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*McNamara Papers*

*Travel brief  
Nov. 8-2*

*Folder 1 of 4*

*Folder 1*



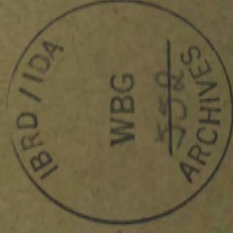
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Travel Briefings: East Africa (Sudan, Somalia, Zambia, and Zaire) - Travel briefs, Sudan

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*309693B*



November 7, 1972

TRIP TO EAST AFRICA, NOVEMBER 8-20, 1972

<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
Nov. 8	0700	1200	Depart Washington	EA Shuttle (DC9S)
	0759	1259	Arrive New York (La Guardia)	
	0930	1430	Depart New York (JFK)	AF 010 (707)
	2240	2140	Arrive Paris (Orly)	Orly Hilton
Nov. 9	1155	1055	Depart Paris (Orly)	ME 218 (707)
Thurs.	1825	1625	Arrive Beirut	(Milan GMT 1215-1305)
	1945	1745	Depart Beirut	ME 370 (707)
				(Jeddah GMT 2010-2055)
Nov. 10	0030	2230	Arrive Khartoum	Government Guesthouse
Fri.	0800		Depart Khartoum (with Min. of Planning)	Government plane
	1115		Arrive Juba	
	1130		Meeting with Southern Leaders	
	1230		Luncheon with Southern Leaders	
	1400		Visit Juba area (refugees, settlements)	
	1600		Depart Juba	Government plane
	1915		Arrive Khartoum	
	2000		Dinner (private)	
Nov. 11	0730		Depart Khartoum (with Min. of Planning and Agriculture) <i>Lawrence Wohl</i>	Government plane
Sat.	0815		Arrive Wad Medani <i>Wakil Hakebi</i>	
	0830		Meeting General Manager, Sudan Gezira Board	
			Visit Gezira scheme	by car
	1000		Depart Wad Medani	Government plane
	1045		Arrive Khartoum	
	1100		Meet Ministers of Planning, Econ., Industry, Treasury	
	1230		Meet Min. Foreign Affairs <i>Manasseh Khalid</i>	
	1330		Meet UN Res. Rep.	
	1400		Lunch (private)	
	1900		Dinner (private)	
	2000		Folk show	
Nov. 12	0800		Meet Ministers of Agriculture, Education, Natural Resources	
Sun.	0930		Meet Minister of Transport and Rail and Road Managers	
	1100		Meet Minister of Education and Minister of Health	
	1230		Meet President Nimeiry	
	1400		Lunch (private)	
	1800		Meetings with industrialists	
	1930		Dinner with President Nimeiry	
Nov. 13	0800		Depart Khartoum	Government plane
Mon.			Fuel stop in Asmara, Ethiopia (if needed)	
	1100	0800	Arrive Hargeisa	Met by Minister
			Visit Hargeisa area, livestock marketing	
	1300		Lunch with Minister and local officials	
	1500	1200	Depart Hargeisa	Government plane
	1740	1440	Arrive Mogadishu	Government Guesthouse
			Rest	
	2000		Possible courtesy call on Pres. (only if he requests)	
	2030		Dinner with Governor of Somali Bank (until 2230)	



