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**Report No. P-1731a-SU**

REPORT AND RECOMMENDATION

OF THE

PRESIDENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED CREDIT

TO THE

DEMOCRATIC REPUBLIC OF THE SUDAN

FOR TECHNICAL ASSISTANCE

February 4, 1976

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CURRENCY UNIT = SUDANESE POUND (₪Sd)

Official Exchange Rate

US\$1 = ₪Sd0.348

₪Sd1 = US\$2.872

Piasters (Pt)100 = ₪Sd1.00

Effective Exchange Rate

US\$1 = ₪Sd0.398

₪Sd1 = US\$2.50

Fiscal Year (Government) July 1 - June 30

## INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE  
EXECUTIVE DIRECTORS ON A PROPOSED DEVELOPMENT CREDIT TO THE  
DEMOCRATIC REPUBLIC OF THE SUDAN FOR  
TECHNICAL ASSISTANCE

1. I submit the following report and recommendation on a proposed development credit to the Democratic Republic of the Sudan for the equivalent of \$4 million on standard IDA terms to help finance technical assistance in project preparation. The Kuwait Fund is co-financing the project, lending \$3 million equivalent for 40 years, including 10 years grace, at one percent interest.

PART I - THE ECONOMY

2. Since the last economic reports on the Sudan were presented to the Board (Report No. AE-27 in four volumes dated June 9, 1972 and Report No. 119a-SU dated June 1, 1973 on the Southern Region), the Bank has participated in the ILO Comprehensive Employment Strategy Mission. The Bank staff played a major role in both the conception and execution of the ILO mission's work. Whilst the mission was an employment strategy mission, its focus, as with previous ILO missions, was on the overall problem of income creation for low-income earners in the context of a more rapidly growing economy. The mission's report is comparable to a Bank basic economic report and its analysis and conclusions are the basis both for our developing dialogue on economic policy issues with the Government and for the development of our program of operations. The report has been influential in stimulating discussion of development policy issues in the country. A special government working group reviewed the report and prepared a substantive and lengthy evaluation of its analysis and conclusions. It is also providing a major input into the preparation of the Six Year Plan for 1977-83 currently being undertaken. Country data are attached as Annex I.

Economic Potential and Performance

3. Sudan, with an area of one million square miles, is the largest country in Africa, with a population of about 16.5 million. Much of the country is unoccupied or very sparsely populated, and in contrast to many developing countries, there is no population pressure on presently developed land. Although a large part of the country consists of desert or semi-desert, the Sudan nevertheless has great untapped potential for agricultural development. About one-third (200 million feddans or 87 million hectares) of the total land area is suitable for crop or pastoral production, and only a small fracture of this land is presently utilized. In addition, the White Nile and the Blue Nile provide an abundance of water which has enabled the country to develop the largest irrigation system in tropical Africa. The Sudan has increased its use of the Nile water to over half of that allocated to it under the

Nile Waters Agreement with Egypt, but there remains room for considerable further expansion in irrigation. The proximity of Sudan to markets in the Middle East and Europe places it in an excellent position for agricultural exports, and oil-producing Arab countries have increasingly come to consider Sudan as a primary future source of agricultural products.

4. In spite of the large potential for development, the Sudan is a poor country. GNP per capita is estimated at US\$130 (1974) and the country is included among the UN's twenty-five Least Developed Countries. The economy is heavily dependent on exports of cotton, which is the major commodity produced on irrigated land, and also exports of gum arabic, sesame and groundnuts. Its considerable grazing resources have hardly been tapped. The manufacturing sector is relatively small and, apart from the processing of some agricultural commodities, it is limited to the production of consumer goods and building materials. There have been some exports of chrome ore and the feasibility of developing other deposits is receiving attention. The public sector has long been important in the Sudanese economy. It embraces all modern irrigation facilities, the railways and virtually all power and water supply. With the nationalization measures of 1970/71, a significant proportion of industry, commerce and finance was also transferred to the public sector. Although some industrial enterprises have been returned to the private sector, about half of the GDP is still generated within the public sector.

5. While the basic physical and human potential of Sudan is considerable, its economic performance has been disappointing. During the past decade, the economy has grown by little more than the rate of growth of the population. This is primarily due to the depressed level of investment, both public and private. While the Government was successful in achieving a high growth rate of revenue, the rise in recurrent expenditure absorbed most of it, and development expenditure decreased. The growth of current expenditure was caused by increasing security expenditures, the policy of hiring all post secondary school graduates and converting casual labor on public projects into permanent government employees and rapidly increasing transfers to local government. Further, savings generated by public corporations also declined because of inefficiency and rigid pricing policies. Public sector deficits were increasingly financed through excessive credit expansion. Prices rose steadily, and the external position was under pressure owing to the rapid growth of imports and a stagnation of export volume. In the last two years, however, there have been some positive achievements, the most significant of which is a rapidly increasing investment program, with much of it directed at the critical bottleneck problems in the economy, particularly in the transport sector (see para. 24 below).

6. In attempting to reverse the relative stagnation of the past, attention will have to be directed to the very difficult questions of long-term development which were the subject of the ILO report. These include a number of important issues such as curbing the rise in recurrent expenditures and reforming the tax system to make it development-oriented; restructuring of the incentive system to encourage exports of agricultural products and discourage unviable industrial investment; the deployment of public expenditure

to raise productivity in traditional agriculture; the development of modern sector agriculture as the productive lynchpin of the economy; large scale investment in infrastructure to facilitate agricultural and industrial development; and reforms in the education system to adapt it to changing needs. These issues are summarily reviewed in the following paragraphs. However, the Government also faces a very difficult short-run balance of payments problem which is reviewed in paras. 20-24 below. The challenge to the Government in Sudan is to develop policies and programs which lead to more effective short-run management of the economy but at the same time address the longer-term issues which will otherwise impede the full realization of the country's potential.

### Long-Term Development Issues

7. Current objectives of the Government are summarized in the Interim Action Program adopted by the Sudan Socialist Union in late 1973. The central precepts of the Program are: a rapid increase in the growth of GDP; reduction of inter-regional and rural-urban income disparities; reduction of unemployment; provision of basic services for all citizens; and self-sufficiency in basic commodities. No quantitative targets are specified. The ILO report concludes that Sudanese objectives, thus defined, can be achieved by a high growth strategy which devotes special attention to the employment and equity goals. Such a strategy would require a dramatic increase in public and private savings as well as substantial capital inflows from abroad. Specifically, the report projects that with savings rising from an average of 10% of GDP during the early 1970's to between 15% and 20% in 1985 and a tripling of gross capital inflows, rising from about \$300 million in 1974 to about one billion (current) dollars by 1985, Sudan could aspire to double the growth rate of GDP in real terms from 3-4% p.a. during 1964-75 to about 6-8% in 1985. The attainment of these targets and the objectives of the Interim Action Program depend upon the ability of the Government to deal with major constraints to development in all sectors of the economy.

8. Agriculture: This sector dominates the Sudanese economy and is likely to continue to do so for several decades. Given the extraordinary size of unsettled arable land with access to potential irrigation waters or adequate rain, Sudan's comparative advantage in the foreseeable future will continue to be in agriculture. To succeed, any development strategy for Sudan must, therefore, give a central role to the agricultural sector. It is also essential that the objectives of the various types of agricultural production be clearly defined while seeking to maintain a proper balance between them. For example, a rapid expansion in agricultural production can best be achieved by an expansion of modern mechanized dryland and irrigated agriculture. This will be necessary to increase export earnings to pay for capital imports. On the other hand, the equity objectives of the government require that agricultural expansion should also take place in areas of traditional agriculture. To pave the way for more productive agricultural techniques, initial investment in basic agricultural services and infrastructure will be needed. This

investment will probably not increase output greatly in the short run, but is an essential prerequisite to modernization of agriculture in the poorer parts of the country. Moreover, given the incomplete knowledge of the traditional sector (the resource base and what it would take in the form of policies and programs to make a significant impact on productivity and incomes) there is a need for a much expanded research, experiment and extension program to precede and accompany agricultural investment. It might also be necessary to establish a separate ministry charged with the responsibility for rural development. While the Government is committed to a rapid expansion of modern sector agriculture as the mainstay of agricultural growth, it also recognizes the imperatives of raising the standards of living of the majority of the population living outside the modern agriculture schemes.

9. Within the modern sector of Sudanese agriculture, the basic question is the emphasis to be given to mechanized dryland farming, which requires little Government investment and tends to mobilize private savings, as opposed to irrigated agriculture which is highly capital intensive, and requires a very large Government investment. Irrigated agriculture is both more productive and less dependent on weather than mechanized dryland farming. However, much can be done to expand yields on existing irrigated lands, at a relatively small cost. While accepting the argument for further expansion of irrigation, the ILO report concluded that such expansion ought not to be at the expense of the other forms of agricultural expansion. In view of the particularly large capital inputs required for expansion of irrigation, such expansion will be particularly dependent on capital imports. The ILO report encourages the Government to facilitate the entry of farmers with relatively small capital into dryland mechanized farming, through joint or cooperative ventures. The Government is faced with a dilemma in regard to mechanization in irrigated agriculture, which offers the possibility of high intensity cropping and higher incomes, but might reduce income-earning opportunities for seasonal migrant workers. Such opportunities constitute an important and efficient transfer mechanism from the richer to the poorer parts of the country.

10. Transportation. A large expansion in agricultural production will require a much improved transportation system to permit distribution of imports and access to markets. A large investment program is already under way, affecting railways, roads, inland water transport, an oil pipeline and domestic aviation. In view of the distances involved, investment in transportation facilities in all modes will continue to demand a large proportion of the available resources. The requirements have been analyzed in a study carried out by a consulting firm, the Associates for the Development of Arab Resources (ADAR.) Port expansion will be essential, as will further investment in the railway and water transportation network. A system of trunk roads and regional roads to facilitate the economic integration of the Southern and Western provinces with the Central and Eastern regions will also be required. Although the ADAR transportation study and the ILO mission assessed the needs slightly differently, they were in broad agreement about the essentials.

11. Industry: The main thrust of the industrial strategy for the next decade, outlined in the ILO report, is selective and limited industrialization based on agro-processing to develop export capability. The case for this rests on comparative advantage, and the need to give greater priority to agricultural growth, which would form the basis for a faster and more balanced development of the economy in subsequent decades. Among those sub-sectors where good prospects exist for agro-processing and exports are textiles, sugar refining, edible oils, leather and the production of yeast for bakery and pharmaceutical use.

