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A. I. D. Loan No. 650-H-017

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LOAN AGREEMENT ,

BETWEEN THE

DEMOCRATIC REPUBLIC OF THE SUDAN

AND THE

UNITED STATES OF AMERICA

FOR

SUDAN-RAHAD PROJECT

Dated: 26 February 1973

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LOAN AGREEMENT

dated the 26th day of February, 1973 between the DEMOCRATIC REPUBLIC OF THE SUDAN ("Borrower") and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend Borrower, pursuant to the U. S. Foreign Assistance Act of 1961, as amended, an amount not to exceed Eleven Million U.S. Dollars (\$11,000,000) ("Loan"), to assist Borrower in carrying out the Project referred to in Section 1.02. The Loan shall be used exclusively to finance foreign exchange costs of goods and services required for the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal."

SECTION 1.02. The Project. The Project consists of the procurement of specified machinery and equipment and related services to be utilized in the multi-donor financed development of the Rahad Irrigated Agriculture Scheme in Sudan. The Project is more fully described in Annex A, which includes a list of items eligible to be financed (hereinafter referred to as Eligible Items) under the Loan. Annex A may be modified by written agreement of Borrower and A.I.D.

ARTICLE II

Loan Terms

SECTION 2.01. Interest. Borrower shall pay A.I.D. interest, which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter, on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of disbursement (as such date is defined in Section 6.03) and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. Borrower shall repay the Principal to A.I.D. within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) semi-annual installments in amounts such that the sums of each such installment plus the interest due at the same time shall be approximately equal. The first installment of Principal shall be payable nine and one-half (9-½) years after the date on which the first interest payment is due. A.I.D. shall provide Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency, and Place of Payment.

All payments of interest and Principal hereunder shall be made in United States Dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D. C. and shall be deemed made when received by the Office of the Controller.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

SECTION 2.05. Renegotiation of the Terms of the Loan. Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, acceleration of the repayment of the Principal in the event that there is any significant improvement in the internal and external economic and financial position and prospects of Sudan.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement.

1. Prior to the first disbursement or to the issuance

of the first letter of Commitment under the Loan, Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of the Attorney General of Borrower or other counsel acceptable to A.I.D. that this Agreement has been duly authorized or ratified by, and executed on behalf of, Borrower, and that it constitutes a valid and legally binding obligation of Borrower in accordance with all of its terms;
- (b) The name of Borrower's plenary representative specified in Section 8.02, and a specimen signature of the person specified in such statement;
- (c) An executed contract, approved by A.I.D., for commodity procurement services for the Project as mentioned in Section 5.02;
- (d) A signed or certified copy of the International Development Association (IDA) Development Credit Agreement;
- (e) Evidence that all of the conditions to the effectiveness of the IDA Agreement have been fulfilled or will be fulfilled concurrently with this Agreement;
- (f) A signed or certified copy of the Kuwait Fund for Arab Economic Development Loan Agreement (Kuwait Fund Loan Agreement);

(g) Evidence that all of the conditions to the effectiveness of the Kuwait Fund Loan Agreement have been fulfilled or will be fulfilled concurrently with this Agreement.

SECTION 3.02. Additional Condition Precedent with Respect to Financing Other than Commodity Procurement Services. Prior to any disbursement or the issuance of any Letter of Commitment under the Loan for any purpose other than to finance the services of a commodity procurement consultant referred to in Section 3.01, Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., all plans, specifications, bid documents, cost estimates, and time schedules for carrying out the Project.

SECTION 3.03. Terminal Dates for Meeting Conditions Precedent to Disbursement. If all of the conditions specified in Section 3.01 shall not have been met within one hundred and twenty (120) days from the date of this Agreement, or if the condition specified in Section 3.02 shall not have been met within one hundred and fifty (150) days from the date of this Agreement, or by such later dates as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.04. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in Sections 3.01 and 3.02 have been met.

ARTICLE IV

Covenants and Warranties

SECTION 4.01. Execution of the Project. Borrower shall carry out, or cause to be carried out, the Project with due diligence and efficiency in conformity with sound engineering, construction, economic, financial, and administrative practices, and in accordance with all of the plans, specifications, contracts, schedules, and other arrangements, and all modifications therein, approved by A.I.D. pursuant to this Agreement.

SECTION 4.02. Continuing Consultation. Borrower and A.I.D. shall cooperate fully to assure that the purposes of this Agreement will be accomplished. To this end, Borrower and A.I.D. shall from time to time, at the request of either party, exchange views with regard to the progress of the Project, the performance by Borrower of its obligations under this Agreement, the performance of the consultants, contractors, and suppliers engaged in the Project, and other matters relating to the Project.