<u>DATE</u>	<u>TIME</u>	<u>GMT</u>	<u>REMARKS</u>	
Nov. 14 Tues.	0800		Visit Genale-Merca area accompanied by MinFinance (Education Center, Youth Center, Cooperative, Crash Program)	
	1300		Lunch in the field with Min. Finance Continue field trip	
	1630		Arrive Mogadishu	
	1830		Meet with Ministers	
	2000		Meet with President	
	2030		Dinner with President (until 2230)	
Nov. 15 Wed.	0800		Briefing by UN Res. Rep.	
	0900		Call on Governor of Somali National Bank	
	1100	0800	Depart Mogadishu	Government plane
	1415	1115	Arrive Nairobi	
	1505	1205	Depart Nairobi	QZ 515 (BAC) (Dar es Salaam GMT 1305-1450)
	1810	1610	Arrive Lusaka	Hotel Intercontinental
	1930		Dinner (private)	
Nov. 16 Thurs.	0830		Call on Finance Minister ( <del>if he does not meet at airport</del> )	
	0900		Meet Vice President and Ministers	
	1200		Meet Minister of Education and Secretary	
	1300		Lunch (private)	
	1430		Meet Minister of Power, Transport and Works	
	1600		Meeting on rural development	
	1715		Meet UN Res. Rep.	at Hotel
	1900		Meet President Kaunda	
	2000		Dinner with President Kaunda	
Nov. 17 Fri.	0800		Meet Minister of Finance and Governor, Bank of Zambia	
	1015		Meet Director, INDECO	
	1100		Depart for airport	
	1130		Depart Lusaka (with industrialists)	Government plane
			Fly over mine installations	
	1300		Lunch with mining industrialists	
	1430		Meet Mine Manager and staff	
	1600		Depart Copperbelt	
	1700		Arrive Livingstone	
	1730		Visit Victoria Falls	
	1830		Visit Museum of Ethnography	
	2000		Dinner (private)	
Nov. 18 Sat.	0600		See sunrise over Victoria Falls (optional)	
	0730		Depart Livingstone	
	0830		Arrive Choma	
			Visit Tara tenant, Siachitema smallholder and subsistence farmers	
	1130		Depart Choma	
	1300		Arrive Lusaka	
	1330		Lunch with Min. Finance ( <del>or private</del> )	
	1530		Meet informally Messrs. Wina, Kasonde, Lishomma, Nkoma, <del>Sardonis, Brody</del> , Chona	



<u>DATE</u>	<u>TIME</u>	<u>GMT</u>		<u>REMARKS</u>
	1630		Meet with Mr. Chona privately	
	1700		Rest	
	1830		Depart for airport	
1970	<del>1830</del>	<del>1730</del>	Depart Lusaka	Government plane
	2100	2000	Arrive Kinshasa	Government Guesthouse
Nov. 19				
Sun.	0800		Meet with President Mobutu	
	0930		Meet Minister of Finance, President of Central Bank, Director of Bureau of Presidency	
	1215		Lunch with President Mobutu	
	1435	1335	Depart Kinshasa	UT 336 (DC8) (Nice GMT 2015-2100)
	2320	2220	Arrive Paris (Le Bourget)	Bank car to Orly Hilton
Nov. 20				
Mon.	0945	0845	Depart Paris (Orly)	BE 003 (Trident)
	0945	0945	Arrive London	
	1130	1130	Depart London	PA 107 (747)
	1455	1955	Arrive Washington (Dulles)	



SUDAN

Brief for Mr. McNamara's Visit

Nov. 10 - 13, 1972

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Itinerary

SUDAN

Friday, November 10

0030 Arrive Khartoum from Beirut ME370 (Boeing 707)  
Met by Minister of Planning

0100 Arrive at Official Guest House

0800 Leave Khartoum by air for Juba accompanied by  
Mr. Lawrence Wol (new IBRD Governor, Minister of  
Planning and Southern Leader) and Mr. Mamoun Beheiry  
(Chairman of Special Fund for Southern Sudan).

1115 Land at Juba (regional capital of Southern Sudan)

1130 Meeting with Provisional High Executive Council  
(PHEC) Regional Cabinet made up of Southern Sudanese  
leaders

1230 Lunch with PHEC

1400 Tour Juba area on ground, visiting settlements of  
returned refugees, etc.

1600 Leave Juba by air for Khartoum

1915 Arrive Khartoum Airport

2000 Dinner (private)

Saturday, November 11

0730 Leave Khartoum by air for Wad Medani accompanied  
by Minister of Planning and Minister of Agriculture

0815 Land at Wad Medani airport, go by car to Barakat

0830 Meeting with General Manager, Sudan Gezira Board  
and Board Members of Gezira Tenants' Association

0930 Return to Wad Medani airport through Gezira scheme  
visiting typical holding en route

1030 Leave Wad Medani for Khartoum

1115 Arrive at Khartoum

Tentative (1130 Meet Minister of Planning, Minister of National Economy,  
( Minister of the Treasury and Chairman of Bank of Sudan.  
( to  
( 1330 Meet Minister of Agriculture, Minister of Irrigation,  
( Minister of Natural Resources and General Manager of  
( Agricultural Bank

1400 Lunch (private)



(November 11 continued)

- 1700 Briefing at Guest House by Resident Representative  
of UNDP and UNHCR
- 1930 Dinner at Guest House (private)

Sunday, November 12 (Tentative)