12. The ILO report argues that there is considerable scope for the expansion of these and other industries to allow industrial output to rise by about 6 percent per annum during the period 1975-80 and by about 10 percent per annum thereafter. Expansion of this magnitude would add about \$320 million to output in the next decade and create over 100,000 jobs. In order to facilitate attainment of these targets a number of policy changes would be required in the system of incentives (taxes and subsidies on trade and domestic activities, quantitative restrictions on trade, licensing and pricing policies) which currently guides resource allocation in Sudan. Additionally, for both social and economic reasons it would be right to encourage scattered development of industry in small, labor-intensive enterprises, when locational and technical requirements permit. Several such industries are identified in the ILO Report.

13. Incentives for Resource Allocation: Although Sudan's long-term comparative advantage lies chiefly in agriculture and the most promising market opportunities are in exports, the ILO report's analysis of the existing policies on foreign trade and payments, taxation and pricing, and their implications for the structure of incentives guiding resource allocation, indicates that present policies point in the wrong direction. They favor industry and import substitution while discouraging agriculture and exports. In addition, present policies generate excessively high profits in the commerce sector. Moreover, the existing policies are implemented through an elaborate and time-consuming system of monitoring and control which squanders scarce managerial talent and is very difficult to coordinate effectively. The report made a series of proposals for re-aligning these policies to achieve more efficient utilization of Sudan's resource endowments. The proposals made are far-reaching and will require more detailed work for implementation. Some of these studies are under way and both the Bank and IMF are assisting the Government in this work.

14. Education: Compared to most other African countries, the Sudan is well provided with trained manpower. This is attributable in part to the fact that the educational system has evolved over a longer period. Nevertheless, the ILO report concludes that, as in many countries, the education system is geared to the needs of a relatively few who pass from one level of education to another, rather than to the needs of the majority at every level who leave school to start work. It found also that the emphasis on secondary and higher education is such that, for budgetary reasons, universal primary education is unlikely to be reached until after the year 2000. Furthermore, the

inter-regional and urban-rural imbalances are striking, and unless remedied, would frustrate the equity objectives of the Government.

15. Following from its analysis, the report made several proposals which would permit the educational and training system to become a more effective contributor to rapid economic development and employment creation. The proposals would reduce supply/demand imbalances, produce skills more directly relevant to economic growth, and smooth the operation of the labor market for school leavers at all levels. In brief, the report concludes that further expansion of secondary and post-secondary education should be directed to those areas which are now severely short of secondary facilities or where specific demands related to productive enterprises are identified. It argued that the focus of technical training should be on-the-job training rather than formal and vocational training; that primary education should be refocussed to provide a basic education which is not geared to the need to progress to the next level of education, but to the needs of the majority who will receive no formal education after the primary level; that facilities for adult education should be expanded; and that the selection procedures for progress from one educational level to another should be changed. There are major social and political difficulties and dilemmas to be faced in reforming the education system on such a scale, and to do so will require a strong consensus of interested parties in favor of the reforms. For these reasons it is encouraging to note the Government's decision to mount a national study of the entire education system over the next year. IDA will be providing some assistance for this review through the Second Education Project, approved by the Board in May 1975.

16. Resource Mobilization: The attainment of the Government's objectives of rapid growth in output, incomes, employment and equitable distribution of income in the next decade will require a large increase in investment expenditure. It is expected that Sudan will receive large capital inflows from external sources, particularly from Arab countries. This is a unique opportunity. Whilst external assistance on concessionary terms can reduce the burden of raising domestic resources, however, the latter remains a critical requirement. Sudan must strive for a gradual increase in its rate of domestic savings. In this regard, particular attention needs to be given to the role of Central Government. Since the early 1960s its contribution to savings has deteriorated markedly until currently these savings account for barely one percent of GDP. The poor performance on budgetary savings is particularly worrying against the background of a strong record on revenue raising which pushed the revenue/GDP ratio from about 18 percent in the early 1960s to 28 percent at present.

17. The Government is aware of the need for improvement in public sector finances and has in the past year made progress in the control of expenditures. However, further changes in this direction will be required in the future to reverse and bolster the trend in public savings. For example, there is a critical need to scrutinize the rapidly increasing transfers from Central to Provincial, and through them, to Local Governments. In 1974/75 these transfers took up more than 15 percent of the Central Government's current revenues. There is a clear need for a more rational formula to determine the total of these transfers and guide its allocation between Local Governments. With regard to Central Government revenue, the thrust of the ILO report's recommendations is aimed less at raising the already high revenue/GDP ratio, and more towards fiscal reforms which would encourage better resource alloca-



tion, increase equity, and preserve the presently high revenue ratio from erosion due to changes in the production structure. In summary, the Report recommends less reliance on foreign trade taxes and argues in favor of developing broad-based consumption taxes and extension of direct taxes, especially to capture the growth in incomes anticipated in the modern agricultural sector. To the extent taxes on foreign trade would remain, the analysis calls for considerable rationalization of the existing structure to minimize its adverse effects on resource allocation in the economy. In some cases, these fiscal reforms would require more detailed study for implementation. The IMF and the Bank can be of assistance in this connection.

18. Project Preparation Capacity: According to the analyses contained in the ILO report the investment required to meet the Government's objectives would be very large, exceeding US\$9 billion in constant 1975 prices over the next ten years. Sudan's association with the Arab oil exporting countries could be a critical factor in generating the capital inflows required to sustain an investment program of such a magnitude. A number of these countries are considering very large investment plans in the agricultural sector and in infrastructure required to facilitate agricultural expansion. If this capital inflow develops on a substantial scale it would remove one of the major current restraints on the level of investment. However, for investment to continue to expand significantly on a scale commensurate with both the needs and opportunities, Sudan needs to expand its capacity to identify projects for financing and its ability to manage the preinvestment work, which is a prerequisite to a commitment of investment funds. Some work of this kind is being undertaken, but the Government considers that in order for a flow of adequately prepared projects to become available on a sufficient scale, Sudan will require further external assistance in project preparation and other pre-investment work. (See Parts III and IV of this report).

19. Government's Reception: Those who reviewed the report, including ministers, officials, university staff and representatives of the Sudan Socialist Union, accepted the report's general thrust as sound and well balanced, reflecting to a large extent the Government's own objectives. In particular the relative emphasis between agriculture and industry in the productive sectors was found appropriate. The discussion of education has proved to be a useful stimulus to a debate which had evidently already started and which will be continued in the course of the sector survey. The Government was in full agreement on the need to improve resource mobilization, but is, naturally, impressed with the difficulty of improving the marginal savings ratio so substantially. Such an increase would obviously be easier in the context of more rapid economic growth. The Government has yet, it seems, to develop its views on the analysis of the incentive system. In general we feel that the period of development of the next Plan will be the critical test of the contribution of the report to the Government's thinking. The Sudan's Council of Ministers has recently cleared the report for publication.

### Short-Run Development Issues

20. While the ILO report focuses on the long-term issues facing the economy, and on that basis develops a strategy for development, Sudan has to grapple with serious short-term problems which both affect the economy at the present time and threaten the prospects of achieving the really striking advances which are possible over the next ten years. The short-run issues

relate to the level and pattern of investments, budgetary operations and cost-price relationships, which have resulted in pressures on the budget and the balance of payments. The balance of payments pressures have been exacerbated by rising import prices and an unfavorable external market for cotton. Thus, the trade balance which was positive at US\$67 million in 1973, became negative at US\$177 million in 1974 and the deficit is expected to double to US\$360 million in 1975. The much larger deficit for 1975 is the result of a continuing rapid growth in import payments with exports unchanged since 1973. The rise in imports is due partly to higher prices for essential commodities, including food and oil products, and partly to an expansion of development-related imports. In value terms, petroleum imports in 1975 are expected to be about 40 percent more than the record figure of \$87 million in 1974, while imports of machinery and transport equipment are expected to double. The build-up of domestic inflationary pressures has resulted in some expansion of manufactured consumer goods imports. On the receipts side, recession in the world textile industry resulted in a slow movement of cotton exports at relatively low prices, although exports of groundnuts and sesame continued strongly in 1975. Thus, the receipts from cotton exports in 1974 were about 40 percent below the average of the previous three years and, as a percentage of total exports, dropped to 39 percent compared with 58 percent in 1973. The position improved marginally through most of 1975, but in the last month, sales of cotton by Sudan amounted to about \$80 million. The expectation now is that a considerable part of the large cotton stocks will be exported at relatively high prices during the first half of 1976.

21. In any event, the Government has taken a number of measures in recent months to arrest the deterioration in the balance of payments and to make it less dependent on cotton. Specifically, measures have already been taken to reduce substantially the acreage under long staple cotton and to plant instead groundnuts, wheat and the shorter staple varieties of cotton. This is expected to increase export receipts considerably as demand abroad for short and medium staple cotton and groundnuts is more favorable. Furthermore, the Sudan is expected to become increasingly self-sufficient in wheat and sugar with imports of these commodities projected to be eliminated by 1976 and 1978, respectively. In addition, the increase in the capacity of the Sudan railways and the opening of the Suez Canal are expected to increase the competitiveness of the Sudan's exports and reduce the cost of imports.

22. With regard to budgetary operations, public sector deficits continue to be the primary cause of excess aggregate demand and the resulting inflationary pressures, but the Government is taking steps to improve its financial position and maintain a policy of restraint in the expansion of domestic credit. In particular, security expenditure has declined significantly as a proportion of the budget. Steps are also being taken to strengthen expenditure controls in the public sector and, while these measures may need time to be fully effective, the Government's aim is to allow no more than a marginal increase in current expenditures in 1975/76. The approved budget for 1975/76 did not introduce any new taxes, but some measures have been taken, including the elimination of most subsidies (notably that on sugar) and increases in utility rates. The latter are expected to lead to a combined financial surplus of about US\$18 million for the Sudan Railways and the Public Electricity and Water Corporation, compared to a deficit of the same order in 1974/75. Moreover, a proposal to change the pricing policy on cottonseed which would result in additional revenue of at least US\$23 million is under

active consideration. Additionally, the Bank of Sudan has reasserted control over the banking sector, and has raised interest rates by two percentage points. Continued progress of this kind would be needed to foster a stronger economy with a capacity to support an expanded development program. In this connection, the IMF is having discussions with the Government on fiscal, credit and balance of payments issues.

