

CONFORMED COPY

CREDIT NUMBER 1789 SU

DEVELOPMENT CREDIT AGREEMENT

(Public Enterprise and Economic Management Project)

between

THE REPUBLIC OF SUDAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 9, 1987

CREDIT NUMBER 1789 SU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 9, 1987, between THE REPUBLIC OF SUDAN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit

Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "MFEP" means the Borrower's Ministry of Finance and Economic Planning;
- (b) "CBPE" means the Central Bureau for Public Enterprises established by the Borrower;
- (c) "Special Account A", "Special Account B" and "Special Account C" (collectively referred to as "Special Accounts") mean the accounts referred to in Section 2.02 (b) of this Agreement;
- (d) "Project Preparation Advances" means the project preparation advances granted by the Association to the Borrower pursuant to exchanges of letters (i) dated November 20, 1985, and January 23, 1986, and (ii) October 2, 1987 and October 16, 1987, between the Borrower and the Association; and
- (e) "Public Enterprise Rationalization Fund" means the fund to be established by the Borrower for the purpose of: (i) providing credit to employees for the purchase of assets of, or equity in, public enterprises; (ii) paying the cost of post service benefits to surplus employees of public enterprises; or (iii) paying the cost of rehabilitation of human resources.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to seven million one hundred thousand Special Drawing Rights (SDR 7,100,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in U.S. dollars three separate special accounts in the Bank of Sudan, on terms and conditions satisfactory to the Association. Special Account A shall be opened for the purposes of Part A of the Project, Special Account B for the purposes of Part B of the Project and Special Account C for the purposes of Part C of the Project. Deposits into, and payments out of, Special Accounts A, B and C shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advances withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advances shall thereupon be cancelled.

Section 2.03. The Closing Date shall be December 31, 1995, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge

at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may, from time to time, be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 1997, and ending February 15, 2037. Each installment to and including the installment payable on February 15, 2007, shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter shall be one and one-half percent (1-1/2%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and management practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower shall consult with the Association on any programs related to the parastatal sector which might be implemented with support from other donors, including the Public Enterprise Rationalization Fund.

Section 3.04. The Borrower shall:

(a) select qualified staff for participation in any training programs under the Project; and

(b) submit to the Association, not later than four months before the start of each particular training course abroad, the names and educational and work background of the proposed

participants for approval by the Association.

Section 3.05. The Borrower shall complete, not later than September 30, 1988, the divestiture of the Krikab and Rea Sweets factories.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Project, the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall, from time to time, reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain, or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the completion of the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section, and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Termination

Section 5.01. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance and Economic Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Economic Planning
P.O. Box 2092
Khartoum
The Republic of Sudan

Cable address:	Telex:
EIMAR Khartoum	22324

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:
INDEVAS Washington, D.C.	440098 (ITT) 248423 (RCA) or 64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

THE REPUBLIC OF SUDAN

By /s/ Salah Ahmed

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox

Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Amount of the Credit Allocated	% of
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Category	(Expressed in SDR Equivalent)	Expenditures to be Financed
Part A:		
(1) Goods	153,000	100% of foreign expenditures
(2) Consultants' services	1,730,000	100%
(3) Training:		
(a) trainers	367,000	100%
(b) programs	366,000	100% of foreign expenditures and 30% of local expenditures
(4) Operating costs	112,000	100% of foreign expenditures and 30% of local expenditures
Part B:		
(5) Goods	178,000	100% of foreign expenditures
(6) Consultants' services	1,585,000	100%
(7) Training:		
(a) trainers	250,000	100%
(b) programs	253,000	100% of foreign expenditures and 30% of local expenditures
(8) Operating costs	202,000	100% of foreign expenditures and 30% of local expenditures
Part C:		
(9) Goods	12,000	100% of foreign expenditures
(10) Consultants' services	530,000	100%
(11) Training	119,000	100% of foreign expenditures and 30% of local expenditures
(12) Operating costs	48,000	100% of foreign expenditures and 30% of local expenditures
(13) Refunding of Project Prepara-	873,000	Amount due pur- suant to Section

tion Advances		2.02 (c) of this Agreement
(14) Unallocated	322,000	
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TOTAL	7,100,000	

2. For the purposes of this Schedule:

(a) The term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower.