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SECTION 4.03. Management. Borrower shall provide, or cause to be provided, qualified and experienced management for the maintenance and operation of the Rahad Irrigation Scheme.

SECTION 4.04. Operation, Maintenance and Utilization. Borrower shall operate, maintain, and repair or replace the equipment and machinery financed hereunder in conformity with sound engineering, financial, and administrative practices in such manner as to insure the continuing and successful achievement of the purposes of the Project.

SECTION 4.05. Taxation. This Agreement, the Loan, and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws of Sudan. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under the laws of Sudan, Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse the same with funds other than those provided under the Loan.

SECTION 4.06. Utilization of Goods and Services.

(a) Goods and services financed under the Loan shall be used exclusively for the Rahad Irrigation Scheme, except as A.I.D. may otherwise agree in writing.

(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan may be used to promote or assist any foreign aid 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 use.

SECTION 4.07. Disclosure of Material Facts and Circumstances.

Borrower represents and warrants that all representations that it has made to A.I.D. in the course of obtaining the Loan are accurate and complete and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement. Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise which materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of Borrower's obligations under this Agreement.

SECTION 4.08. Commissions, Fees, and Other Payments.

(a) Borrower warrants and covenants that, in connection with obtaining the Loan or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid

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or will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular salaries and wages to Borrower's full-time officers and employees or as fees for bona-fide professional, technical, or comparable services. Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical, or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis). If the amount of any such payment is deemed unreasonable by A.I.D., it shall be adjusted in a manner satisfactory to A.I.D.

- (b) Borrower covenants that no payments have been or will be received by Borrower, or any official of Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments due under the laws of Sudan.

SECTION 4.09. Maintenance and Audit of Records. Borrower shall maintain, or cause to be maintained, in accordance with sound

accounting principles and practices consistently applied, books, records and other papers relating both to the Project and to this Agreement. Such books, records, and papers shall, without limitation, be adequate to show:

- (a) The receipt and use made of, the nature and extent of solicitation of prospective suppliers of, and the basis of the award of contracts and orders for goods and services acquired with funds disbursed pursuant to this Agreement; and
- (b) The progress of the Project.

Such books, records, and papers shall be audited, in accordance with sound auditing standards, and shall be maintained for three years after the date of the last disbursement hereunder by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever shall first occur.

SECTION 4.10. Reports. Borrower shall furnish A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may reasonably request.

SECTION 4.11. Inspection. Authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Rahad Irrigation Scheme, the utilization of all goods and services financed under the Loan, and all books, records, and other documents and papers relating to the Project, the Loan, and this Agreement. Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit authorized representatives of A.I.D. to visit any part of Sudan for any purpose relating to the Loan.

SECTION 4.12. Continuance of Representations and Matters
Furnished to Satisfy Conditions Precedent. Unless A.I.D. otherwise
agrees in writing, Borrower shall continue in force and effect for
the life of this Agreement, exactly as originally made or furnished,
any representation made or opinion or agreement furnished to satisfy
a condition precedent under Sections 3.01 and 3.02 of this Agreement.

SECTION 4.13. Investment Guaranty Project Approval by
Borrower. Borrower agrees that the Rahad Irrigation Scheme is a
project approved by the Borrower pursuant to the Agreement between
the Democratic Republic of the Sudan and the United States of America
on the subject of investment guaranties, and no further approval by the
Democratic Republic of the Sudan shall be required to permit A.I.D. under
that agreement to issue investment guaranties covering a contractor's
investment in that project.

SECTION 4.14. Research in Crop Diversification. The Borrower
and A.I.D. agree on the importance of continued research in crop
diversification and accordingly the Borrower will continue its programs
in this area.

ARTICLE V

Procurement

SECTION 5.01. Procurement. Except as A.I.D. may otherwise agree
in writing, disbursements made pursuant to Sections 6.01 and 6.02 shall
be used exclusively to finance the procurement for the Project of goods
and services, including transportation, having both their source and origin
in countries included in Code 941 of the A.I.D. Geographic Code Book
as in effect at the time of procurement. Marine insurance may be financed

under the Loan provided (i) such insurance is placed at the lowest available competitive rate in Sudan or in any country in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of placement, and (ii) claims thereunder are payable in freely convertible currency.

SECTION 5.02. Use of Procurement Consultant. Borrower shall utilize the services of a consulting firm fully conversant with US procurement practices in carrying out the procurement of equipment and machinery financed under this Loan. The services of such firm shall be procured in accordance with procedures set forth in Implementation Letters.