23. In the last two years, Sudan's external indebtedness has increased considerably and, as of March 1975, stood at about \$700 million. In 1974 an unexpectedly large inflow of external capital, consisting largely of short- and medium-term credits, was sufficient to finance a current account deficit in excess of \$250 million and to limit the overall balance of payments deficit to less than \$20 million. In 1975, excluding the use of IMF resources under the Oil Facility, amounting to SDR 18.3 million, the Sudanese authorities expected to receive about \$200 million in net external credits, which amounts to less than half of the projected current account deficit. While the upsurge in cotton exports is ameliorating this position, the IMF's discussions will help in identifying ways to reduce these problems. A disturbing feature of Sudan's external debt position has been the rising proportion of short- and medium-term debt contracted on commercial terms. As a result largely of the decline in export receipts and the financing requirements of the cotton stocks, (see para. 20 above) the debt service ratio jumped from 15% in 1973 to about 26% in 1974. This ratio is expected to revert to a more normal figure as the export markets recover. While a rapid increase in private and public capital inflows is essential to finance the development program, it is equally important that the terms of public capital inflows be as concessionary as possible. The Government informed the IMF of its intention to avoid as much as possible adding to the already heavy debt servicing burden by limiting further reliance on short- and medium-term credit. Nevertheless, some such borrowing could occur and it must also be expected that some further increase in net official liabilities of the Bank of Sudan will occur.

24. As a result of negative public sector savings the Government has relied heavily on the much increased inflow of capital to give a major boost to public investment, which had remained stationary during the period 1967-73. From about \$75 million in 1972/73 and \$100 million in 1973/74, investment in 1974/75 is estimated to have jumped to \$250 million. This level is expected to be exceeded in the current fiscal year. As important, the investment has been directed largely into the priority areas. Much is going into eliminating **the inadequacy of the transportation system, which is undoubtedly the most serious immediate bottleneck to the development of the economy.** On-going projects in the transportation sector include the construction of a road and **an oil pipeline in the key Khartoum-Port Sudan corridor and acquisition of railway rolling stock in order to increase the capacity of Sudan Railways.** Other priority investments are in sugar schemes which are intended to eliminate imports and lead to exports in the late 1970's; public support for irrigated agriculture through the Rahad project, which is jointly financed by the Bank, the Government and other bilateral and multi-lateral agencies; kenaf plantations, textile mills and expansion of wheat production to achieve self sufficiency. The map at the end of this report illustrates the geographical distribution of the major investment projects under implementation. It is worth emphasizing that the fruits of this investment in terms of higher output and higher exports will not be forthcoming in the short run, but should begin to be apparent in

the late 1970's. The major infrastructure investments required for the development of a country as large as Sudan dictate the need for a flow of concessionary funds to Sudan. The current balance of payments problem and the emphasis being given to the development of Sudan's considerable productive potential, particularly in the agricultural sector, are additional reasons for continued support from IDA and other sources of concessionary funds.

25. In summary, after a number of years of low and fluctuating rates of savings and investments, some momentum has been injected into Sudan's economic development by a considerable expansion in domestic investment during the last two years. However, Sudan faces balance of payments and domestic resource mobilization problems in the short run. Whilst this is a familiar problem in several developing countries, the medium-term prospects for Sudan look particularly bright. These opportunities derive not only from the ability to tap the surplus funds of the OAPEC countries and to serve their expanded markets, but also from the basic agronomic and human potential of the country. However, basic policy decisions, some of which have been outlined in the preceding pages, will have to be made if these prospects are to be realized. The Government has indicated its willingness to address itself to these crucial issues at the review of the ILO report in October 1975. During the work of preparing the Six-Year Plan for the years 1977-83, which has just started, a major opportunity exists to make substantial progress in the direction indicated by the recent studies. For the immediate future, the Bank can assist the Sudan to achieve a higher momentum of development by helping channel resources into the priority sectors in our project work, by extending technical assistance to improve project identification, preparation and implementation capacity, and by continuing the dialogue on policy issues.

#### PART II - BANK GROUP OPERATIONS IN THE SUDAN

26. Since the Sudan's Independence in 1956, the Bank Group has helped to finance various development projects with commitments totalling \$307 million and has been the country's largest single source of foreign aid. A major portion of our past lending was to help finance irrigation and railway projects. In addition we have lent for two power projects, two education projects, a highways project, and three agriculture projects, and have made two credits to a development finance company. Annex II contains a summary statement of Bank loans, IDA credits and IFC investments as a December 31, 1975 and notes on the execution of ongoing projects. The Bank/IDA share of debt service is 14% (1974).

27. Progress on Bank Group operations in the Sudan varies. The highways and mechanized farming projects are going quite well, but difficulties in obtaining materials, high bids which require re-tendering and weaknesses in management continue to slow down implementation of most other projects. Three projects in particular have encountered problems in implementation -- the First Education Project, which was very slow in starting off, but is

now proceeding somewhat more satisfactorily; the Third Railways Project, where progress towards improved operational efficiency is very slow; and the Rahad Irrigation Project which has faced management problems and serious cost overruns. This project was discussed by the Board last June when the supplementary credit for the project was considered, and current progress on the progress is encouraging. Disbursements on Sudan credits have picked up in the last six months and are expected to continue increasing. (See Annex II.)

28. In view of the improved availability of funds for investment in Sudan, the Bank Group feels it can render a useful service to the Sudan, by assisting with the identification and preparation of a relatively large number of projects, and by actively associating bilateral and other multi-lateral sources with the financing of these projects. The Consultative Group last met in 1973, and most of the member countries have developed programs in Sudan, subsequently. At an appropriate time, a further meeting of the Consultative Group will be held.

29. In the light of our better understanding of the economic prospects and problems facing Sudan, the Bank Group's lending strategy will continue to emphasize agriculture and infrastructure investments. Within agriculture we will continue with a two-pronged strategy of investments to realize existing production potential in the modern sector, while laying the foundations for future production increases in traditional agriculture. Thus, we have recently made a credit for a major irrigation project and are assisting the Government in preparing projects in irrigation, mechanized farming and livestock. In traditional farming we have lent for an Agricultural Rehabilitation Project in the South and are working on a Savannah Development Project. Last April the Board approved a Second Education Project, which emphasizes training in the rural areas. We expect to develop future education projects on the basis of the sector survey now in progress. Lack of transport facilities continues to hamper movement of goods within the country and to the outside world. The Third Railway Project is helping to improve rail transport and design further necessary improvements in related transport facilities. A Second Highway Project is under preparation, and included in the agricultural rehabilitation program is about 350 miles of agricultural feeder roads in the Southern Region. Further transportation projects in railways, aviation and ports are under consideration with the Government. With the two credits to the Industrial Bank of Sudan, the Bank Group is supporting private investment in the growing industrial sector. The first power project, which developed some of the hydro-electric potential of the Roseires Dam, was completed in 1972. A credit for the second power project, which will develop these resources further and assist expansion of the electricity system, was recently approved by the Board.

PART III - THE NEED FOR A TECHNICAL ASSISTANCE CREDIT

Background

30. In the last eighteen months the investment climate in Sudan has changed markedly. Firstly, the Government found it possible to embark on a major expansion of public sector investment in 1973 and 1974. In 1975/76, a further substantial increase in investment is expected. As indicated above, the recent investment was largely in the priority sectors, especially in attacking the transportation bottleneck between Port Sudan and Khartoum. Secondly, official policy towards private investment has become more positive, with the result that private investment in the modern sector has also expanded. Some foreign private investment has been attracted. Thirdly, it is apparent that the Sudan can expect to see considerably increased investment from the Arab oil exporting countries. These countries have already emerged as a major source of capital for the Sudan, and this flow can be expected to increase. Reciprocally, Sudan can reasonably expect to expand its role as a source of supply for the Middle Eastern countries, especially for food products.

31. Thus the prospects are that investment in Sudan can continue to expand beyond the high level recently reached. Both the needs and the opportunities are very large. Constraints standing in the way of an expanded investment program include remaining transportation deficiencies, and the capacity of the construction industry, as well as the capacity of the various government agencies to manage a larger program. For investment to continue to expand Sudan needs to tackle all these constraints, and it also needs to expand its capacity to identify projects for financing and its ability to manage the preinvestment work which is a prerequisite to a commitment of investment funds. While some work of this kind is being undertaken, the Government considers, and IDA agrees with this view, that the absence of a sufficient flow of adequately prepared projects has become a major barrier to the maintenance and further expansion of the level of investment.

Planning and Project Selection

32. At present the Sudan has no 5-Year Plan or other planning document. The allocation of funds for capital purposes takes place within the general objectives contained in the Interim Action Program adopted by the leadership of the Sudan Socialist Union in late 1973. The Government is now starting preparatory work on a 6-Year national Plan for the period from July 1977.

The basis for the Plan is expected to be the Arab Fund's study of the Agricultural Sector. The analyses contained in the report of the transportation sector prepared by the Associates for the Development of Arab Resources, and the report of the ILO Comprehensive Employment Mission are also expected to contribute importantly to the planning exercise, as will the Education Sector Review which is just beginning. From July 1977, therefore, the Plan will form the natural starting point for project selection. Until then, there will be no formal basis for project selection, but a minimum requirement will be identification of the projects as being of high priority in terms of the

country's general development objectives; in particular, that they will help in removing the major transportation deficiencies, expand exports of agricultural produce in the raw, processed or semi-processed form, and contribute to reduction in the dualism of the economy between the more and less developed regions.

33. Institutionally, under the general authority of the Council of Ministers, planning is the responsibility of a Ministerial Planning Committee, chaired by the Minister of Finance and National Economy, with a membership consisting mainly of Ministers from the major spending ministries. Staff work is the responsibility of the National Planning Commission, under the Commissioner General for Planning. A UNDP financed Planning Assistance Team is working in the Commission, with IBRD as the executing agency. There is also provision for Planning Units in each ministry, public corporation or government agency. These do not yet exist in many agencies, but a UNDP/FAO project, currently under discussion, is expected to create a strong planning unit in the Ministry of Agriculture.

34. In considering the institutional arrangements necessary to support an expanded level of pre-investment work, the obvious focus of attention is the point at which plans have to be implemented. The Government considers that at present the National Planning Commission is the most appropriate point of control for directing the flow of funds into pre-investment work. A strong influence over the allocation of funds for pre-investment studies would be a normal extension of the planning functions of this institution and would provide a close link between planning decisions and project formulation. As part of a general reorganization of the Commission now under consideration, the Government intends to establish a Project Preparation Unit in the National Planning Commission.

#### Current Pre-Investment Work

35. Currently, preinvestment work on significant public sector projects is financed from several sources, but as the following table shows, it forms a relatively minor proportion of the technical assistance provided to the Sudan.

Technical Assistance Available to Sudan in 1973/74 /a  
(\$ Million)

	<u>Bilateral</u>	<u>UNDP</u>	<u>Other UN Agencies</u>	<u>Total</u>	<u>%</u>
Training in Sudan	3.1	3.6	1.0	7.7	16
Training Overseas	5.8	0.9	1.3	8.0	17
Provision of Experts	1.8	4.0	-	5.8	13
Long Term Programs /b	0.4	5.4	5.1	10.9	23
Research, Basic Studies	1.1	2.5	-	3.6	8
Small Development Proj.	2.4	3.5	1.9	7.8	17
Project Preparation	<u>1.1</u>	<u>1.5</u>	<u>-</u>	<u>2.6</u>	<u>6</u>
TOTAL	15.7	21.4	9.3	46.4	100
%	34%	46%	20%	100%	%

/a Estimate; excludes WFP assistance.