(b) The term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

(c) The term "operating costs" means the costs of logistical and administrative support for: (i) CBPE in case of Category (4); (ii) the Project Secretariat in MFEP in case of Category (8); (iii) the Project Secretariat in the Civil Service Chamber in case of Category (12); and (iv) the related Sudanese working groups.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) improve the efficiency of the public enterprise sector; (ii) formulate new policies and prepare detailed rehabilitation strategies for the public enterprise sector as a whole; (iii) restructure selected enterprises to the extent required through specific measures which may include reorganizations, divestitures or liquidations; (iv) define the relationship between the Borrower and the public enterprises; (v) improve the general institutional framework of the public enterprise sector; and (vi) initiate reform programs in the areas of macro-economic planning and budgeting, and human resources development and management.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Public Enterprise Sector Reform

Strengthening of CBPE through the provision of consultants' services, equipment, training and logistical and administrative support services in order to enable CBPE:

1. to formulate and establish a comprehensive policy framework vis-a-vis the public enterprise sector;
2. to prepare, on the basis of the outcome of the diagnostic studies for ten selected public enterprises, a rationalization program for the retention, privatization or liquidation of the respective public enterprises;
3. to strengthen the internal planning and management of the ten selected public enterprises;
4. to identify and undertake additional functions with respect to establishing, monitoring and evaluating appropriate incentives in support of improved public enterprises' performance;
5. to design and implement procedures and systems for the efficient planning and management (including cost accounting) of the public enterprise sector as a whole

allocating the specific authorities and responsibilities among the various parties involved;

6. to define the public enterprise monitoring functions of the concerned sectoral ministries and to test these defined functions, on a pilot basis, in the Ministry of Agriculture and Ministry of Industry; and

7. to coordinate the review of the relevant legislative framework and the implementation of revisions thereof, if necessary.

Part B: National Economic Planning and Financial Management

Strengthening of MFEP through the provision of consultants' services, equipment, training and logistical support services in order to enable MFEP:

1. to undertake macro-economic analyses;
2. to assist in the rationalization of the national planning and budgeting system;
3. to design a system of medium-term financial planning and budgetary reform measures;
4. to reorganize the central economic management functions;
5. to improve the services of the Auditor General's Chamber and the Sudanese Institute of Accountants; and
6. to improve Customs' capabilities for revenue collection.

Part C: Human Resource Organizational Development

Strengthening of the Borrower's civil service planning and management system through the provision of consultants' services, equipment, training and logistical and administrative support services in order to enable it:

1. to prepare a study and recommendations concerning the reorganization of the central personnel functions;
2. to formulate, and assist in the implementation of, a personnel management system in:
 - (a) MFEP;
 - (b) CBPE; and
 - (c) the ten selected public enterprises; and
3. to prepare proposals for the implementation of this system in the entire public administrative sector.

* * * * *

The Project is expected to be completed by June 30, 1995.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost the equivalent of \$50,000 or more each.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Sudan may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedure

1. Items or groups of items estimated to cost less than the equivalent of \$50,000, but more than the equivalent of \$10,000 per contract, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Proprietary items and items estimated to cost less than the equivalent of \$10,000 each may be purchased directly from the supplier.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Accounts in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Accounts, such procedures shall be modified to ensure that the two conformed copies of the contract, together with the other information required to be furnished to the Association pursuant to said paragraph 3, shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Implementation Program

Part A of the Project

1. CBPE shall be responsible for the implementation of Part A of the Project. To this end, CBPE shall be responsible to the Minister of Finance and Economic Planning, shall be adequately staffed, shall be assisted by working groups, and shall operate

under terms of reference acceptable to the Association. CBPE shall, in particular, prepare annual work programs for its intended activities and submit them to the Association for its approval not later than two months before the start of their scheduled implementation.

2. CBPE shall, not later than September 30, 1988, prepare and furnish to the Association a detailed plan outlining the specific authorities and responsibilities within the parastatal sectors of the various parties involved, including terms of reference for enterprise managers, board of directors, general shareholder assemblies, sectoral ministries and other institutions.

3. In order to carry out Part A.7 of the Project, the Borrower shall appoint, not later than December 31, 1987, a committee of experts for the review of the legislative framework.

Part B of the Project

4. The Planning Wing of MFEP shall be responsible for managing Part B of the Project. To this end, a Project Secretariat shall be established, not later than December 31, 1987, under the chairmanship of the Undersecretary of Planning to be assisted by two working groups.

Part C of the Project

5. The Civil Service Chamber shall be responsible for the implementation of Part C of the Project. To this end, a Project Secretariat shall be established, not later than December 31, 1987, under the chairmanship of the Undersecretary of the Civil Service Chamber to be assisted by the working groups. These units shall work closely together with CBPE as far as the parastatal sector issues are involved.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means: (i) Categories (1) through (4) with respect to Special Account A; (ii) Categories (5) through (8) with respect to Special Account B; and (iii) Categories (9) through (12) with respect to Special Account C, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocations" means amounts equivalent to SDR 80,000 each to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Accounts shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Accounts have been duly opened, withdrawals of the Authorized Allocations and subsequent withdrawals to replenish the Special Accounts may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of each of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Accounts such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Accounts at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and

deposit into the Special Accounts such amounts as shall be required to replenish the Special Accounts with amounts not exceeding the amount of payments made out of the Special Accounts for Eligible Expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Accounts for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for Eligible Expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Accounts shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit allocated to the Eligible Categories, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the respective Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Accounts as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Accounts: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into the respective Special Accounts (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the respective Special Accounts shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the respective Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account.