SECTION 5.03. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 5.04. Goods and Services Not Financed Under Loan. Goods and services procured for the Rahad Irrigation Scheme, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 5.05. Implementation of Procurement Requirements.

The definitions applicable to the eligibility requirements of Sections 5.01, 5.02, and 5.04 will be set forth in detail in Implementation Letters.

SECTION 5.06. Plans, Specifications, and Contracts.

Except as A.I.D. may otherwise agree in writing:

- (a) Borrower shall furnish to A.I.D., promptly upon preparation, all plans, specifications, procurement schedules, cost estimates, bid documents, and contracts, to which Borrower is a party, relating to the Project, and any modifications therein;
- (b) None of the plans, specifications, or bid documents, or material modification therein, furnished pursuant to Subsection (a) may become effective or be issued until they have been approved by A.I.D. in writing;
- (c) All plans, specifications, and other documents relating to goods or services to be financed under the Loan shall be in terms of United States standards and measurements; and
- (d) No contract, to which Borrower is a party, may be financed under the Loan unless A.I.D. has approved each of the following:

(i) prior to taking effect, each such contract and contractor thereto and each material modification in any such contract; and

(ii) prior to beginning performance thereunder, all such personnel as A.I.D. may specify and all changes in such personnel.

SECTION 5.07. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan. Such goods and services shall be procured in accordance with procedures prescribed in Implementation Letters on a fair and, except for professional services, competitive basis.

SECTION 5.08. Shipping and Insurance.

(a) Goods financed under the Loan shall be transported to Sudan on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) Unless A.I.D. shall determine that privately-owned United States-flag commercial vessels are not available at fair and reasonable rates for such vessels.

(i) at least fifty percent (50%) of the gross tonnage of all goods financed under the Loan (computed separately for dry bulk carriers, dry cargo liners and tankers) and transported on ocean vessels shall be transported on privately-owned United States-flag commercial vessels, and

(ii) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed under the Loan and transported on dry cargo liners shall be paid to or for the benefit of privately-owned United States-flag commercial vessels.

No such goods may be transported on any ocean vessel (or aircraft)

(i) which A.I.D., in a notice to Borrower, has designated as ineligible to carry A.I.D.-financed goods or (ii) which has been chartered for the carriage of A.I.D.-financed goods unless such charter has been approved by A.I.D.

(c) If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, Borrower by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, goods financed under the Loan shall, during the continuance of such discrimination, be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) Unless A.I.D. otherwise agrees in writing, Borrower shall insure, or cause to be insured, all goods financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms consistent with sound commercial practice and cover the full value of the goods, and the proceeds thereof shall be payable in United States dollars or in any other freely convertible currency. Any indemnification received by Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse Borrower for the replacement or repair of such goods. Any such replacements shall have their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time the orders are placed or contracts are entered into for such replacements and shall otherwise be subject to the provisions of this Agreement.

SECTION 5.09. Notification to Potential Suppliers.

In order that United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, Borrower shall furnish to A.I.D., at such times as A.I.D. may specify, such information with regard thereto as A.I.D. may request in Implementation Letters.

SECTION 5.10. United States Government-Owned Excess Property. Borrower shall utilize such United States Government-owned stockpile or excess property as may be consistent with the requirements of the Project and as may be available within a reasonable period of time. Borrower shall seek assistance from A.I.D. and A.I.D. will assist Borrower in ascertaining the availability of and in obtaining such stockpile or excess property. A.I.D. will make arrangements for any necessary inspection of such property by Borrower. The costs of inspection and of acquisition, and all charges incident to the transfer to Borrower of such stockpile or excess property, may be financed under the Loan.

SECTION 5.11. Information and Marking. Borrower shall, as prescribed in Implementation Letters, give publicity to the Loan and the Project as a program of United States aid, identify the Project sites, and mark goods financed under the Loan.

ARTICLE VI

Disbursements

SECTION 6.01. Disbursements under Letters of Commitment.

Upon satisfaction of applicable conditions precedent, Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made to contractors or suppliers, through use of letters of credit or otherwise, for foreign exchange costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to the contractor or supplier will be made by the bank upon presentation of supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and letters of credit shall be for the account of Borrower and may be financed under the Loan.

SECTION 6.02. Other Forms of Disbursement. Disbursement of the Loan may also be made through such other means as Borrower and A.I.D. may agree in writing.

SECTION 6.03. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur on the date on which A.I.D. makes a payment either directly to Borrower or its designee or to a bank pursuant to a Letter of Commitment.

SECTION 6.04. Terminal Dates for Commitment and Disbursement.