/b e.g. disease control, school feeding programs.

Two other major external sources of funding for public sector pre-investment work in the recent past have been IDA, which has allocated \$5.0 million for such work in current projects (e.g., in the Rahad Project for the next stage development of the Blue Nile waters and in the Highways projects for high-way feasibility and engineering studies), and the Kuwait Fund, which has financed several important studies, such as those of Grain Storage, the Sugar Industry and a Transportation Master Plan.

36. For the future, new sources of foreign exchange are required to finance the large expansion in pre-investment work which is necessary to facilitate the expanded investment program. Although the requirement is difficult to quantify, even one percent of the cost of a \$500 million per annum investment program would require expenditure of \$5 million per annum. The requirement is likely to exceed this amount by a substantial margin. Among the sources of finance to meet this requirement are the sizable technical assistance programs of the United Kingdom and Germany. Other bilateral agencies are also expected to contribute. The UNDP is just beginning discussions with the Government on the UNDP country program for the next planning period (1977-82) and additional resources for project preparation work may well be available from this source from 1977 onward. Additional resources are expected to be available from the European Economic Community. However, there are, and will continue to be, many other calls on these funds and in view of the



rapid increase in costs of consultants services, there will no doubt be an unfilled gap. The proposed credit will help to meet the immediate needs.

PART IV - THE PROJECT

37. The proposed IDA credit of US\$4.0 million would help to finance a program of project preparation studies for the Sudan Government over a three-year period. The Kuwait Fund would cofinance the project, contributing US\$3.0 million equivalent. The project would assist in expanding the capacity of Sudanese institutions to execute pre-investment work. A special Project Preparation Unit would be established in the National Planning Commission to administer the funds provided, under the general supervision of an inter-agency committee, on which the Bank Group would be represented. It is proposed that the IDA credit should finance up to 85 percent of the cost of studies of the projects selected, which approximates to the likely foreign exchange cost. The Government would contribute 15 percent of study costs and would finance the administrative costs of the project institutions. Some minor foreign exchange costs of establishing the project institutions and the cost of some short-term consultants to assist the Project Preparation Unit would be met under the existing UNDP-financed Planning Assistance Project.

38. The following table summarizes the project's costs and the financing arrangements:

	<u>Foreign</u>	<u>Local</u>	<u>Total</u>	
	-----US\$000-----			
<u>Project Costs</u>				
Consultancy Services	7,000	1,240	8,240	
Administrative Costs	-	270	270	
	<u>7,000</u>	<u>1,510</u>	<u>8,510</u>	
<u>Financing</u>				
IDA	4,000	-	4,000	47
Kuwait Fund	3,000	-	3,000	35
Government	-	1,510	1,510	18
	<u>7,000</u>	<u>1,510</u>	<u>8,510</u>	<u>100</u>

Over the three-year period, studies requiring between 115 and 130 manyears of consultancy services would be financed. Provision has also been made to allow the IDA credit to help finance training courses relevant to the development of Sudanese institutions concerned with pre-investment work. The Kuwait Fund's loan will be provided on a parallel basis, and will be for a term of 40 years, with 10 years grace, at one percent rate of interest. Disbursements are expected to be completed by 1980.

### The Studies to be Financed

39. The general criteria to be applied would be that the projects selected for study have a high priority in relation to the Government's development objectives and a high expectation of being financed within a short time. Projects would not be limited to any particular sector, and would be open to financing from all sources. While projects being presented to the National Planning Commission for consideration for further study would be in different stages of preparation, and it will be undesirable to impose strict selection criteria related to their stage of preparation, it is not intended that the credit be used to finance basic studies of a general nature. Use of the credit would be restricted to studies closely linked to an anticipated investment decision. Before a decision is made to use the IDA credit to finance studies, consideration would be given as to whether they could be financed by another national, bilateral or multilateral agency. In particular, preliminary discussions have been held with the Directorate for Development of the European Economic Community, which is considering making funds available for project preparation work as part of a program of assistance being developed for Sudan under the Lome Convention. Close cooperation will be sought with all such agencies active in this field.

40. Bank staff have discussed possible studies for financing with the Sudanese authorities. Although further detailed consideration will be required by the project institutions, high priority would be given to studies required for track improvements on the railways, for which the Government has made a separate application to IDA for financing. Other projects which would be considered are a study of feeder roads to link agricultural areas to a new road and existing railways leading from Khartoum to Port Sudan; a proposal for integrated rural development in Darfur Province; a proposal for the integration of livestock into existing irrigation schemes; a proposal for rehabilitation and consolidation of existing small-scale irrigation schemes; and water supply studies.

41. As examples of these projects in more detail we have chosen railways, irrigation rehabilitation and water supply. The Government has proposed a series of studies of investment required to expand railway capacity by improving existing railway track, possible doubling of part of the track, signalling, telecommunications and locomotive workshops. The estimated foreign exchange cost of all these studies would be in the region of \$1 million. They have different levels of priority and further analysis is necessary to select the higher priority items. The irrigation rehabilitation project would be part of a program of rehabilitation work intended to modernize and consolidate a large number of small irrigation schemes, previously developed by private individuals, but now publicly owned. The work is expected to be phased over several years and a first step is being initiated with financing provided under the Rahad Irrigation Project. The consolidation process could add several hundred thousand acres of currently unused land lying between the existing schemes. No estimate of preparation costs is available yet. The water supply studies under consideration would prepare for expansion of supplies in four regional towns and Khartoum. Additional preinvestment

work is necessary to further the Government's rural water supply plans. The study requirements for rural water supply have not yet been worked out, but the studies for the urban water projects are expected to cost in the region of \$300,000. While preinvestment work of this diversity has widely different costs, and it is very difficult to estimate the cost implications of a diversified investment program, it is clear that several million dollars per annum will be required to support the level of investment expected. The Government has agreed that \$4 million is an appropriate sum for an initial foreign exchange contribution by IDA.

#### Organization and Procedure

42. Administration of the fund established to finance project preparation work would be provided by the National Planning Commission. The Project Preparation Unit being established in the Commission will have a small full-time staff. Additional staff would provide services on a part-time basis. These would include members of the UNDP/IBRD Planning Assistance Team, Sudanese experts from planning units in different ministries and agencies, and short-term consultants as and when required. Initially, the director of the Unit would be the leader of the Planning Assistance Team, with a senior Sudanese alternate from the National Planning Commission. Bank staff, including the staff of RMEA, would help in appropriate cases. The allocation of the proceeds of the IDA credit would be subject to the approval of a Project Review Committee composed of representatives of the Government, UNDP, the Kuwait Fund, and IDA.

43. For each sub-project presented to the Project Preparation Unit, a working party would be established with representation from relevant ministries and agencies. For this purpose, the Unit would draw on the technical staff of the relevant ministries, the staff of the sector divisions of the National Planning Commission, and, during the currency of the UNDP-financed Planning Assistance Team, the members of that team. Consultants would be employed for these working parties as and when particular experts were found to be necessary. The working parties would be responsible for analyzing projects for their economic priority, defining the need for additional analysis and a schedule for the execution of this work, preparation of terms of reference for the necessary studies and agreeing with the responsible ministry arrangements for supervision of the firm or agency which would execute the studies. Requirements for coordination with other ministries and agencies would be identified and agreed with those agencies. In cases where a financing agency has already been tentatively identified for the project, it would be consulted about the preparation requirements. Once a contract has been concluded for execution of the studies, the working party would work closely with the supervising ministry or agency to supervise the work, review progress reports and evaluate the quality and adequacy of the study reports.

44. The Project Review Committee would be consulted prior to the invitation of proposals from agencies and/or consultants for execution of the studies, and for approval to conclude a contract for those services. The Review Committee would consist of the Director General of the National Planning

Commission (Chairman), the Resident Representatives of UNDP and IBRD, a representative of the Kuwait Fund and such other members as are found to be appropriate. Other agencies which contribute funds for project preparation work could be represented on the Project Review Committee. A copy of the terms of reference of the Project Preparation Unit and the Project Review Committee is attached as Annex IV.

45. During the mid-term review of the UNDP/IBRD Planning Assistance Project, which took place in November 1975, the terms of reference of the Planning Team were revised to accommodate these expanded functions in the field of Project Preparation.

#### Training

46. A major objective of the project will be to assist in establishing an expanded body of expertise in the field of project selection and preparation in Sudanese official and private institutions. To this end the Project will encourage responsible ministries and agencies in adopting sound methods of project selection and preparation. There are Sudanese consulting firms with the capacity to undertake some or all of the studies to be financed, either singly or in partnership with foreign firms. Foreign firms selected for the studies financed will be encouraged to associate Sudanese institutions or experts with their work, to provide an opportunity for these institutions to build up their capacity for this type of work.

47. Over the last year EDI has held four training courses in project analysis in the Sudan, one in agriculture projects, two in transportation projects and one in agro-industrial projects. Financing has been provided by UNDP and by Credit No. 457. Additional training with a similar emphasis, is under consideration and the terms of the proposed credit would permit it to be used to help finance training relevant to the objectives of the project.

#### Project Implementation Capacity

48. It must be expected that a country which expands the level of investment in the manner which is occurring in Sudan will experience implementation problems, in the provision of managers, technicians and skilled craftsmen; in the construction industry; in the availability of transport capacity and other infrastructure needs which can only be overcome over time. The manpower and training needs of Sudan have been analysed in the ILO's work and the Government is urgently considering the requirement for additional training as part of an education sector review now in progress. In the field of construction, while some of the publicly owned corporations have a substantial capacity (especially in irrigation) the private sector firms are not large. Undoubtedly they will expand their capacity, and joint ventures with foreign firms may be a particularly fruitful way of achieving such expansion. As with several current contracts (the oil pipeline, the sugar and textile factories and the Wad Medani-Port Sudan road) outside contractors will sometimes be required if construction is not to be delayed. An internal Bank review of the construction industry in Sudan has just been completed. We are considering ways to

assist the Sudanese industry to expand its capacity, perhaps through the medium of the Industrial Bank of Sudan or of future transportation projects. So far as transport constraint is concerned, the Government's current investment activity is giving particular emphasis to the transport sector. Appropriate project preparation work must focus on the identification of constraints to implementation, and by identifying them, assist in their reduction. The subprojects prepared with the proposed credit would give due consideration to the implementation problems, and provide for appropriate institutional development to help overcome them.

