabrics Synthetics	"	5,353	6,361	4,330	6,242	3,520	4,967	3,363	4,708	2,921	3,571
Textiles Yarn and Threads	"	2,038	2,792	1,293	1,810	2,916	2,486	2,472	3,460	936	1,961
Tulle Lace and Embroidery	"	28	63	90	137	12	21	47	96	17	17
Special Textile Fabrics	"	2,484	1,062	1,277	902	1,321	875	1,685	1,000	1,303	751
Made-Up Articles of Tex. Materials	"	1,388	1,186	815	702	1,446	1,022	1,302	1,445	795	769
Made-Up Textiles	"	976	1,473	631	1,227	700	1,151		1,523	841	1,097
Miscellaneous	"										9
<b>GRAND TOTAL</b>			<b>359,873</b>		<b>341,386</b>		<b>376,484</b>		<b>449,464</b>		<b>477,318</b>

**Table 9**  
**The Percentage Shares of Sudan's Main Suppliers**  
**In the Total Value of Imports During the Period 1971- 1979**

	1971	1972	1973	1974	1975	1976	1977	1978	1979
P.R. of China	6.7	7.5	6.7	9.1	4.5	2.8	2.7	5.0	4.1
U.S.S.R.	6.8	4.5	6.0	1.0	0.4	1.8	0.5	0.2	0.8
Other Socialist Countries	9.7	7.7	7.0	4.7	4.7	3.7	3.4	4.2	5.3
E.E.C.	29.6	33.5	37.4	30.3	37.6	46.0	45.2	46.0	35.9
Japan	4.2	4.0	6.0	5.3	10.1	6.5	10.6	6.5	6.8
U.S.A.	2.5	4.1	7.1	8.9	8.5	9.4	6.5	7.3	8.8
India	19.7	16.0	7.6	11.5	7.3	5.6	4.5	4.8	2.4
Other W. Europe	4.4	3.4	3.6	3.1	3.3	3.5	4.4	5.1	6.0
Others	10.5	14.9	16.2	23.8	21.9	19.6	20.9	18.9	29.9
<b>TOTAL</b>	<b>100.0</b>								

64

Table 10

Sudan: Imports from U.S. 1977

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

Total Worldwide Imports	42,176,799
Total Imports from U.S.	20,064,654
Wheat Unmilled	5,920,665
Wheat Flour	507,050
Other Food Preparations	197,954
Cigarettes	49,921
Lumber, Sawn, Softwood	37,755
Seeds for Sowing	68,068
Lubricating Oil	50,014
Other Lubricating Preparations	25,708
Other Animal Oils	254,967
Medicaments	412,223
Products of Polymerization and Copolymerization	74,458
Insecticides	2,141
Prepared Glues ready for retail sale	27,478
Animal Black Prepared Glossings, Dressings, etc.	28,017
Other Chemical Products	27,762
Other Covers for Tractors, Excavating Machinery	38,108
Other Outer Covers and Solid Tyres	27,101
Newsprint	76,466
Kraft Paper Cardboard	49,842
Tableware	57,313
Wire Rod	114,029
Plates Universal Heavy	29,147
Tinplate	47,103
Hoop and Strip Iron Steel	151,283
Hangers, Bridges and Sections, Sheds	915,347
Other Finished Structural Parts, Doors, etc.	104,156
Interchangeable Tools, Drill Bits, Tap Dies, etc.	31,451
Other Internal Combustion Diesel Engines and Parts	109,199
Agricultural Machinery, etc., Preparing-Cultivating Soil	190,019
Agricultural Machinery Harvesting, Threshing, etc.	860,355
Agricultural Tractors	86,572
Auxiliary Machines, Parts Extruding Weaving, etc.	628,943
Other Food Processing Machines	53,020

65

Table 10 (continued)

## Imports from U.S. (continued)

Excavating, Leveling, Boring Machinery	1,382,625
Air Conditioners Completed	53,296
Air Conditioner Units, Condenser, Compressor, etc.	57,954
Other Air Conditioning Equipment	40,363
Other Parts of Refrigerators, etc., non-domestic	130,501
Other Heating, Cooling Equipment, Industrial	145,031
Pumps for Liquids	32,244
Air Vacuum Pumps, Gas	76,523
Other Lifting, Handling, Loading Machinery	270,673
Domestic Refrigerator Units, Condenser, Compressor, etc.	51,599
Other Parts Domestic Refrigerators	98,489
Machinery and Mechanical Appliances	71,829
Parts, Accessories Machinery	119,124
Electric Motors	111,983
Electric Switch Gear	228,808
Wireless Equipment including Radio, Radar, etc.	899,895
Primary Cells, Batteries, Accumulators	86,040
Parts Railway Tramway Locomotives	68,640
Road Passenger Cars	473,517
Motor Vehicles for Road Transport Goods	30,559
Special Purpose Vehicles	29,463
Tractors Except Agricultural Except Fork Lifts	131,270
Chassis Fitted with Engines for Tractors	87,250
Parts and Accessories for Agricultural Tractors	450,930
Parts of Aircraft	210,367
Medical Dental Surgical Veterinary Instruments, Appliances	30,325
Instruments for Measuring or Controlling the Flow Depth Pressure of Liquids	86,642
Parts of Guns Motors Rifles Artillery Weapons	50,960