Except as A.I.D. may otherwise agree in writing, no Letter of Commitment, or amendment thereto shall be issued in response to requests received by A.I.D. more than three years after the date of this Agreement and no disbursement shall be made against documentation received more than three and one-half years after the date of this Agreement. A.I.D., at its option, may at any time or times after such date, reduce the loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VII

Cancellation and Suspension

SECTION 7.01. Cancellation by Borrower. Borrower may, with the prior written consent of A.I.D., by written notice to A.I.D., cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable letters of credit or through bank payments made other than under irrevocable letters of credit.

SECTION 7.02. Events of Default, Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;
- (c) Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan, guaranty, or other agreement between Borrower or any of its agencies and A.I.D. or any of its predecessor agencies; or
- (d) Borrower shall have failed to carry out any obligation under the IDA Development Credit Agreement or the Kuwait Fund Loan Agreement;

then A.I.D., at its option, may give Borrower notice that all or any part of the unrepaid Principal shall be due and payable within sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

- (i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately, and
- (ii) the amount of any subsequent disbursements made under then outstanding Letters of Commitment or otherwise shall become due and payable as soon as made.

SECTION 7.03. Suspension of Disbursements. In the event that any time:

- (a) An Event of Default has occurred;
- (b) An event occurs that A.I.D. determines makes it improbable either that the purposes of the Loan will be attained or that Borrower will be able to perform its obligations under this Agreement;
- (c) Any disbursement would be in violation of the legislation governing A.I.D.; or

(d) Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan, guaranty, or other agreement between Borrower or any of its agencies and the Government of the United States or any of its agencies;

then A.I.D., at its option may:

- (i) suspend or cancel outstanding letters of Commitment to the extent that they have not been utilized through the issuance of irrevocable letters of credit or through bank payments made other than under irrevocable letters of credit, giving notice to Borrower promptly thereafter;
- (ii) decline to make disbursements other than under outstanding Letters of Commitment;
- (iii) decline to issue additional Letters of Commitment; and
- (iv) at A.I.D.'s expense, direct that title to goods financed under the Loan shall

be transferred to A.I.D. if the goods are in a deliverable state and have not been offloaded in ports of entry of Sudan. Any disbursement made under the Loan with respect to such transferred goods shall be deducted from Principal in the manner of a prepayment of Principal.

SECTION 7.04. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 7.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then disbursed, including outstanding Letters of Commitment to the extent that they have not been utilized through the issuance of irrevocable letters of credit or bank payments made other than under irrevocable letters of credit.

SECTION 7.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursements, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 7.06. Refunds.

(a) In case any disbursement is not supported by valid documentation or is not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedy provided for under this Agreement, may require Borrower to refund such amount in United States dollars to A.I.D. within thirty days after receipt of a request therefor. Such refund shall be made available first, in accordance with the provisions of this Agreement, to pay for the procurement of goods and services for the Project; the remainder, if any, of any such refund in U. S. dollars shall be applied to the remaining installments of Principal in the inverse order of their maturity. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from a contractor, supplier, bank, or other third party with respect to goods or services financed under the Loan and such refund relates to an unreasonable price for goods or services, to goods that did not conform to specifications, or to services that were inadequate, A.I.D. shall first make such refund available, in accordance with the provisions of this Agreement, to pay for the procurement of goods and services for the Project; the remainder, if any, of such refund shall be applied to the remaining installments of Principal in the inverse order of their maturity.

SECTION 7.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 7.02 may be charged to Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 7.08. Non-Waiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any such rights, powers, or remedies.

ARTICLE VIII

Miscellaneous

SECTION 8.01. Communications.

(a) Any notice, request, document, or other communication given, made, or sent by Borrower or A.I.D. pursuant to this Agreement shall be in writing and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered by hand or by mail, telegram, cable, or radiogram to such party at the following address:

To Borrower:

Mail Address: The Undersecretary
 Ministry of Planning
 Democratic Republic
 of the Sudan
 P. O. Box 2092
 Khartoum, Sudan

Cable Address: EIMAR/Khartoum, Sudan

To A.I.D. (three copies) :

Mail Address: Director
Regional Economic Development
Services Office (REDSO/EA)
P. O. Box 30261
Nairobi, Kenya

Cable Address: Amembassy Nairobi for REDSO
Nairobi, Kenya

Other addresses may be substituted for the above
upon the giving of notice.

(b) Except as A.I.D. may otherwise agree in writing,

(i) all notices, requests, communications, and
documents submitted to A.I.D. hereunder
shall be written and in English, and (ii)
if the original of any such communication
or document is in other than English, a
copy in the language of the original shall
also be submitted.

