

CONFORMED COPY

CREDIT NUMBER 1866 SU

(Agricultural Rehabilitation Project III)

between

THE REPUBLIC OF SUDAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 25, 1988

CREDIT NUMBER 1866 SU

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 25, 1988, 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) "MOANR" means the Borrower's Ministry of Agriculture and Natural Resources;

(b) "MOI" means the Borrower's Ministry of Irrigation;

(c) "AUAC" means the Advisory Unit for the Agricultural Corporations established within MOANR;

(d) "ACs" means the agricultural corporations under the Minister of Agriculture and Natural Resources for the management of the irrigated schemes;

(e) "SCC" means the Sudan Cotton Company under the Minister of Finance and Economic Planning;

(f) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(g) "Sudanese Pounds" means the currency of the Borrower.

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 the Development Credit Agreement, an amount in various currencies equivalent to sixty-four million four hundred thousand Special Drawing Rights (SDR 64,400,000).

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 (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be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 dollars a special account in the Bank of Sudan or a commercial bank authorized by the Bank of Sudan on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1990, 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 the Development Credit 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 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 1 and August 1 commencing February 1, 1998, and ending August 1, 2027. Each installment to and including the installment payable on August 1, 2007, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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 through MOANR with due diligence and efficiency and in conformity with appropriate administrative, financial, economic, agricultural and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without any limitation or restriction upon any of its obligations under paragraph (a) above, the Borrower shall take all measures necessary to ensure that any shortfall in foreign exchange funds expected to be made available by third parties and required for the financing of the agricultural inputs for the 1988/89 crop season shall be made available from its own resources.

Section 3.02. The Borrower and the Association shall, not later than June 30, 1988, exchange views on the progress achieved in carrying out the actions specified in Schedule 3 to this Agreement.

Section 3.03. Except as the Association shall otherwise agree, procurement of the 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 3.04. The Borrower shall take all appropriate steps to ensure that:

(a) the agricultural inputs, financed out of the proceeds of the Credit, shall be sold to the beneficiaries thereof; for the purposes of this Section, "beneficiary" means any of the Sudan Gezira Board, New Halfa Agricultural Production Corporation, Rahad Corporation and Suki Corporation; and

(b) the Sudanese Pounds generated by such sales shall be deposited into a separate account which shall be opened in the name of the Ministry of Finance and Economic Planning with the Bank of Sudan and used to finance the local costs of the development projects included in the Borrower's budget.

Section 3.05. Until the acquisition of the essential recurrent inputs for the agricultural sector for the 1988/89 crop season shall have been completed, the Borrower shall, from time to time, update the financing plan for the acquisition thereof referred to in Section 5.01 (a) of this Agreement and exchange views with the Association thereon.

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 of 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 Account 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 four 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 Association has received 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

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has provided the Association with a financing plan, satisfactory to the Association, for the acquisition of the recurrent inputs in 1988/1989 for the agricultural sector, indicating, inter alia, the sources of financing; and

(b) the Borrower has furnished to the Association a list, satisfactory to the Association, of specific pesticides to be eligible for procurement in the 1988/1989 crop season.

Section 5.02. The date ninety (90) 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:

EIMAR
Khartoum

Telex:

22324

For the Association:

International Development Association
1818 H Street, N.W.

Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

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/ Callisto Madavo
Acting 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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Pesticides	37,900,000)	
(2) Jute sacks and baling material	9,900,000)	100% of foreign expenditures
(3) Fuel and lubricants	4,600,000)	
(4) Spare parts	4,900,000)	
(5) Vehicles and equipment	600,000	100% of foreign expenditures and 65% of local expenditures
(6) Civil works	1,500,000	90%
(7) Consultants' services and training	1,900,000	100%
(8) Unallocated	3,100,000	

TOTAL 64,400,000

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; and

(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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 120,000, may be made in respect of Categories (6) and (7) on account of payments made for expenditures before that date but after November 25, 1987; and

(b) payments for expenditures under Categories (2) and (3), unless the Association shall be satisfied, after an exchange of views as described in Section 3.02 of this Agreement based on evidence satisfactory to the Association that the actions described in Schedule 3 to this Agreement have been taken.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to assist the Borrower in implementing its economic recovery program as stated in its Program of Action of October 1987; (ii) to support the Borrower's efforts in addressing policy and institutional issues in the irrigated subsector; and (iii) to sustain and expand irrigated crop production during the 1988/89 season.

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: Agricultural Inputs

Acquisition and distribution of recurrent agricultural inputs for the 1988/89 season in the four main irrigated schemes at Gezira, Rahad, New Halfa and Suki, including insecticides, herbicides, jute sacks and baling material.