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

166

Table 11  
Sudan: External Debt, 1975-79  
(In millions of U.S. dollars)

	1975	1976	1977	1978	1979
Total external debt out- standing, disbursed only, end of period <u>1/</u>	<u>1,181.4</u>	<u>1,605.3</u>	<u>1,797.5</u>	<u>2,076.1</u>	<u>2,603.1</u>
By type of creditor:					
Suppliers' credits	231.6	277.6	301.9	287.7	312.7
Financial institutions	257.4	336.0	351.2	547.9	537.9
Multilateral institutions	160.4	237.5	296.3	396.2	501.2
Bilateral loans	531.9	754.2	848.1	844.3	1,251.3

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

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

47

USAID/SUDAN PROJECT DESCRIPTIONS, INCLUDING  
PROPOSED FY 1981/1982 PROJECTS

I. CURRENT PROJECTS:

Project No.:

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

increasing agricultural production to achieve self-sufficiency in food grains; increasing farm incomes and improve diets; increasing water supplies to human and animal needs in the dry season; improving communication and access; upgrading educational facilities; and extending primary health care services in the Abyei area. The project is being implemented by three U.S. technicians in cooperation with Sudanese counterparts.

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

- 650-0012 Rural Development Planning Project: The project will attempt to improve skills in planning, designing, implementing, and evaluating agricultural development projects in the traditional sector, develop institutional mechanisms to feed applied research results into the regional planning process, and improve data collection, analysis and integrated planning capacity at the provincial level. Expertise to conduct courses, seminars and workshops and funding for participant training will be provided.
- 650-0028 Literacy Training Project: The project seeks to reorient education in Southern Sudan to the development needs of the area and bring the quality of education up to national primary school standards. Pre-primer, primer and post-primer materials will be produced in 16 languages, and curriculum development and teacher education is being emphasized. The project is being implemented by the Summer Institute for Linguistics, a U.S. private voluntary agency.
- 650-0035 Yambio Research Station Project: The project is reestablishing the Agricultural Research Corporation's Yambio Agricultural Research Station by rehabilitating the buildings, re-equipping the laboratories, and fostering research and development activities to complement PDU and Southern Regional Ministry of Agriculture programs. The project is being implemented by the International Voluntary Services, a U.S. private voluntary agency.
- 650-0031 Southern Sudan Rural Infrastructure Project: The project will rehabilitate the roads from Mundri to Rumbek, Rumbek to Wau and Rumbek to Shambe to minimum commercial access standards. Technical assistance will be provided for road construction, and training to improve the Ministry of Communication, Transport and Roads capability to plan, coordinate and implement road projects.
- 650-0030 Health Sector Support Project: The project will provide foreign exchange and local currency resources to foster effective and timely implementation of the primary health care program and ensure the dependable availability of financial resources for the general expansion of health facilities and services throughout the country.
- 270

650-0044 The Jonglei Swamp Transport Project: The project is designed to test the feasibility of different swamp transport vehicles for the support of rural development activities in Jonglei province. The project will provide three different swamp vehicles for use by the executive organ of the Jonglei Development Commission to provide access to the isolated population in that province. Such access is considered critical for the definition of and implementation of development activities in the area and will be used by a series of other donor development projects.

650-0045 The Rural Gum Arabic Reforestation Project: The project is designed to undertake reforestation activities in North Kordofan province. These activities include refurbishing four tree nurseries to produce seedlings; three million seedlings planted, and the soil stabilized in planted areas during the project period. The project is being implemented by two Norwegian technical advisors from the International Union for Child Welfare (IUCW), private voluntary organization, from an office established within the Sudanese Forestry Department in El Obeid.

650-0039 Petroleum Training Project: The Department of Energy will furnish personnel to implement the training of about 45 staff members of the Sudanese organization responsible for Sudan's petroleum operations. The project seeks to increase Sudan's management expertise in petroleum research and utilization.

## II. PROPOSED FY 1981/1982 PROJECTS:

650-0048 Integrated Wildlife and Pest Management Project: The project will carry out research relating to various pests/wildlife and help institutionalize a capacity to reduce crop losses due to rats and quelea birds.