SECTION 8.02. Representatives. For all purposes
relative to this Agreement, Borrower will be represented by
the individual holding or acting in the office of the Minister
of Planning, Democratic Republic of the Sudan, Khartoum, Sudan,
and A.I.D. will be represented by the individual holding or acting
in the office of the Director, REDSO/EA, Nairobi, Kenya.. Such
individuals shall have the authority to designate additional

representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

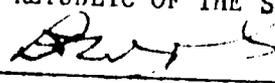
SECTION 8.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 8.04. Promissory Notes. At such time or times as A.I.D. may request, Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

SECTION 8.05. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of Borrower and A.I.D. hereunder shall terminate.

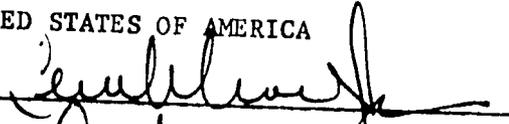
IN WITNESS WHEREOF, the Democratic Republic of the Sudan and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first written above.

DEMOCRATIC REPUBLIC OF THE SUDAN

BY: 

TITLE: Minister of Planning

UNITED STATES OF AMERICA

BY: 

TITLE: Ambassador

PROJECT DESCRIPTION

The Loan will provide equipment and related services for the excavation of the main supply canal, the field irrigation and drainage channels and for land leveling. Support equipment and vehicles (general purpose hauling trucks, dump trucks, and supply and maintenance vehicles) will be included, as well as equipment for the harvesting of groundnuts.

The items listed below are eligible for financing under the Loan. Specific breakdowns of these headings will be given in Implementation Letters.

A. Construction Equipment Including:

1. Earth moving machinery
2. Supporting vehicles
3. Maintenance and service vehicles

B. Groundnut Equipment

1. Groundnut Combines
2. Groundnut Diggers-Shakers
3. Decorticators

C. Spare Parts

D. Procurement Services

These items are part of the larger needs of the Rahad Irrigated Agriculture Scheme. The International Development Association, the Kuwait Fund for Arab Economic Development, and the Democratic Republic of the Sudan, will provide financing for additional required equipment and services.

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UNITED STATES GOVERNMENT

Memorandum

Mastrofini
WELAND
FD-444-487
65001009

TO : Mr. Edward B. Hogan, Director, REDSO/EA

DATE: May 7, 1975

FROM : Lucian A. *LB* Bonkowski and Robert *RB* Bell, REDSO/EA

SUBJECT: Rahad Irrigation Project - AID Loan 650-H-017 - Trip Report

REF: Rahad Trip Report, May 20, 1974

8p.
PMS

I. Introduction

During the period April 14-22, 1975, REDSO representatives Bonkowski and Bell were in Sudan in connection with the Rahad Irrigation Project. Meetings were held with AID and Embassy officers, various officials in the Government of Sudan and the IBRD country representative. April 17-19 was spent visiting the project site, and on April 22, a trip was made to Port Sudan to inspect AID equipment recently arrived at the port. A list of persons contacted and places visited is attached.

II. Project Description

The Rahad Irrigation Project (approximately 300,000 acres) consists of the construction of a supply canal (87 km.), including the intake station at the Blue Nile and siphon under the Dinder River, and for the first phase (150,000 acres), a main canal (60 km.), 4 major canals and numerous minor canals. Also included are the installation of agriculture processing equipment and storage facilities and infrastructure necessary for establishment of thirteen villages and one town.

The AID loan of \$11 million is being used to purchase equipment and related services for the project. A consulting services contract with Louis Berger International, Inc., was signed October 4, 1973, to cover initial development, procurement and equipment delivery and start-up services. Equipment being procured by AID includes heavy equipment for construction of the canals, equipment for land clearing and leveling, vehicles, groundnut equipment and spares.

III. Project Financing

The revised cost estimate for the project (excluding taxes, duties, etc.) is now \$240 million. According to information furnished REDSO by the IBRD representative, financing is to be provided as follows:



	(\$ Millions)	
	<u>Original</u>	<u>Revised</u>
Kuwait Fund	11.0	50.0
IDA	42.0	62.0
AID	11.0	11.0
Arab Fund	--	9.0
Saudi Arabia *	--	18.0
Government of Sudan	35.0	90.0
	<u>99.0</u>	<u>240.0</u>

* Tentative - if not available, GOS will increase its contribution accordingly.

The revised cost estimate is spread over a three-year construction period; however, the Ministries of Irrigation and Agriculture believe work for 300,000 acres can be completed in two year's time and are proceeding on that basis.

IDA negotiations for the increased financing are scheduled for the week of May 5 in Washington. The increased project costs and new financing plan will be documented in the Bank's formal recommendation to its Board. Copies of the paper will be made available to AID.