Part B: Fuel, Lubricants, Equipment and Spare Parts

Acquisition of:

1. diesel fuel and lubricants for the agricultural machinery operations for the cotton areas in the four main irrigated schemes and for the irrigation stations servicing the Gezira scheme in preparation of the 1989/90 crop season; and
2. replacement equipment and spare parts for: (a) the agricultural operations and ginneries at the Rahad and Suki schemes; (b) the Meina pumping station and the MOI maintenance plant servicing the Rahad scheme; and (c) the upgrading of the ginnery operations at Gezira and New Halfa for the recently introduced shambat cotton variety.

Part C: Pesticides Handling and Storage

Improvements of the pesticide handling and storage capabilities through:

1. rehabilitation of two storage facilities at the Gezira scheme;
2. construction of new storage facilities at the New Halfa, Suki and Rahad schemes;
3. upgrading of facilities at airstrips where pesticides are handled;
4. acquisition of laboratory equipment;
5. incineration of obsolete pesticides and containers; and
6. provision of consultants' services for pesticide management and needs assessment.

Part D: Institutional Support

Strengthening of:

1. MOANR's capabilities to coordinate and monitor technical services at headquarters;
2. AUAC's functions as link between MOANR and the agricultural corporations in the irrigated subsector;
3. MOANR's Department of Planning and Economic Administration to carry out price analyses of irrigated and rainfed crops;
4. MOI's institutional improvement efforts; and
5. the financial management capabilities of the agricultural corporations.

Part E: Studies

1. A pilot program for the establishment of cooperatives in the White Nile and Blue Nile irrigated schemes.
2. The preparation of a national irrigation rehabilitation program.
3. A review of the edible oils subsector, including a strategy for the further development of this subsector.
4. A gum arabic rehabilitation study designed to recommend policy reforms with respect to pricing and infrastructural developments.

* * *

The Project is expected to be completed by December 31, 1989.

SCHEDULE 3

Actions Referred to in Paragraph 3 (b)
of Schedule 1 to this Agreement

1. The Borrower has furnished to the Association its public investment program for 1989-1991 for the Association's review and comments.
2. The Borrower has furnished to the Association a plan satisfactory to the Association setting forth the methodology for determining land and water charges and their allocation against various crops.

3. The consultants for assisting MOANR and ACs to improve their efficiency have been employed.
4. The Borrower has furnished to the Association a work program of the Auditor General's office satisfactory to the Association for the updating and upgrading of the accounts of the ACs and the standardizing of the ACs.
5. The Borrower has furnished to the Association proposals satisfactory to the Association for the restructuring of the operations and management of the Blue Nile and White Nile irrigated schemes.
6. The Borrower has: (a) set credit allocations from the Bank of Sudan to the ACs and the SCC for fiscal year 1988/89 based on criteria satisfactory to the Association; and (b) provided options for regularizing outstanding advances to the ACs and the SCC from the Bank of Sudan.
7. The Borrower has furnished to the Association proposals for the revision to the scope of the on-going studies under the Gezira Rehabilitation Project and a work program satisfactory to the Association for the completion of said studies.
8. The Borrower has made progress, satisfactory to the Association, in the implementation of the integrated pest management program.

SCHEDULE 4

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 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.
3. The types of pesticides to be procured under the Project shall be in compliance with the list referred to in Section 5.01 (b) of this Agreement.

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 Procedures

1. Civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
2. Items or groups of items and civil works, estimated to cost less than the equivalent of \$250,000 per contract, may be procured under local procedures acceptable to the Association; provided, however, that the aggregate cost of such contracts shall not exceed the equivalent of \$2,500,000.

3. Items estimated to cost less than the equivalent of \$20,000 may be purchased off-the-shelf or on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the guidelines, in accordance with procedures acceptable to the Association; provided, however, that the aggregate cost of the items so acquired shall not exceed the equivalent of \$600,000.

4. Proprietary spare parts may be purchased directly from the manufacturer or supplier of any such spare parts.

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 \$250,000 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 Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account 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 Account, 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 fifteen percent (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 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (4), (5), (6) and (7) 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

Parts B, C, D and E of 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 Allocation" means an amount equivalent to SDR 200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account 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 Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account 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 the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account 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 Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account 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 Account 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 Account 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 for Parts B, C, D and E of the Project, 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 Parts B, C, D and E of the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Parts B, C, D and E of the Project 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 Account 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 Account (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 to the Association, the Borrower shall, promptly upon notice from the Association, deposit into the Special Account (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 Special Account 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 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.