650-0041 Village Renewable Energy Project: The project will assist in institutionalizing Sudanese efforts in appropriate village level technology. Particular emphasis will be on adoptive research of existing technology to meet local cultural conditions.

650-0047

Agricultural Statistics and Planning Project: The project will help institutionalize the capacity to obtain data required for proper planning and management of resources within the agricultural sector.

The Democratic Republic of the Sudan  
Ministry of National Planning

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

Ref: MNP/330/8/121  
Khartoum, September 29, 1980

Mr. Arthur W, Mudge,  
A.I.D. Director,  
US AID Mission Sudan,  
American Embassy,  
P.O. Box 699,  
Khartoum

Dear Mudge,

SUBJECT: Second Commodity Import Programme  
Between the Government of the  
United States of America and the  
Democratic Republic of the Sudan.

Pursuant to our discussions pertaining to the submission of our requirements under the Commodity Import Programme for 1980/81 within a great magnitude of US \$40 million, please find enclosed herewith an indicative list of our requirements.

You are kindly requested to consider financial allocation of 50% of the freight costs of the commodities included in our list against the grant, while the other 50% will be borne by the Sudan Government.

May I avail myself this opportunity to convey to you our highest considerations.

Mirghani Mohamed Ahmed  
STATE MINISTER,  
THE MINISTRY OF NATIONAL PLANNING

73

COMMODITY IMPORT PROGRAMME  
(C.I.P.) GRANT

PUBLIC SECTOR:MILLIONS US DOLLARS

## I/ Agriculture

- |                     |   |              |  |
|---------------------|---|--------------|--|
| a- Cotton pickers   | } | with back up |  |
| b- Cotton strippers | } | services     |  |
| c- Cotton planter   | } |              |  |

6

II/ Spare part & equipments  
for :

- a- Public Electricity  
& Water Corporation
- b- Sudan Telecommunications  
Corporation

Sub-total

2
8
*****

PRIVATE SECTOR

- a- Rice
- b- Tallow
- c- Milling Machinery
- d- Tinplate
- e- Chemicals for Industry
- f- Spare parts
- g- News print
- h- Pharmaceutical products

5

12

5

2

2

2

2

2

Sub-total

32
*****

total

40

INITIAL ENVIRONMENTAL EXAMINATION

Project Country: Sudan  
 Project Title: Sudan Commodity Import Grant  
 Funding: FY(s) 81 \$ 50,000,000  
 Period of Project: The terminal date for requesting disbursement authorization is 12 months from the date of the Grant agreement. The terminal disbursement date is 24 months from the date conditions precedent are met.

IEE Prepared by : Richard Aitken

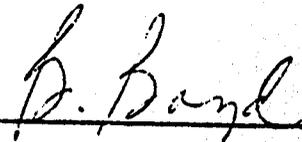
Environmental Action Recommended: Negative Determination

Concurrence:

  
 Arthur W. Mudge, Director, USAID/Sudan  
 Date 10/7/80

Bureau Environmental Officer's Decision:

APPROVED



DISAPPROVED

DATED

2/24/81

Clearance: GC/AFR: 92 2/12/81

75

## Examination of Nature, Scope and Magnitude of Environmental Impacts

### I. Description of the Project

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

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

### II. Recommended Environment Action

In accordance with A.I.D. Reg 16, paragraph 216.2(c)(2) (it has been determined that a negative determination is appropriate regarding the environmental impact of this activity. As the proceeds of the grant will not be used for the purpose of carrying out a specifically identifiable project or projects, an Environmental Assessment or Environmental Impact Statement is not required.

STATUTORY CHECKLISTSUDAN--FY 1981 C.I.P. GRANTI. Nonproject Assistance ChecklistA. General Criteria for Nonproject Assistance1. App. Unnumbered; FAA Sec 653(b)

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

Proposed C.I.P. Grant was included in the      FY 1981 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?

No further legislation is required.

3. FAA Sec. 209, 619.

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

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

77

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

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

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

5. FAA Sec. 601(b).

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

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

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

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

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

7. FAA Sec. 612(d).

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

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

78

B. Funding Criteria for Nonproject Assistance for Economic Support Fund

1. FAA Sec. 531 (a).

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

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

1.a. Yes, to the extent possible.

2. FAA Sec. 533.

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

2. No.

II. Country Eligibility Checklist

A. General Criteria for Country Eligibility

1. FAA Sec. 116.

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

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

2. FAA Sec. 481.

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

No

3. FAA Sec. 620(b).  
If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement?
4. FAA Sec. 620(c).  
If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?
5. FAA Sec. 620(e)(1).  
If assistance is to a government, has it (including government agencies or subdivision) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?
6. FAA Sec. 620(a), 620(f); FY 79 App. Act Sec. 108, 114 and 606.  
Is recipient country a Communist country? Will assistance be provided to the Socialist Republic of Vietnam, Cambodia, Laos, Cuba, Uganda, Mozambique, or Angola?
7. FAA Sec. 620(f).  
Is recipient country in any way involved in (a) subversion of, or military aggression against, the United States or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression?