IV. Construction Status

A. Excavation

The first phase of 150,000 acres is scheduled for completion in the first quarter of CY 1977; the second phase (also 150,000 acres) is scheduled for completion one year later. Total excavation required for the first phase is 16 million cubic meters. Of this amount, 1.5 million m³ was done in the 1973-74 construction period, 1.9 million m³ has been completed to date this year and the Ministry of Irrigation is estimating that another 2.1 million m³ will be finished in the next two months, for a total excavation of 5.5 million m³, or approximately 34 percent of the first phase by the end of June 1975. All excavation work is being done by the Ministry of Irrigation.

To date, 41 percent of the supply canal is finished (36 km out of 87 km), and five percent of the main canal is completed. Of the four major canals, two are completed and two are 80 percent finished. The minor canals are 80 percent completed. Widths of the various canals are as follows: supply canal - 45 meters; main canal - 20 meters; major canal - 10 meters; minor canal - 3 meters.

B. Structures

Principal structures will consist of: 1) the pumping station at Mena on the Blue Nile River, capable of delivering 105 cubic meters/sec into the supply canal; 2) a 250 meter-long siphon under the Dinder River; and 3) a 120 meter-long barrage on the Rahad River at Mafaza which will divert water from the supply canal along 6 kms. of the Rahad River into the main canal. Force account construction of the pumping station and siphon will be carried out by the Public Corporation being established under the Ministry of Irrigation. The barrage works will be sub-contracted to a local contractor. For all construction works the Public Corporation will have a technical assistance contract with an international consulting firm to provide construction advisory services.

The highway component of the project has been reduced to a two-lane gravel road from project headquarters to the main transportation route, i.e., the paved highway now under construction by the Chinese which will link Wad Medani with Gedaref and which traverses the project area.

V. AID Loan Inputs

A. Construction Equipment

The following equipment has arrived at Port Sudan and was inspected by REDSO:

HD41 Fiat Allis Tractors
HD16 Fiat Allis Tractors
Motor Graders (Webco)
Concrete Mixers
Concrete Vibrators
Accessories for above

The exact numbers of the above were not seen by REDSO since they were scattered over the entire port area. Mr. Farrar, Equipment Specialist for Berger, Inc., however, has located all the equipment that arrived on the ships Robert Toombs and Lyran Hall. The ship Alex Stephens was to arrive 2300 on 23 April 1975 with more USAID equipment. The major problem that exists now is the scheduling of railway flat cars to move equipment to the project site. Equipment that arrived in late February is still at the Port Sudan dock area. Although a major effort is being made to schedule railway flat cars, delays of up to 3 months may be experienced. The Ministry of Irrigation and Rahad Corporation are now soliciting the help of the Ministry of Transportation and the Executive Office. Major equipment which has arrived in country thus far is as follows:

- 30 Concrete Mixers
- 20 Concrete Vibrators
- 16 HD16s
- 2 HD41s
- 10 Tilt Bed Trailers
- 7 WABCO Graders
- 5 Scrapers

B. Spares

1. L/Com 02, \$50,000

The outstanding letter of credit for \$49,950 of Caterpillar spare parts expired February 28, 1975, unutilized. Discussions with the local Caterpillar dealer and Caterpillar's visiting financial officer from Geneva revealed that the L/C had not been properly identified as an AID L/C and, with the GOS already deeply in arrears to Caterpillar, Caterpillar had been reluctant to honor the L/C. This was subsequently brought to the attention of Osman Moustafa who arranged with the Bank of Sudan for an extension (to June 30, 1975) and proper identification of the L/C. As for the spares to be financed under the L/C, it was suggested to Mr. Farrar that he review the list with the Ministry of Irrigation prior to placing the order.

2. Spares for new Equipment

Farrar is reviewing and modifying the spare parts lists submitted by the manufacturers. After Farrar's recommendations have been reviewed by the GOS, the list will be submitted for REDSO approval--probably within the next few weeks. The first group of spares to be ordered will be fast moving parts, totalling approximately \$300,000. It is expected that AID will be asked to open a Letter of Commitment for this amount, against the \$650,000 which still remains unobligated. A second group of longer-range parts will be ordered at a later date after Farrar has completed his recommendations and once the exact amount available has been determined, i.e., as soon as all costs of equipment, including shipping and insurance charges, are known.