#### Procurement

49. The selection of agencies or consultants to execute the studies financed by the credit would be in accordance with the Bank's usual procedures, as outlined in the publication "Uses of Consultants by the World Bank and its Borrowers" (April 1974), and contracts exceeding \$100,000 in value would be subject to approval by the Association. This approval process would be facilitated by the presence of the Bank's Resident Representative on the Project Review Committee. Kuwait Fund financing would generally be provided on a parallel basis, but in the event that both the IDA credit and the Kuwait Fund loan are used to finance individual studies jointly, the two institutions would agree with the Borrower on the method to be used in procuring consultants services. Contracts for studies would normally be with the National Planning Commission.

#### Disbursement

50. The Association would disburse 85% of the cost of consultancy services for the studies, or such other lower percentage as shall be agreed between the Association and the Borrower. In the event that both the IDA credit and the Kuwait Fund loan are used to finance individual sub-projects jointly, IDA and the Kuwait Fund would agree with the Borrower on the disbursement percentages and other essential conditions for purposes of each sub-project.

### PART V - LEGAL INSTRUMENTS AND AUTHORITY

51. The draft Development Credit Agreement between the Democratic Republic of the Sudan and the Association, the Recommendation of the Committee provided for in Article V, Section 1(d) of the Articles of Agreement of the Association and the text of a resolution approving the proposed credit are being distributed to the Executive Directors separately.

52. I am satisfied that the proposed Development Credit would comply with the Articles of Agreement of the Association.

PART VI - RECOMMENDATION

53. I recommend that the Executive Directors approve the proposed Development Credit.

Robert S. McNamara  
President

Attachments

TABLE 3A  
- SOCIAL INDICATORS DATA SHEET

LAND AREA (THOU KM <sup>2</sup> )	SUDAN			REFERENCE COUNTRIES (1970)					
	TOTAL	ARABLE	..	1960	1970	MOST RECENT ESTIMATE	KENYA	EGYPT	MOROCCO **
GNP PER CAPITA (US\$)	2505.8	..	..	100.0	110.0	130.0	140.0	210.0	270.0
<b>POPULATION AND VITAL STATISTICS</b>									
POPULATION (MID-YR. MILLION)				11.9	15.7	17.1	11.2	33.3	14.8
POPULATION DENSITY									
PER SQUARE KM.				5.0	6.0	7.0	19.0	33.0	33.0
PER SQUARE KM. ARABLE LAND				..	18.9	..	..	937.0	..
<b>VITAL STATISTICS</b>									
CRUDE BIRTH RATE PER THOUSAND				52.0 / <u>a</u>	49.0	48.0	46.0	35.0	50.0
CRUDE DEATH RATE PER THOUSAND				19.0 / <u>a</u>	18.0	18.0	18.0	15.0	17.0
INFANT MORTALITY RATE (/THOU)				94.0 / <u>a</u>	..	..	55.0	116.0	..
LIFE EXPECTANCY AT BIRTH (YRS)				..	48.0	51.0	48.0	50.0	51.0
GROSS REPRODUCTION RATE				..	3.4	3.4	3.4	3.0	3.4
<b>POPULATION GROWTH RATE (%)</b>									
TOTAL				2.9	2.9	2.8	3.1	2.5	2.5
URBAN				4.0	5.0	5.0 / <u>a</u>	7.0	4.0	4.6
<b>URBAN POPULATION (% OF TOTAL)</b>									
				8.0	12.0	13.0	10.0	42.0	35.0
<b>AGE STRUCTURE (PERCENT)</b>									
0 TO 14 YEARS				47.0 / <u>b</u>	45.0	..	48.0	44.0	46.0
15 TO 64 YEARS				51.0 / <u>b</u>	52.0	..	48.0	52.0	51.0
65 YEARS AND OVER				2.0 / <u>b</u>	3.0	..	4.0	4.0	3.0
<b>AGE DEPENDENCY RATIO</b>									
ECONOMIC DEPENDENCY RATIO				1.0 / <u>b</u>	0.9	..	1.1	0.9	1.0
				1.6	1.5 / <u>a</u>	..	1.1 / <u>a</u>	1.7 / <u>a,b</u>	..
<b>FAMILY PLANNING-</b>									
ACCEPTORS (CUMULATIVE, THOU)				..	..	..	..	200.0	67.0
USERS (% OF MARRIED WOMEN)				..	..	..	..	9.0	3.0
<b>EMPLOYMENT</b>									
TOTAL LABOR FORCE (THOUSAND)				4800.0 / <u>c</u>	5100.0	7400.0 / <u>b</u>	5100.0 / <u>b</u>	8300.0 / <u>c</u>	..
LABOR FORCE IN AGRICULTURE (%)				86.0 / <u>c</u>	80.0	..	90.0 / <u>b</u>	53.0 / <u>c</u>	..
UNEMPLOYED (% OF LABOR FORCE)				..	..	..	..	3.0	..
<b>INCOME DISTRIBUTION</b>									
<b>% OF PRIVATE INCOME REC'D BY-</b>									
HIGHEST 5% OF POPULATION				20.9 / <u>d</u>	..	..	20.2 / <u>c</u>	..	..
HIGHEST 20% OF POPULATION				50.1 / <u>d</u>	..	..	52.6 / <u>c</u>	..	..
LOWEST 20% OF POPULATION				5.0 / <u>d</u>	..	..	3.9 / <u>c</u>	..	..
LOWEST 40% OF POPULATION				13.9 / <u>d</u>	..	..	11.7 / <u>c</u>	..	..
<b>DISTRIBUTION OF LAND OWNERSHIP</b>									
% OWNED BY TOP 10% OF OWNERS				..	..	..	..	..	..
% OWNED BY SMALLEST 10% OWNERS				..	..	..	..	..	..
<b>HEALTH AND NUTRITION</b>									
POPULATION PER PHYSICIAN				30000.0 / <u>b</u>	15940.0	13660.0	7330.0 / <u>d</u>	1910.0 / <u>d</u>	13270.0
POPULATION PER NURSING PERSON				4720.0 / <u>b,e</u>	1950.0	1940.0	1470.0 / <u>d</u>	1640.0 / <u>d</u>	..
POPULATION PER HOSPITAL BED				1010.0 / <u>b</u>	1040.0 / <u>b</u>	..	770.0	460.0	690.0 / <u>a</u>
<b>PER CAPITA SUPPLY OF -</b>									
CALORIES (% OF REQUIREMENTS)				81.0	91.0	92.0	101.0	94.0	99.0
PROTEIN (GRAMS PER DAY)				55.0	63.0	63.0	71.0	66.0	64.0
-OF WHICH ANIMAL AND PULSE				..	24.0 / <u>c</u>	..	29.0	16.0	14.0 / <u>b</u>
<b>DEATH RATE (/THOU) AGES 1-4</b>									
				..	..	..	..	..	..
<b>EDUCATION</b>									
<b>ADJUSTED ENROLLMENT RATIO</b>									
PRIMARY SCHOOL				17.0	25.0	..	67.0	70.0	55.0
SECONDARY SCHOOL				5.0	9.0	..	9.0 / <u>e</u>	33.0	12.0
<b>YEARS OF SCHOOLING PROVIDED</b>									
(FIRST AND SECOND LEVEL)				12.0	12.0	12.0	13.0	12.0	12.0
<b>VOCATIONAL ENROLLMENT</b>									
(% OF SECONDARY)				3.0	1.0	2.0	2.0	19.0	2.0
<b>ADULT LITERACY RATE (%)</b>									
				..	19.0	..	30.0	40.0	..
<b>HOUSING</b>									
<b>PERSONS PER ROOM (AVERAGE)</b>									
OCCUPIED DWELLINGS WITHOUT PIPED WATER (%)				..	2.5 / <u>c</u>	..	..	..	..
ACCESS TO ELECTRICITY (% OF ALL DWELLINGS)				..	36.0 / <u>c,d</u>	..	..	..	..
RURAL DWELLINGS CONNECTED TO ELECTRICITY (%)				..	26.0 / <u>c,d</u>	..	..	..	..
<b>CONSUMPTION</b>									
RADIO RECEIVERS (PER THOU POP)				1.0	..	80.0	48.0	132.0	60.0
PASSENGER CARS (PER THOU POP)				1.0	2.0	2.0	9.0	4.0	15.0
ELECTRICITY (KWH/YR PER CAP)				8.0	25.0	18.0	68.0	228.0	128.0
NEWSPRINT (KG/YR PER CAP)				0.1	0.2	0.1	0.5	1.0	0.2

SEE NOTES AND DEFINITIONS ON REVERSE

Unless otherwise noted, data for 1960 refer to 1959-61, for 1970 to 1968-70, and for Most Recent Estimate to 1971-73.

\*\* Morocco has been selected as an objective country because of certain similarities (size of population, lack of population pressure, importance of agriculture, member of Arab World, and access to OPEC assistance), and has reached a stage of development to which the Sudan might aspire in the medium term.

<u>SUDAN</u>	1960	/a	1955;	/b	1962;	/c	1965;	/d	1963, households (Omdurman urban);	/e	Including midwives and assistant nurses.
	1970	/a	Ratio of population under 15 and 65 and over to total labor force;	/b	Government hospital establishments only;						
		/c	1964-66;	/d	Urban only.						
			MOST RECENT ESTIMATE: /a 1965-73; /b Economically productive population.								
<u>KENYA</u>	1970	/a	Ratio of population under 15 and 65 and over to labor force age 15-59 years;	/b	Labor force in age group 15-59 years;						
		/c	Urban households;	/d	Registered, not all practicing in the country;	/e	Including teacher training at the third level.				
<u>EGYPT</u>	1970	/a	1966;	/b	Ratio of population under 15 and 65 and over to labor force age 12-64 years;	/c	Labor force age 12-64 years;				
		/d	Registered, not all practicing in the country.								
<u>MOROCCO</u>	1970	/a	Government hospitals only;	/b	1964-66.						

R5 February 3, 1976

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DEFINITIONS OF SOCIAL INDICATORS  
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Land Area (thou km<sup>2</sup>)

Total - Total surface area comprising land area and inland waters.

Arable - Most recent estimate of land area used temporarily or permanently for cultivation, pastures, market and kitchen gardens or to lie fallow.

GNP per capita (US\$) - GNP per capita estimates at market prices, calculated by same conversion method as World Bank Atlas (1972-74 basis).

Population and vital statistics

Population (mid-yr. million) - As of July first; if not available, average of two end-year estimates.

Population density - per square km - Mid-year population per square kilometer (100 hectares) of total area.

Population density - per square km of arable land - Computed as above for arable land only.