Yes

No

No

No

No

80

8. FAA Sec. 620(j).  
Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction, by mob action, of U.S. property? No
9. FAA Sec. 620(1).  
If the country has failed to institute the investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation, has the AID Administrator within the past year considered denying assistance to such government for this reason? No
10. FAA Sec. 620(o); Fishermen's Protective Act of 1967, as amended, Sec. 5.  
If country has seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters, Sudan has taken no such action.
- a. has any deduction required by the Fishermen's Protective Act been made?
- b. has complete denial of assistance been considered by A.I.D. Administrator?
11. FAA Sec. 620; FY 79 App. Act Sec. 503.  
(a) Is the government of the recipient country in default for more than six months on interest or principal of any AID loan to the country? (b) Is country in default exceeding one year on interest or principal on U.S. loan under program for which App. Act appropriates funds? No

81

12. FAA Sec. 620(s).

If contemplated assistance is development loan or from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget which is for military expenditures, the amount of foreign exchange spent on military equipment and the amount spent for the purchase of sophisticated weapons systems?

Yes, as reported in annual report on implementation of Sec. 620(s).

13. FAA Sec. 620(t).

Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

The GOS severed diplomatic relations with the U.S. in 1967, but they were resumed in 1972.

The 1958 bilateral Assistance Agreement was reconfirmed in 1973 and remains in effect.

14. FAA Sec. 620(u).

What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget?

Current

15. FAA Sec. 620A, FY 79 App. Act, Sec. 607.

Has the country granted sanctuary from prosecution to any individual or group which has committed an act of international terrorism?

No

16. FAA Sec. 666.

Does the country object, on basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. there to carry out economic development program under FAA?

No

17. FAA Sec. 669, 670.  
Has the country, after August 3, 1977, delivered or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards? Has it detonated a nuclear device after August 3, 1977, although not a "nuclear-weapon state" under the nonproliferation treaty?

No

B. Funding Criteria For Economic Support Fund Country Eligibility.

1. FAA Sec. 5028.  
Has the country engaged in a consistent pattern of gross violations of internationally recognized human rights?

No

2. FAA Sec. 609.  
If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

Yes

3. FY 79 App. Act Sec. 113.  
Will assistance be provided for the purpose of aiding directly the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights?

No

III. Standard Item Checklist

A. Procurement

1. FAA Sec. 602.  
Are there arrangements to permit U.S. small business to participate equitably in the furnishing of goods and services financed?

Yes, using A.I.D. Regulation 1 procedures.

B

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

84

7. FAA Sec. 621.

If technical assistance is financed, will such assistance be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis? If the facilities of other Federal agencies will be utilized, are they particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

Technical assistance will not be financed by this Grant.

8. International Air Transport. Fair Competitive Practices Act, 1974.

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

Yes

9. FY 79 App. Act Sec. 105.

Does the contract for procurement contain a provision authorizing the termination of such contract for the convenience of the United States?

Yes

B. Construction

No construction will be financed by this Grant.

C. Other Restrictions1. FAA Sec. 620(h).

Do arrangements preclude promoting or assisting the foreign aid projects or activities or Communist-bloc countries, contrary to the best interests of the U.S.?

Yes

2. FAA Sec. 636(1).

Is financing not permitted to be used, without waiver, for purchase, long-term lease, or exchange of motor vehicle manufactured outside the U.S. or guaranty of such transaction?

Yes

85

3. Will arrangements preclude use of financing:

a. FAA Sec. 104(f):

To pay for performance of abortions or to motivate or coerce persons to practice abortions, to pay for performance of involuntary sterilization, or to coerce or provide financial incentive to any person to undergo sterilizations?

Yes

b. FAA Sec. 620(a).

To compensate owners for expropriated nationalized property?

Yes

c. FAA Sec. 660.

To finance police training or other law enforcement assistance, except for narcotics programs?

Yes

d. FAA Sec. 662.

For CIA activities?

Yes

e. FY 79 App. Act Sec. 104.

To pay pensions, etc. for military personnel?

Yes

f. FY 79 App. Act Sec. 106.

To pay U.N. assessments?

Yes

g. FY 79 App. Act Sec. 107.

To carry out provisions of FAA sections 209(d) and 251(h)? (Transfer of FAA funds to multilateral organizations for lending.)

Yes

h. FY 79 App. Act Sec. 112.

To finance the export of nuclear equipment, fuel, or technology or to train foreign nations in nuclear fields?

Yes

i. FY 79 App. Act Sec. 601.