C. Groundnut Equipment

REDSO was advised by the IBRD representative that the groundnut diggers, shakers and combines originally scheduled for AID financing will be financed by the Kuwait Fund. Official confirmation of this has since been received from AID/W (State 095312). REDSO will issue an Implementation Letter agreeing to utilization of approximately \$1.4 million in loan funds for purchase of decorticators as well as additional construction equipment, in lieu of the deleted groundnut equipment. Purchases agreed to will conform to Rahad Corporation's letter of February 22, 1975, and will include the following:

16 Five-Ton Trucks	\$ 160,000
10 4 x 4 Truck Mounted Lube Units	160,000
2 Truck Mounted Water Tankers	32,000
2 Truck Mounted Fuel Tankers	32,000
8 4 x 4 Mech. Trucks	144,000
	<hr/>
	528,000
15% Spare Parts	79,200
Decorticators	672,800
	<hr/>
	1,280,000
Contingency	120,000
	<hr/>
	\$1,400,000

D. Training

Fifty thousand dollars (\$50,000) is reserved under the AID loan for short-term training of GOS personnel in the operation and maintenance of certain pieces of major equipment being purchased with AID funds. For the eight training slots available, Irrigation will send five officers, Agriculture three. GOS had believed there would be one training session in June in which all eight students would participate; however, Berger's latest progress report indicates that for part of this time there would be two sessions running concurrently. This would mean, for example, that Agriculture students would not receive any training on the HD-41 crawler tractors although Agriculture will be assigned some of the HD-41's. The GOS has cabled Berger for clarification.

VI. Equipment Shops

The central repair shop at Wad Medani was inspected on 17 April 1975. It is the main repair facility of the Ministry of Irrigation and Ministry of Agriculture. The facility is old but appears to be adequate. Personnel appear to be doing good work considering the handicap of old tools and machinery. The shops inspected were: engine rebuild/repair shop, machine shop, welding shop, foundry, carpentry shop where wooden templates are made for molds at the foundry, crane repair shop, grader repair shop, engine test stand and parts warehouse.

There are two field maintenance shops located at Km 36 and Dinder. These maintenance shops are poorly equipped and can handle only light repairs and routine maintenance. All major repairs will be done at Wad Medani. There are also two mobile workshops that are equipped only to handle preventative maintenance. One shop is located at Km 36 and the other at Dinder.

For the Rahad scheme there will be 3 permanent workshops (central workshop at Wad Medani and 2 sub-workshops as listed above) and 7 temporary work-maintenance shops located and moved with the work camps.

VII. Organization

Problems in project management have led to the establishment of a coordinating committee made up of undersecretaries and chaired by an Executive Director with the rank of Deputy Minister. This is expected to eliminate problems of coordination among the various ministries and agencies involved in the project and to provide a high-level, central decision-making body.

VIII. Reporting

For its portion of the project, i.e., the procurement of equipment, AID is receiving quarterly and monthly progress reports prepared by Louis Berger. The IBRD representative advised REDSO that the next Bank supervisory mission for the Rahad Project (now scheduled for mid-summer 1975) will devise a format for use by the GOS in reporting progress for the entire project. This report will be made available to all donors.

IX. Conclusion

The AID inputs to this project for funding of heavy construction equipment, maintenance equipment, vehicles, spares, funding of one master mechanic technician and groundnut decorticators, is progressing generally on schedule. The initial project objectives of meeting a 1976 crop year will not be realized due to: 1) lack of international bidders (IDA funded) for construction of the pumping station, barrage and siphon works; and 2) increased cost of total project of 380% over the past two years (from \$50.0 m to \$240.0 m). The AID inputs of equipment and spares are expected to be completed by June 1976. The technical assistance will be completed at approximately the same time.

New construction schedules developed by the GOS, based on proposed force account operations, show that a 1977 crop year may be realized for the first 150,000 acres of the 300,000 acre scheme. This is considered optimistic by REDSO, particularly given the major work involved in construction of the barrage, siphon and pumping station.

Attachment: 1 (List Contacts/Visits)

Distribution

J. Knoll, AFR/ESA (2)

AFR/IDU (1)

✓ SER/ENGR (1)

M. Broadnax, AAC/Khartoum (2)

Attachment to Memo dtd. 5/7/75
to Hogan from Bonkowski/Bell

Principal Persons Contacted

U.S. Embassy

Broadnax, AAO
Brewer, Ambassador

National Planning Commission

M. Sanhoury, Assistant to the Director
N. Mohamed, Agriculture Department
A. Abedel El Wahaman, Acting Director

Rahad Corporation

M. Khougali, Chief Agric. Engineer
N. Khider

Ministry of Irrigation

Osman Mustafa, Chief Engineer
Mohamed S. Hasan, Director of Projects

Ministry of Agriculture

Osman Belail

Louis Berger, Inc.