Vital statistics

Crude birth rate per thousand - Annual live births per thousand of mid-year population; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Crude death rate per thousand - Annual deaths per thousand of mid-year population; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Infant mortality rate (/thou) - Annual deaths of infants under one year of age per thousand live births.

Life expectancy at birth (yrs) - Average number of years of life remaining at birth; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Gross reproduction rate - Average number of live daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.

Population growth rate (%) - total - Compound annual growth rates of mid-year population for 1950-60, 1960-70, and 1960 to most recent year.

Population growth rate (%) - urban - Computed like growth rate of total population; different definitions of urban areas may affect comparability of data among countries.

Urban population (% of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries.

Age structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population.

Age dependency ratio - Ratio of population under 15 and 65 and over to those of ages 15 through 64.

Economic dependency ratio - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years.

Family Planning - acceptors (cumulative, thou) - Cumulative number of acceptors of birth-control devices under auspices of national family planning program since inception.

Family planning - users (% of married women) - Percentages of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

Employment

Total labor force (thousand) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc.; definitions in various countries are not comparable.

Labor force in agriculture (%) - Agricultural labor force (in farming, forestry, hunting and fishing) as percentage of total labor force.

Unemployed (% of labor force) - Unemployed are usually defined as persons who are able and willing to take a job, out of a job on a given day, remained out of a job, and seeking work for a specified minimum period not exceeding one week; may not be comparable between countries due to different definitions of unemployed and source of data, e.g., employment office statistics, sample surveys, compulsory unemployment insurance.

Income distribution - Percentage of private income (both in cash and kind) received by richest 5%, richest 20%, poorest 20%, and poorest 40% of population.

Distribution of land ownership - Percentages of land owned by wealthiest 10% and poorest 10% of land owners.

Health and Nutrition

Population per physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per nursing person - Population divided by number of practicing male and female graduate nurses, "trained" or "certified" nurses, and auxiliary personnel with training or experience.

Population per hospital bed - Population divided by number of hospital beds available in public and private general and specialized hospital and rehabilitation centers; excludes nursing homes and establishments for custodial and preventive care.

Per capita supply of calories (% of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day; available supplies comprise domestic production, imports less exports, and changes in stock; net supplies exclude animal feed, seeds, quantities used in food processing and losses in distribution; requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distributions of population, and allowing 10% for waste at household level.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day; net supply of food is defined as above; requirements for all countries established by USDA Economic Research Services provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein; these standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day.

Death rate (/thou) ages 1-4 - Annual deaths per thousand in age group 1-4 years, to children in this age group; suggested as an indicator of malnutrition.

Education

Adjusted enrollment ratio - primary school - Enrollment of all ages as percentage of primary school-age population; includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education, enrollment may exceed 100% since some pupils are below or above the official school age.

Adjusted enrollment ratio - secondary school - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational or teacher training instructions for pupils of 12 to 17 years of age; correspondence courses are generally excluded.

Years of schooling provided (first and second levels) - Total years of schooling; at secondary level, vocational instruction may be partially or completely excluded.

Vocational enrollment (% of secondary) - Vocational institutions include technical, industrial or other programs which operate independently or as departments of secondary institutions.

Adult literacy rate (%) - Literate adults (able to read and write) as percentage of total adult population aged 15 years and over.

Housing

Persons per room (average) - Average number of persons per room in occupied conventional dwellings in urban areas; dwellings exclude non-permanent structures and unoccupied parts.

Occupied dwellings without piped water (%) - Occupied conventional dwellings in urban and rural areas without inside or outside piped water facilities as percentage of all occupied dwellings.

Access to electricity (% of all dwellings) - Conventional dwellings with electricity in living quarters as percent of total dwellings in urban and rural areas.

Rural dwellings connected to electricity (%) - Computed as above for rural dwellings only.

Consumption

Radio receivers (per thou pop) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

Passenger cars (per thou pop) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Electricity (kwh/yr per cap) - Annual consumption of industrial, commercial, public and private electricity in kilowatt hours per capita; generally based on production data, without allowance for losses in grids but allowing for imports and exports of electricity.

Newsprint (kg/yr per cap) - Per capita annual consumption in kilograms estimated from domestic production plus net imports of newsprint.



ECONOMIC INDICATORS

	<u>GROSS NATIONAL PRODUCT IN FY1972</u>		<u>ANNUAL RATE OF GROWTH (% constant prices)</u>		
	US\$ Mln.	%	1960 -6.5	1965 -70	1972
GNP at Market Prices	2,143.4	100.0	..	..	..
Gross Domestic Investment	218.6	10.2	..	..	..
Gross National Saving	179.5	8.4	..	..	..
Current Account Balance	-39.1	-1.8	..	..	..
Exports of Goods, NFS	361.3	16.9	..	..	..
Imports of Goods, NFS	385.4	18.0	..	..	..

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1972

	<u>Value Added <sup>1/</sup></u>		<u>Labor Force</u>		<u>V. A. Per Worker</u>	
	US\$ Mln.	%	Mln.	%	US \$	%
Agriculture	693.3	38.2	..	..	..	..
Industry	273.4	15.0	..	..	..	..
Services	849.4	46.8	..	..	..	..
Unallocated	..	..	..	..	..	..
Total/Average	1,816.1	100.0	..	100	..	100

GOVERNMENT FINANCE

	<u>General Government</u>			<u>Central Government</u>		
	<u>Mln.</u>	<u>% of GDP</u>		<u>Mln.</u>	<u>% of GDP <sup>2/</sup></u>	
	197	197	196-7	1974	1972	1970-72
Current Receipts	..	..	..	210.3	21.8	23.3
Current Expenditure	..	..	..	190.5	21.5	22.4
Current Surplus	..	..	..	19.8	0.3	0.9
Capital Expenditures <sup>3/</sup>	..	..	..	50.7	4.0	4.3
External Assistance (net)	..	..	..	26.6	1.4	1.1

MONEY, CREDIT and PRICES

	<u>FY1969</u>	<u>FY1970</u>	<u>FY1971</u>	<u>FY1972</u>	<u>FY1973</u>	<u>FY1974</u>
		<u>(Million LS outstanding end period)</u>				
Money and Quasi Money	110.2	123.1	130.6	158.3	196.6	258.7
Bank credit to Public Sector	62.6	90.1	112.2	139.6	152.6	196.5
Bank Credit to Private Sector	74.0	79.0	83.9	98.9	113.9	141.9

(Percentages or Index Numbers)

Money and Quasi Money as % of GDP	17.2	21.1	20.8	18.7	..	..
General Price Index (1963 = 100)	..	..	..	..	..	..
Annual percentage changes in:						
General Price Index	..	..	..	..	..	..
Bank credit to Public Sector	53.1	43.9	24.5	24.4	9.3	28.8
Bank credit to Private Sector	4.6	6.8	6.2	17.9	15.2	24.6

NOTE: All conversions to dollars in this table are at the average exchange rate prevailing during the period covered, which was unchanged throughout at LS1=US\$2.872

<sup>1/</sup> At factor cost

<sup>2/</sup> At market prices

<sup>3/</sup> Expenditures from Development Budget (includes come capital expenditures by other public entities).

.. not available

. not applicable

TRADE PAYMENTS AND CAPITAL FLOWS

BALANCE OF PAYMENTS

	1972	1973	1974
	(Millions US \$)		
Exports of Goods, NFS	289.7	393.2	351.8
Imports of Goods, NFS	325.2	344.7	560.8
Resource Gap (deficit = -)	-35.5	48.5	-209.0
Interest Payments (net)	-14.5	-12.5	-20.8
Workers' Remittances	-	-	-
Other Factor Payments (net)	-1.2	-16.0	-29.0
Net Transfers	6.2	1.9	0.4
Balance on Current Account	-45.0	21.9	-258.8
Direct Foreign Investment	0.3	-	3.8
Net MLT Borrowing			
Disbursements	47.7	62.9	314.2
Amortization	34.9	47.3	72.2
Subtotal	12.8	15.6	242.0
Capital Grants	-	-	-
Other Capital (net)	31.4	-17.1	16.1
Other items n.e.i	14.8	-39.9	7.7
Increase in Reserves (+)	-14.3	+19.5	-10.8
Gross Reserves (end year)	30.9	52.8	106.6
Net Reserves (end year)	-111.5	-92.0	-102.8
Fuel and Related Materials			
Imports	18.0	26.3	87.3
of which: Petroleum	17.9	22.7	78.6
Exports	2.6	3.1	n.a.
of which: Petroleum	2.6	3.1	n.a.

RATE OF EXCHANGE

Through - 1974  
US \$ 1.00 = LS 0.348  
1.00 = US \$2.872

Since March 1972 Effective Rate of Exchange Ls. 1.00 - US\$2.50 for all transactions except for the proceeds from cotton and gum exports which are converted at the official rate.

MERCHANDISE EXPORTS (AVERAGE 1972-74)

	US \$ Mln	%
Cotton	191.8	53.2
Gum Arabic	29.5	8.2
Groundnuts	34.0	9.5
Sesame	30.3	8.4
All other commodities	75.1	20.8
Total	360.7	100.0

EXTERNAL DEBT, DECEMBER 31, 1974

	US \$ Mln
Public Debt, incl. guaranteed	636.0
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	..
DEBT SERVICE RATIO for 1974 <sup>1/</sup>	%
Public Debt, incl. guaranteed	26.4
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	..

IBRD/IDA LENDING, (latest month) (Million US \$):<sup>2/</sup>

	IBRD	IDA
Outstanding & Disbursed	76.1	31.1
Undisbursed	-	148.1
Outstanding incl. Undisbursed	76.1	179.2

<sup>1/</sup> Ratio of Debt Service to Exports of Goods and Non-Factor Services  
<sup>2/</sup> On December 31, 1976

.. not available  
.. not applicable

A. STATEMENT OF BANK LOANS AND IDA CREDITS - SUDAN (as of Dec. 31, 1975)  
Amount (US\$ Million)

<u>Credit No.</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Bank</u>	<u>IDA</u>	<u>Undisbursed</u>
Six Loans and one Credit fully disbursed:				127.2	12.4	
Credit 122	1968	Sudan	Education I		8.5	5.5
Credit 311	1972	Sudan	Mechanized Farming II		11.2	8.0
Credit 331	1972	Sudan	Highway		7.0	5.0
Credit 364	1973	Sudan	Rahad Irrigation		42.0	35.3
Credit 364-2	1975	Sudan	Rahad (Supplement)		20.0	20.0
Credit 447	1973	Sudan	Industrial Bank of Sudan I		4.0	0.9
Credit 457	1974	Sudan	Railways III		24.0	23.1
Credit 476	1974	Sudan	Agricultural Rehabilitation Project		10.7	10.3
Credit 547	1975	Sudan	Education II		10.0	10.0
Credit 564	1975	Sudan	Power II		23.0	23.0
Credit 589	1975	Sudan	Industrial Bank of Sudan II		7.0	7.0
Total -					<u>179.8</u>	<u>148.1</u>
Of which has been repaid				<u>51.1</u>	<u>.6</u>	
Total now outstanding				76.1	179.2	
Amount sold				5.8	-	
Of which has been repaid				5.8		
Total now held by Bank and IDA <u>a/</u>				<u>76.1</u>	<u>179.2</u>	
Total Undisbursed				<u>-</u>	<u>148.1</u>	<u>148.1</u>

B. STATEMENT OF IFC INVESTMENTS (as of Dec. 31, 1975)

<u>Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>(Amount in US\$ Million)</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1964 and 1972	Khartoum Spinning & Weaving Co.	Textiles			
	Total gross commitments		<u>1.87</u>	<u>0.34</u>	<u>2.21</u>
	Less cancellations, terminations, repayments and sales		<u>1.65</u>	<u>0.07</u>	<u>1.72</u>
	Total commitments now held by IFC		<u>0.22</u>	<u>0.27</u>	<u>0.49</u>
	Total Undisbursed		<u>0</u>	<u>0</u>	<u>0</u>

a/ Prior to exchange adjustments

C. PROJECTS IN EXECUTION 1/

The Bank and IDA have so far made six loans and twelve credits to the Sudan. Disbursements are either in progress or expected to commence for the following projects.