To be used for publicity or propaganda purposes within U.S. not authorized by Congress?

Yes

84

## ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: USAID/Sudan, Arthur Mudge, Mission Director

SUBJECT: Sudan-Commodities Import Program (650-K-602); Transportation Source Waiver Request

Waiver Required: Procurement source and origin waiver from AID Geographic Code 000 (U.S. only) and Cooperating Country to Code 941 (Special Free World) or to Code 899 (Free World) to the extent that the freight tender demonstrates that U.S. or Code 941 flag vessels and aircraft are unavailable for ocean and air transport services to Sudan.

- A. Cooperating Country: Sudan
- B. Authorizing Document: PAAD
- C. Project: Commodity Import Program (650-K-602)
- D. Nature of Funding: Grant, Economic Support Funds
- E. Description of Services: Transportation Services from U.S. to Sudan
- F. Approximate Freight Cost: \$500,000
- G. Probable Procurement Source: Code 899 Countries
- H. Port, Shipper, Port of Loading/ Discharge: Not yet determined

Discussion: Under the proposed FY 1981 CIP program for Sudan, AID will provide \$50 million worth of commodities (including transport costs) to Sudan. AID policy permits AID Geographic Code 941 source/origin procurement for grants to RLDCs such as Sudan (HB 1B 5A1c(2)). When the authorized procurement code is 941, ocean transportation may be financed only on flag vessels of the U.S. and the Cooperating Country. (AID Reg. 1, Section 201.13). Only one U.S. carrier services Sudan regularly from the U.S., Waterman, a non-U.S.-conference carrier. Central Gulf Lines also services Sudan, but only occasionally and on an inducement basis. There are no carriers of Sudan registry.

Suppliers of large shipments under this grant will have no trouble finding U.S. flag service. However, this grant will finance many small shipments of items like spare parts which would not provide sufficient inducement for a U.S. carrier, or which may be shipped from U.S. ports not regularly serviced by one of these lines. Further, no U.S. air carrier services Sudan, and there are no Sudanese air carriers. In addition, payment of these freight costs with grant proceeds is justified by Sudan's chronic balance of payments

difficulties and severe lack of foreign exchange as described in the PAAD.

Handbook 1, Supp. B., Ch. 7B4b(1)(c), authorizes a waiver from Code 000 to Code 941 vessels when United States and cooperating country vessels are unavailable, and from Code 941 to Code 899 vessels when in addition Code 941 are unavailable and when the cargo is ready for shipment, and it is reasonably evident that delaying the shipment would subject either the supplier of cargo to additional costs, or the importer to significantly delayed receipt of cargo.

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

Justification: The previously mentioned transport services are essential to the successful implementation of the proposed commodity import grant and are not available from the authorized source. Procurement from Code 941 and Code 899 countries is necessary to the attainment of U.S. foreign policy objectives and the objectives of the foreign assistance program.

Recommendation: That to the extent it is necessary to move the commodities you (a) authorize the financing of ocean and air transportation on vessels and aircraft of any Code 941 flag if it is determined by AID that U.S. and cooperating country flag vessels and aircraft are not available; and (b) authorize the financing of ocean and air transportation on vessels and aircraft of any Code 899 flag if it is determined by AID that Code 941 flag vessels are not available; and (c) certify that the interests of the U.S. are best served by permitting financing of transportation services on ocean vessels and aircraft under flag registry of free world countries other than the cooperating country and countries included in Code 941.

SS

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

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

## TABLE OF CONTENTS

	<u>PAGE</u>
ARTICLE 1: <u>The Grant</u>	1
ARTICLE 2: <u>Conditions Precedent to Disbui</u>	1
Section 2.1. Conditions Precedent	1
Section 2.2. Notification	2
Section 2.3. Terminal Date for Conditions Precedent	2
ARTICLE 3: <u>Procurement, Eligibility, and Utilization of Commodities</u>	2
Section 3.1. A.I.D. Regulation 1	2
Section 3.2. Eligible Items	3
Section 3.3. Procurement Source	4
Section 3.4. Eligibility Date	4
Section 3.5. Procurement for Public	4
Section 3.6. Special Procurement Rul	5
Section 3.7. Financing Physical Faci	5
Section 3.8. Utilization of Commodit	6
ARTICLE 4: <u>Disbursement</u>	7
Section 4.1. Letters of Commitment to Banks	7
Section 4.2. Other Forms of Disbursement Authorizations	8
Section 4.3. Terminal Date for Requests for Disbursement Authorizations	8
Section 4.4. Terminal Date for Disbursement	8
Section 4.5. Date of Disbursement	8
Section 4.6. Documentation Requirements	9
ARTICLE 5: <u>General Covenants</u>	9
Section 5.1. Taxation	9
Section 5.2. Reports and Records	9
Section 5.3. Completeness of Information	10
Section 5.4. Other Payments	10
Section 5.5. Periodic Discussions	11
Section 5.6. Private Sector	11
Section 5.7. Use of Local Currency	11
ARTICLE 6: <u>Termination: Remedies</u>	12
Section 6.1. Termination	12
Section 6.2. Suspension	12
Section 6.3. Cancellation by A.I.D.	14