Ali Mohomoud, Local Rep.
Don Farrar, Equipment Specialist

Port Sudan

Governor of Province
Director of Ports

World Bank

Kaji, Sudan Rep.

Caterpillar

Sudanese Tractor Co. - Jack Sennett
Geneva Rep. (Financial) - Karlheinz F. Kuner

Meetings and Visits

April 15 - National Planning Commission; American Ambassador

April 16 - Rahad Corp.; World Bank; Caterpillar

April 17 - Wad Medani Workshop; Rahad Project site

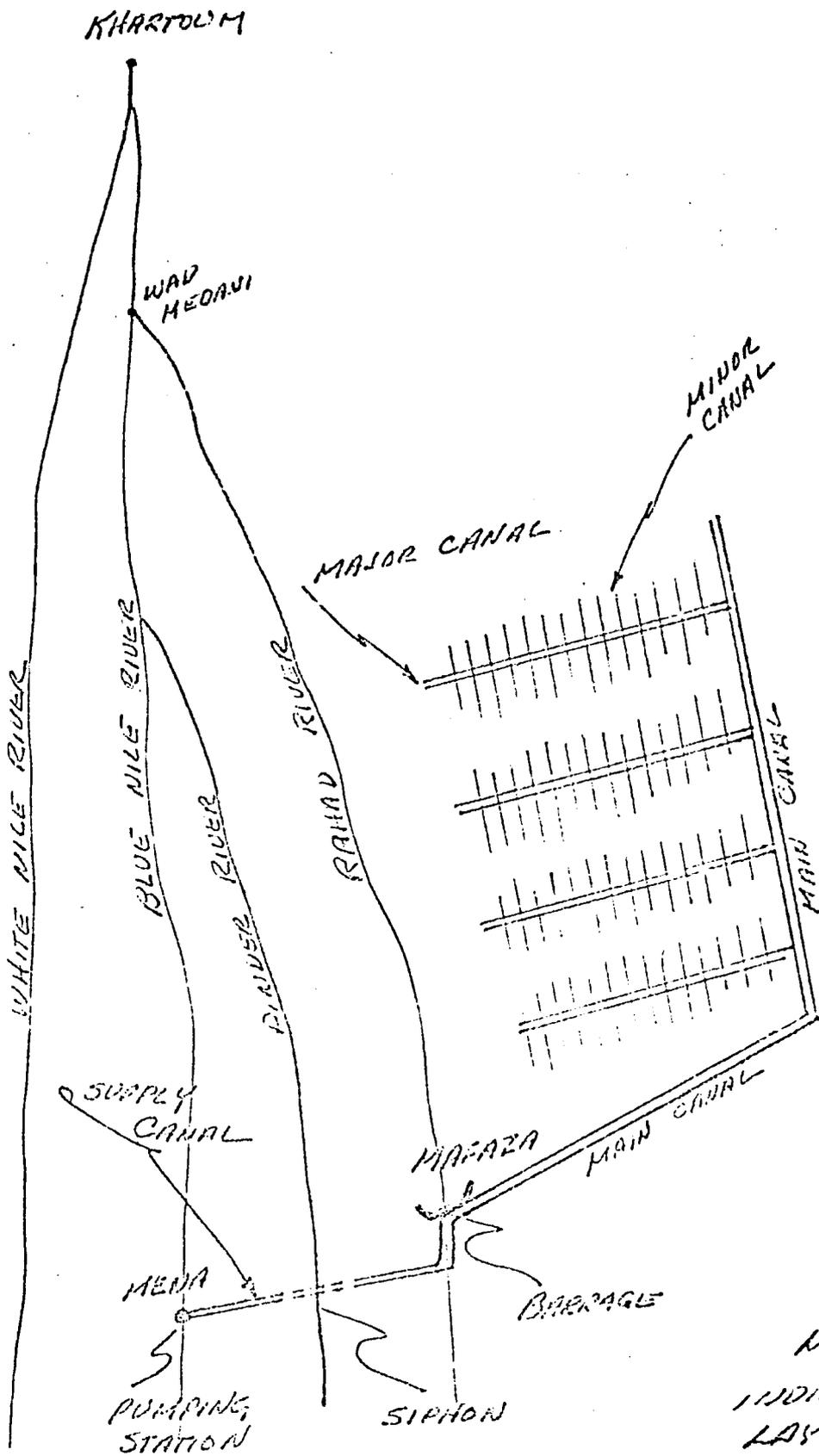
April 18 - Rahad Project site

April 19 - Rahad Project site

April 20 - Rahad Corporation

April 22 - Port Sudan

RAHAD SCHEME



NOT TO SCALE
INDICATES GENERAL
LAYOUT ONLY