Credit No. 122 First Education Project; US\$8.5 million Credit of June 24, 1968; Effective Date: January 4, 1969; Closing Date: December 31, 1976.

Major elements of the project are about 36 months behind schedule. Delays have been caused by belated appointment of consultant architects, difficulties in establishing project implementation procedures, weaknesses in management, excessively high quotations received for construction items necessitating re-tendering of certain project components, difficulties in obtaining deliveries of materials, and late arrival of technical assistance personnel. Although these problems were to a large extent beyond the control of the Project Unit, the latter's capacity to deal with problems has improved. Work is now proceeding more satisfactorily although supply shortages continue to interrupt construction. Disbursements have picked up and are now going more smoothly. Slight cost overruns will be met by the Government. Extension of the Closing Date is likely. We are continuing to monitor the project closely.

Credit No. 311 Second Mechanized Farming Project; US\$11.25 Million Credit of June 12, 1972; Effective Date: April 24, 1973; Closing Date: December 31, 1978.

The first mechanized farming project (Loan 556-SU) to establish about 140 farms of 1,000 feddans each (1 feddan - 1,038 acres) was completed in July 1971, one year ahead of schedule and with substantial savings. Encouraged by this success, the area of the original project was extended by 75,000 feddans and a second mechanized farming project covering a further 420,000 feddans was approved for which Credit 311-SU was signed on June 12, 1972. Implementation is going well, after some initial delays. Land clearing and area under production are ahead of schedule and cooperation of other agencies involved in the project, especially agricultural research, road construction and water supplies has greatly improved, although progress on road improvements and construction of a training centre are still behind schedule. Feasibility studies for further expansion of mechanized farming have identified a large area for possible development in the southwest of the country. Disbursements are picking up and should grow quite rapidly now.

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1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Credit No. 331 Highway Project; US\$7.0 Million Credit of September 29, 1972; Effective Date: December 29, 1972; Closing Date: December 31, 1976.

The project comprises assistance to the Roads and Bridges Corporation in improving its organization, in preparing a highway betterment and maintenance program and purchases of related equipment, spares and materials. Also included are feasibility studies of about 500 km of roads followed by detailed engineering of about 350 km and technical assistance to the Ministry of Transport in transport planning and training of DOR staff. The project is progressing satisfactorily on the whole. Although the consultants reports were delayed, implementation of some of the recommendations is under way and following the award of contracts for equipment and spare parts, disbursements should be rapid now. The consultants have completed work on the feasibility studies of 600 km of roads and proposals for detailed engineering of 480 km of roads have been invited. These studies are likely to form the basis for a second highway project in the future.

Credit No. 364 and 364a Rahad Irrigation Project; US\$62 Million Credit of March 30, 1973 and June 30, 1975; Effective Dates: August 29, 1973 and November 17, 1975; Closing Date: June 30, 1980.

The project will irrigate an area of about 300,000 acres which are now sparsely populated semi-desert on the East Bank of the Rahad River. It will use water pumped from the Blue Nile and will include the construction of irrigation supply, distribution and drainage works, the provision of agricultural processing equipment, storage facilities, and the settlement of about 14,000 tenant families (about 70,000 people) with all the necessary infrastructure and supporting services. The Kuwait Fund and USAID participated in the initial financing of this project by providing a loan of US\$11 million each. Although work got off to a slow start in 1974, there has been good progress in earth-moving, design work and procurement of equipment in 1975. The new management structure for the project is a distinct improvement. Significant cost increases, stemming from various causes occurred and an increase in the IDA credit of \$20 million to \$62 million was approved by the Executive Directors on June 26, 1975. The remaining increase of \$81.5 million in the foreign exchange cost will be financed by the Kuwait Fund (\$39 million), the Saudi Fund for Development (\$28 million) and the Arab Fund (\$14.5 million). The Government will meet the increased local cost of the project, totalling \$80 million. The new construction season has just started and progress so far has been satisfactory in most respects.

Credit No. 447 First Industrial Bank of Sudan Project; US\$4 Million Credit of December 14, 1973; Effective Date: March 15, 1974; Closing Date: December 31, 1977.

The project was designed to help the Industrial Bank of Sudan to function more effectively in financing industrial development in the private and public sectors in the Sudan. The Credit was expected to meet

IBS' requirements of foreign exchange for the two-year period through 1975, but business expanded rapidly and the Association had already approved sub-projects exceeding US\$3.8 million by early 1975. Disbursements are expected to be completed in 1976.

Credit No. 457 Third Railways Project; US\$24 Million Credit of January 31, 1974; Effective Date: July 29, 1974; Closing Date: June 30, 1977.

The project is intended to help improve the Railways' operational standards and provide the capacity needed to meet expanding demand on the trunk routes. It also recognizes the need to develop complementary transport modes and includes components to assist river transport, port development and civil aviation. Contracts for supply of much of the equipment under the credit have been awarded and disbursements are now expected to be rapid. Useful discussions have recently been held with Sudan Railways about means to upgrade the standard of operations, which is an important element of this project.

Credit No. 476 Southern Region Agricultural Rehabilitation Project; US\$10.7 Million Credit of June 5, 1974; Effective Date: September 6, 1974; Closing Date: December 31, 1979.

The project, which forms part of a larger rehabilitation program, aims at intensifying food production by (i) providing improved seed to farmers, (ii) expanding extension services (iii) establishing a center for nutrition research, and (iv) improving animal health and livestock production through a program of vaccination, marketing and research. The project also aims at rehabilitating the cotton and coffee growing industry, and establishing the nucleus of a small-farmer dairy industry. Research, credit and technical assistance, including staff for a Project Development Unit in the Ministry of Agriculture to implement the project, are also included. Some key staff members have been appointed and work on recruiting further staff and providing housing for them is well advanced. Seed trials and seed multiplication are under way. The associated cattle vaccination campaign, financed largely by Germany, is under way. A slow start to this project was expected. In view of the difficulties faced in recruiting and housing staff for the project, it will be a year or so before all components of the project are fully under way. The Government of Norway has recently taken a participation in this credit amounting to US\$5.35 million.

Credit No. 547 Second Education Project; US\$10.0 Million Credit of May 1975 Effective Date: September 30, 1975; Closing Date: June 30, 1982.

The project will help meet priority education needs, principally in Southern Sudan. It provides among other things for development of a new type of school, the Integrated Rural Education Centre, for curriculum development for schooling in the rural context and will support an education sector survey. Good progress has been made on the design work and in site selection and the education sector survey has just started.

Credit No. 546 Second Power Project; US\$23.0 Million Credit of June 25, 1975  
Effective Date: October 29, 1975; Closing Date: December 31, 1979.

The project consists of the fourth unit at the Roseires hydro-electric station, 20 MW of diesel generator capacity, transmission and distribution lines and a variety of managerial and technical studies and services. Implementation of the generation and transmission features of the project is proceeding generally on schedule. Bids have been received for most of the main components and these indicate that there may be a 25% cost overrun. PEWC is currently revising cost estimates and considering alternatives to meet the situation. Management of PEWC is suffering pending reorganization which has just commenced with Council of Ministers approval of a new structure in November 1975. Appointment of department heads is awaiting presidential approval. Given improvement in collection (accounts receivable now stand at the equivalent of 9 months sales), the recent increase of 45% in electricity tariffs and 60% in water tariffs should however improve PEWC's financial performance.

Credit No. 589 Second Industrial Bank of Sudan Project; US\$7.0 Million Credit  
of November 11, 1975; Not Yet Effective; Closing Date: December 31, 1979.

The project will continue IDA's support for this development finance company, and will provide foreign exchange for small and medium sized industries. Together with foreign exchange made available by the Kuwait fund and the Government of Germany, the credit is expected to meet the foreign exchange needs of the Industrial Bank up to mid-1977. The credit is not yet effective.

ANNEX III

SUDAN - Technical Assistance Credit  
Credit and Project Summary

Borrower: The Democratic Republic of the Sudan

Amount: US\$4.0 million equivalent in various currencies.

Terms: Standard

Co-financing: The Kuwait Fund for Economic and Social Development will participate and contribute \$3 million equivalent for the project.

Project  
Description: A three year program to help finance studies leading to high-priority investment in the economy and to expand the capacity of Sudanese institutions to manage pre-investment work.

Cost and  
Financing: The project will cost \$8.5 million and financing will be provided by IDA (\$4 million), the Kuwait Fund (\$3 million) and the Government (\$1.5 million).

Estimated  
Disbursements: The proceeds of the credit will finance up to 85 percent of approved contract costs and disbursements are estimated as follows:

(US\$ million)

<u>FY76</u>	<u>FY77</u>	<u>FY78</u>	<u>FY79</u>
0.2	1.5	1.3	1.0

Procurement  
Arrangements: All contracts for consultant services exceeding \$100,000 in value will be subject to the prior approval of the Association. Selection of consultants will be in accordance with procedures outlined in the publication "Uses of Consultants by the World Bank and Its Borrowers."