904

TABLE OF CONTENTS - continued

Page 2

	<u>PAGE</u>
Section 6.4. Refunds	14
Section 6.5. Nonwaiver of Remedies	14
<u>ARTICLE 7: Miscellaneous</u>	<u>15</u>
Section 7.1. Implementation Letters	15
Section 7.2. Representatives	15
Section 7.3. Communications	15
Section 7.4. Information and Marking	16

91

A.I.D. GRANT NO. 650-K-

COMMODITY IMPORT GRANT AGREEMENT

Dated:

Between

the Democratic Republic of the Sudan ("Grantee")

and

the United States of America, acting through the Agency for International Development ("A.I.D.").

ARTICLE 1: The Grant

To finance the foreign exchange costs of certain commodities and commodity-related services ("Eligible Items") necessary to assist the Grantee in meeting a serious foreign exchange shortage, achieving development objectives and improving the standard of living, the United States, pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement, not to exceed Forty Million United States dollars (\$40,000,000) ("Grant").

Article 2: Conditions Precedent to Disbursement

Section 2.1. Conditions Precedent. Prior to the first disbursement under the Grant, or 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.:

92X

(a) An opinion of the Attorney General of the Democratic Republic of the Sudan that this Agreement has been duly authorized and/or ratified and legally binding obligation of the Grantee in accordance with all of its terms:

(b) A statement representing and warranting that the named person or persons have the authority to act as the representative or representatives of the Grantee pursuant to Section 7.2, together with a specimen signature of each person certified as to its authenticity.

Section 2.2. Notification. When A.I.D. has determined that the conditions precedent specified in Section 2.1 have been met, it will promptly notify the Grantee.

Section 2.3. Terminal Date for Conditions Precedent. If all the conditions specified in Section 2.1 have not been met within sixty (60) 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.

### Article 3: Procurement, Eligibility, and Utilization of Commodities

Section 3.1. A.I.D. Regulation 1. This Grant and the procurement and utilization of commodities and commodity-related services financed under it are subject to the terms and conditions of A.I.D. Regulation 1 as from time to time amended and in effect, except as A.I.D. may otherwise specify in writing. If any provision of A.I.D. Regulation 1 is inconsistent with a provision of this Agreement, the provision of this Agreement shall govern.

**Section 3.2. Eligible Items.**

(a) The commodities eligible for financing under this Grant shall be those mutually agreed upon by the Parties and specified in the Implementation Letter and Commodity Procurement Instructions issued to Grantee in accordance with Section 7.1 of this Agreement. Commodity-related services as defined in A.I.D. Regulation 1 are eligible for financing under this Grant. Eligible Items will be subject to the requirements and Special Provisions of Parts I, II, and III of the A.I.D. Commodity Eligibility Listing which will be transmitted with the first Implementation Letter. Other commodities or services shall become eligible for financing only with the written agreement of A.I.D. A.I.D. may decline to finance any specific commodity or commodity-related service when in its judgment such financing would be inconsistent with the purposes of the Grant or of the Foreign Assistance Act of 1961, as amended.

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

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

Section 3.3. Procurement Source. All Eligible Items shall have their source and origin in the "Selected Free World" (Code 941 of the A.I.D. Geographic Code Book) except as A.I.D. may specify in Implementation Letters or Commodity Procurement Instructions, or as it may otherwise agree in writing.

Section 3.4. Eligibility Date. No commodities or commodity-RELATED SERVICES MAY BE FINANCED UNDER THIS Grant if they were procured pursuant to orders or to contracts firmly placed or entered into prior to the date of this Agreement, except as A.I.D. may otherwise agree in writing.

Section 3.5. Procurement for Public Sector.

(a) With respect to procurement under this Grant by or for Grantee, its departments and instrumentalities, the provisions of Section 201.22 of A.I.D. Regulation 1 regarding formal competitive bid procedures will apply unless A.I.D. otherwise agrees in writing;

98

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

Section 3.6. Special Procurement Rules

(a) None of the proceeds of this Grant may be used to finance the purchase, sale, long-term, exchange or guaranty of a sale of motor vehicles unless such motor vehicles are manufactured in the United States, except as A.I.D. may otherwise agree in writing.

(b) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(c) All international air shipments financed under this Grant will be on carriers holding U.S. certification to perform the service, unless shipment would, in the judgment of the Grantee, be delayed an unreasonable time awaiting a U.S.-flag carrier either at point of origin or transshipment. The Grantee must certify to the facts in the vouchers or other documents retained as part of the Grant records.

Section 3.7. Financing Physical Facilities. Not more than \$1,000,000 from the proceeds of this Grant shall be used for the purchase of commodities or commodity-related services for use in the construction, expansion, equipping, or alteration of any physical facility or related physical facilities without prior A.I.D. approval, additional to the approvals required by A.I.D. Regulation,

9/16

except as A.I.D. may otherwise agree in writing. "Related Physical facilities" shall mean those facilities which, taking into account such factors as functional interdependence, geographic proximity, and ownership, constitute a single enterprise in the judgment of A.I.D.

Section 3.8. Utilization of Commodities.

(a) Grantee will assure that commodities financed under this Grant will be effectively used for the purposes for which the assistance is made available. To this end, the Grantee will use its best efforts to assure that the following procedures are followed:

(i) accurate arrival and clearance records are maintained by customs authorities; commodity imports are promptly processed through customs at ports of entry; such commodities are removed from customs and/or bonded warehouses within ninety (90) calendar days from the date the commodities are unloaded from the vessel at the port of entry, unless the importer is hindered by force majeure or A.I.D. otherwise agrees in writing;

(ii) proper surveillance and supervision are maintained to reduce breakage and pilferage in ports resulting from careless or deliberately improper cargo handling practices, as specified in detail in Implementation Letters; and

(iii) the commodities are consumed or used by the importer not later than one (1) year from the date the commodities are removed

from customs, unless a longer period can be justified to the satisfaction of A.I.D. by reason of force majeure or special market conditions or other circumstances.

(b) Grantee will assure that commodities financed under this Grant will not be reexported in the same or substantially the same form, unless specifically authorized by A.I.D.

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

Article 4: Disbursement

Section 4.1. Letters of Commitment to Banks. After satisfaction of the conditions precedent, the Grantee may obtain disbursements of funds under this Grant by submitting Financing Requests to A.I.D. for the issuance of letters of commitment for specified amounts to one or more banking institutions in the United States designated by Grantee and satisfactory to A.I.D. Such letters will commit A.I.D. to reimburse

the bank or banks on behalf of the Grantee for payments made by the banks to suppliers or contractors, under letters of credit or otherwise, pursuant to such documentation requirements as A.I.D. may prescribe. Banking charges incurred in connection with letters of commitment and disbursements shall be for the account of Grantee and may be financed by this Grant.

Section 4.2. Other Forms of Disbursement Authorizations. Disbursements of the Grant may also be made through such other means as the parties may agree to in writing.

Section 4.3. Terminal Date for Requests for Disbursement Authorizations. No letter of commitment or other disbursement authorization will be issued in response to a request received after twelve (12) months from the date the Grantee satisfies the Conditions Precedent in Section 2.1. except as A.I.D. may otherwise agree in writing.

Section 4.4. Terminal Date for Disbursement. No disbursement of Grant funds shall be made against documentation received by A.I.D. or any bank described in Section 4.1 after twenty four (24) months from the date the Grantee satisfies the Conditions Precedent in Section 2.1, except as A.I.D. may otherwise agree in writing.

Section 4.5. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur on the date on which A.I.D. makes a disbursement to the Grantee, or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment or other form of disbursement authorization.

Section 4.6. Documentation Requirements. A.I.D. Regulation 1 specifies in detail the documents required to substantiate disbursements under this Agreement by Letter of Commitment or other method of financing. The document number shown on the Letter of Commitment or other disbursing authorization document shall be the number reflected on all disbursement documents submitted to A.I.D. In addition to the above, the Grantee shall maintain records adequate to establish that commodities financed hereunder have been utilized in accordance with Section 3.8 of this Agreement. Additional documents may also be required by A.I.D. with respect to specific commodities, as may be set forth in detail in Implementation Letters.

Article 5: General Covenants

Section 5.1. Taxation. This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the Democratic Republic of the Sudan,

Section 5.2. Reports and Records. In addition to the requirements in A.I.D. Regulation 1, the Grantee will:

(a) furnish A.I.D. such reports and information relating to the goods and services financed by this Grant and the performance of Grantee's obligations under this Agreement as A.I.D. may reasonably request;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, such

100

books and records relating to this Grant as may be prescribed in Implementation Letters. Such books and records shall be made available to A.I.D. or any of its authorized representatives for such periods and at such times as A.I.D. may reasonably require, and shall be maintained for three years after the date of last disbursement by A.I.D. under this Grant; and

(c) permit A.I.D. or any of its authorized representatives at all reasonable times during the three-year period to inspect the commodities financed under this Grant at any point, including the point of use.

Section 5.3. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Grant and the discharge of responsibilities under this Agreement; and

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Grant or the discharge of responsibilities under this Agreement.