SUDAN: TECHNICAL ASSISTANCE PROJECT

APPENDIX TO AGREED MINUTES

PART A: Terms of Reference of the Project Preparation Unit

Purpose

The Project Preparation Unit will ascertain the need for particular high priority studies and will be concerned with the administration of the funds earmarked for the Project to finance project preparation work and the provision of technical assistance in the execution of such work. To enable it to discharge its functions properly, the Unit will be expected to observe the requirements outlined below:

(1) Organization and Staffing

The Unit will have a small permanent staff and will organize informal working parties for work on individual sub-projects. Its staff will consist of:

- a) A Director, who for the duration of the UNDP/IBRD Planning Assistance Project, will be the Leader of the Planning Assistance Team;
- b) an alternate Director, who will be a Deputy Director General of the National Planning Commission;
- c) three or more qualified staff members selected from the National Planning Commission;
- d) on a part-time basis, members of the UNDP/IBRD Planning Assistance Team, Sudanese experts from planning units in different ministries and agencies and consultants and staff of the Association and the Kuwait Fund as appropriate; and
- e) secretarial and support staff.

The Director will be responsible for drawing up the work plan for the Unit and for preparing and administering the funds earmarked for the Project, which will be subject to approval at an appropriate level in the National Planning Commission.

(2) Coordination

In conducting its business, the Unit will work closely with other sections of the National Planning Commission in establishing the economic priority of sub-projects submitted to it, and with the ministries and agencies

responsible for the sub-projects in the analysis and supervision of sub-projects. Consultation will also be necessary with UNDP, the Association, the Kuwait Fund and other organizations and agencies contributing funds for the Project, to ensure coordination of all pre-investment activities.

(3) Procedure for Sub-Project Analysis

The Unit will ensure that all high priority projects are being prepared appropriately by the responsible agency, and will be free to propose financing of preparation work if necessary. The Unit will take the initiative in establishing informal working parties for each sub-project submitted to it, which will be subject to an initial review to determine their economic priority in the Borrower's development plans. Once a sub-project has been tentatively selected, the working party will supervise all subsequent work on the sub-project. The working party will include, as appropriate, representatives of ministries and agencies, representatives of prospective financing organizations and agencies, and consultants employed to provide technical expertise.

The working party will determine the nature and scope of the studies required to prepare the sub-project for financing, will help to draw up terms of reference for those studies and a schedule for their execution, and in due course help to supervise the execution and evaluation of the studies. Requirements for coordination with other ministries and agencies would be identified and agreed with those agencies. If a financing organization or agency has already been tentatively identified, it would be consulted about the preparation requirements.

Prior to inviting proposals for the necessary studies, proposals will be submitted to the Project Review Committee for approval.

The Unit will assist in evaluating proposals made for studies and in negotiating contracts pertaining to the studies. Agencies and consultants to execute the studies to be financed out of the funds made available by the Association, the Kuwait Fund and other contributing organizations and agencies would, with respect to the studies financed by each such organization or agency, be selected in accordance with the applicable procedures of said organization or agency, and the approval of the Project Review Committee will be required prior to the signature of contracts for carrying out the studies. Contracts would normally be between the consultants and the National Planning Commission whose Director General will be empowered to sign such contracts.

(4) Supervision of Project Preparation Studies

The Unit will assist in the technical supervision of studies being executed, will review progress reports, arrange for prospective financing agencies to be kept informed of the progress and assist in evaluating the studies on completion.

(5) Terms of Reference for Sub-Projects

In drawing up terms of reference for sub-projects, the Unit will ensure that the Project is analysed in all its facets and made ready for appraisal by a financing agency. The scope of the studies required will vary, depending on the nature of the preparatory work done prior to submission of the sub-project to the Unit. It will be the Unit's task to ensure that all the available alternative solutions to an investment need are appropriately analysed. The studies will, if necessary, extend to market analysis, engineering and other technical analysis, including implementation plans, analysis of investment and operating costs, the legal fiscal and financial conditions, and management, organization and manpower requirements. These studies should also include analysis of the economics of the project, as well as financial viability and social cost-benefit analysis as appropriate. The sub-project studies will address the problems of implementing the project which emerges from them and will propose solutions to overcome them.

(6) Training

A major objective of the Project will be to assist in establishing an expanded body of expertise in the field of project selection and preparation in Sudanese official and private institutions. To this end, the Unit will assist in establishing or fostering project preparation units in ministries and agencies where appropriate. Wherever possible, Sudanese institutions or experts will be associated with the agencies selected to execute the studies, to provide an opportunity for these institutions to build up their capacity for this type of work.

PART B: Terms of Reference of the Project Review Committee

Purpose

The Project Review Committee will coordinate pre-investment activities in the Sudan and exercise general supervision over the carrying out of the Project including supervision of the administration of funds made available to the National Planning Commission for project preparation work and the provision of technical assistance in the execution of such work. To enable it to discharge its supervisory functions properly, the Committee will be expected to observe the requirements outlined below:

(1) Organization and Staffing

The Committee will consist of the following:

- a) Director General, National Planning Commission as Chairman;
- b) Resident Representative, United Nations Development Program;

- c) Resident Representative, The World Bank;
- d) Representative of the Kuwait Fund;
- e) Representative of any other organization or agency contributing funds for the Project; and
- f) such other member or members of the Borrower's ministries and agencies as are appropriate depending on the project or projects under consideration.

(2) Responsibility and Procedure

The Committee will review the recommendations of the Project Preparation Unit and evaluate them in the light of criteria to be established, in particular that such sub-projects are of high priority in the Borrower's investment plans and have a high expectation to be financed within a short time. For the agreed sub-projects, the Committee will also work out the financing arrangements and conditions. The approval of the organizations and or agencies financing the sub-projects will be required before proposals are invited for studies for such sub-projects, and before the contracts thereof are signed.

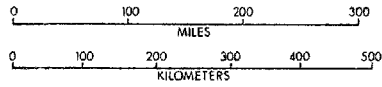
The Committee will also be responsible for ensuring a high standard of work by the Project Preparation Unit and adequate coordination with organizations and agencies assisting the Project.

(3) Proceedings

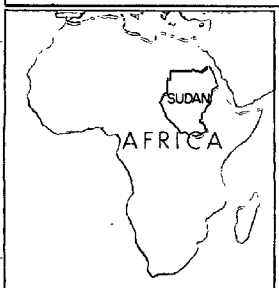
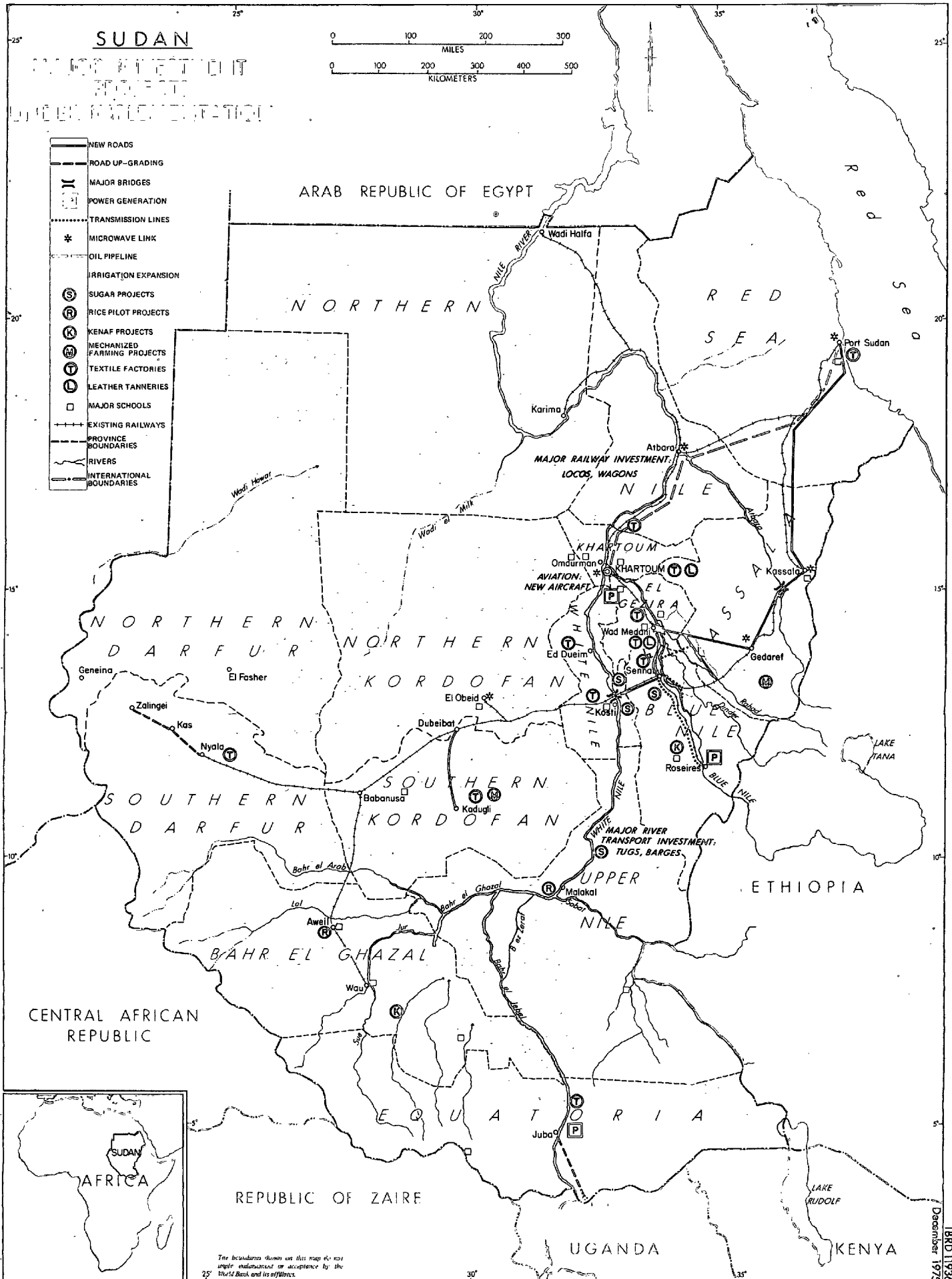
The Committee will meet regularly at such times and places as its members will determine and keep adequate records and minutes of its discussions and decisions.

# SUDAN

MAJOR INVESTMENT PROJECTS  
 AND  
 DEVELOPMENT INITIATIVES



- NEW ROADS
- ROAD UP-GRADING
- MAJOR BRIDGES
- POWER GENERATION
- TRANSMISSION LINES
- \* MICROWAVE LINK
- OIL PIPELINE
- IRRIGATION EXPANSION
- SUGAR PROJECTS
- RICE PILOT PROJECTS
- KENAF PROJECTS
- MECHANIZED FARMING PROJECTS
- TEXTILE FACTORIES
- LEATHER TANNERIES
- MAJOR SCHOOLS
- EXISTING RAILWAYS
- PROVINCE BOUNDARIES
- RIVERS
- INTERNATIONAL BOUNDARIES



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.