Section 5.4. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

Section 5.5. Periodic Discussions. Periodically, but no less than annually, the Grantee and A.I.D. will meet to discuss the status of the economy, associated economic issues and the relationship of the A.I.D. program to those concerns.

Section 5.6. Private Sector. The Grantee covenants to take all necessary steps to make available to the private sector no less than fifty (50) percent of the proceeds of the Grant.

Section 5.7. Use of Local Currency.

(a) Grantee will establish a Special Account in the Bank of Sudan and deposit therein currency of the Government of the Democratic Republic of the Sudan in amounts equal to proceeds accruing to the Grantee or any authorized agency thereof as a result of the sale or importation of the Eligible Items. Funds in the Special Account may be used for such purposes as are mutually agreed-upon by A.I.D. and the Grantee and as otherwise specified in this Agreement; provided that such portion of the funds in the Special Account as may be designated by A.I.D. shall be made available to meet the requirements of the United States.

(b) Deposits to the Special Account shall become due and payable quarterly upon advice from A.I.D. as to disbursements made under the Agreement. Grantee shall make such deposits at the highest rate of exchange prevailing and declared for foreign exchange currency by the competent authorities of the Democratic Republic of the Sudan.

(c) Any unencumbered balances of funds which remain in the Special Account upon termination of assistance hereunder shall be disbursed for such purposes as may, subject to applicable law, be agreed to between Grantee and A.I.D.

Article 6: Termination; Remedies

Section 6.1. Termination. This Agreement may be terminated by mutual agreement of the Parties at any time. Either Party may terminate this Agreement by giving the other Party thirty (30) days written notice.

Section 6.2. Suspension. If at any time:

(a) Grantee shall fail to comply with any provisions of this Agreement; or

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

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

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

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

(1) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through irrevocable commitments to third parties or otherwise, or to the extent that A.I.D. has not made direct reimbursement to the Grantee thereunder, giving prompt notice to Grantee thereafter;

(2) Decline to issue additional commitment documents or to make disbursements other than under existing ones; and

(3) at A.I.D.'s expense, direct that title to goods financed under Grant be vested in A.I.D. if the goods are in a deliverable state and have not been offloaded in ports of entry of the Democratic Republic of the Sudan,

Section 6.3. Cancellation by A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section 6.2, the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Grant that is not than disbursed or irrevocably committed to third parties.

Section 6.4. Refunds.

(a) In addition to any refund otherwise required by A.I.D. pursuant to A.I.D. Regulation 1, if A.I.D. determines that any disbursement is not supported by valid documentation in accordance with this Agreement, or is in violation of United States law, or is not made or used in accordance with the terms of this Agreement, A.I.D. may require the Grantee to refund the amount of such disbursement in U.S. dollars to A.I.D. within thirty (30) days after receipt of request therefor. Refunds paid by the Grantee to A.I.D. resulting from violations of the terms of this Agreement shall be considered as a reduction in the amount of A.I.D.'s obligation under the Agreement and shall be available for reuse under the Agreement if authorized by A.I.D. in writing.

(b) The right to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement

Section 6.5. Nonwaiver of Remedies. No delay in exercising or omitting to exercise, any right, power, or remedy accruing to A.I.D.

105

under this Agreement will be construed as a waiver of such rights, powers, or remedies.

Article 7: Miscellaneous

Section 7.1. Implementation Letters. From time to time, for the information and guidance of both parties, A.I.D. will issue Implementation Letters and Commodity Procurement Instructions describing the procedures applicable to the implementation of the Agreement. Except as permitted by particular provisions of this Agreement, Implementation Letters will not be used to amend or modify the text of this Agreement.

Section 7.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the offices of the Minister of National Planning and the State Minister of National Planning and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID, Khartoum, Sudan, each of whom, by written notice, may designate additional representatives. The name of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 7.3. Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed

106

duly given or sent when delivered to such party at the following address:

To the Grantee:

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

Cable Address: EIMAR  
Khartoum

Telex No: 324, Khartoum

To A.I.D.:

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

Telex No: 619 AMEMBASSY KM.

All such communications will be in English unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon giving of notice. The Grantee, in addition, will provide the USAID Mission with a copy of each communication sent to A.I.D.

Section 7.4. Information and Marking. The Grantee will give appropriate publicity to the Grant as a program to which the United States has contributed, and mark goods financed by A.I.D., as described in Implementation Letters.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this

107

Agreement to be signed in their names and delivered as of the day and year first above written.

DEMOCRATIC REPUBLIC OF THE SUDAN

BY: \_\_\_\_\_

NAME: Maj. Gen. (Ret) Nasr Al Din Mustafa

TITLE: Minister of National Planning

UNITED STATES OF AMERICA

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

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