- 0800 Meet Vice President and Ministers of Foreign Affairs  
and Justice
- 0900 Meet Minister of Transport and General Managers of  
Sudan Railways and Department of Roads
- 1000 Meet Minister of Higher Education and Scientific  
Research, Minister of Instruction and Education, Minister  
of Public Service and Administrative Reform, and  
Vice Chancellor, University of Khartoum
- 1100 Meet Minister of Industry, and General Manager of  
Industrial Bank of Sudan
- 1200 Meeting with President Nimeiry
- 1400 Lunch (private)
- 1700 Informal meeting with leaders of private industry and  
civic personalities
- 1930 Official reception and dinner

Monday, November 13

- 0800 Leave Khartoum by air in President Nimeiry's  
personal aircraft



Programme for the Visit of  
Mr. Robert S. McNamara  
President of the World Bank Group  
(10-13 November- 1972)

Friday 10 Nov. 1972

- 0030 Arrival Khartoum Airport from Beirut Via ME 370  
0800 Leave Khartoum for Juba by Air accompanied by Ministers of Agriculture, Planning & Chairman of the Special Fund for Southern Region (FOKKER Friendship)  
1130 Arrive Juba  
1130 Meet Provincial High Executive Council *VP ABEL ALIER*  
1300 Lunch at Juba *So. Min. of Fin HILARY LOGALI*  
*Ysh24*  
Local Programme to visit Settlement Centres  
1700 Leave Juba by Air.  
2000 Arrive Khartoum.

Saturday 11, Nov. 1972

- 0700 Leave Khartoum by Air for Wad Medani accompanied by Minister of Planning, Minister of Agriculture, and Minister of Irrigation (Twin Otter)  
0745 Arrive Wad Medani.  
Proceed to Barakat by car, meet General Manager Sudan Gezira Board & Tenants Association. Visit typical holdings enroute to Wad Medani.  
1000 Leave Wad Medani by Air for Khartoum  
1045 Arrive Khartoum  
1100 Meet Ministers of Planning, Treasury, National Economy & Industry (at Ministry of Planning).  
1300 Meet Minister of Foreign Affairs.  
1400 Lunch Invitation (Minister of Foreign Affairs)  
1700 Informal Meeting at Guest House (See list)  
2100 Folklore Show - (Minister of Information & Culture)

Sunday 12 Nov. 1972

- 0800 Meet Ministers of Agriculture, Irrigation & Natural Resources (at Ministry of Agriculture).  
0930 Meet Ministers of Transport & Communications (at Ministry of Communications).  
1100 Meet Ministers of Health, Education, Higher Education, Public Service. (at Ministry of Planning).  
1230 Meet H.E. President Gaafer Mohamed Nemiery.  
1400 Private Lunch.  
1700 Meet Resident Representative of UNDP at Guest House  
1800 Meet Representatives of Chamber of Commerce & Manufacturers Association (at Guest House).  
2000 Official Dinner (Minister of Planning) at Sahara Hotel

Monday 13 Nov. 1972

- 0800 Leave Khartoum in Charter Plane for Mogadishu  
1400 Arrive Mogadishu, Somalia.

NAZIR DEIFALLA

(for information please call

former Vice-Chair of House

77004

now Pres of House - most respected intellectual in the country  
very interested in sociology of the Sudan; now working on  
developing the constitution







## OFFICE MEMORANDUM

TO: Mr. Anders Ljungh

DATE: October 26, 1972

FROM: Dinesh Bahl *DB*SUBJECT: Mr. McNamara's Airport Statements

1. Attached are drafts of the airport statements Mr. McNamara might wish to make during his forthcoming visit to the Sudan, Somalia and Zambia. Could you please submit them to him for his comments?
2. They have been cleared by Mr. William Clark and Mr. Lejeune/  
Mr. Husain.

(attachments) - (3)

DB/pa



REMARKS AT AIRPORT UPON ARRIVAL IN SUDAN

As the largest country in Africa, the Sudan merits special attention from those concerned with economic development. The World Bank Group has had a continuing association with the country since 1958. During these years the Bank Group has provided the Sudan about \$167 million of help with development projects in agriculture, transport, power and education.

Considering the size and needs of the country, much more remains to be done if the benefits of development are to reach greater numbers of the people. We in the World Bank hope that, in addition to important projects in transport and power, we can assist the country's efforts to carry out an increasing number of projects designed to benefit more people more directly: projects such as expanding irrigation, providing farmers with credit and storage facilities, improving livestock, and shaping education more to the development needs of the country. In this context, one major development scheme which is being considered by the Government of Sudan and the Bank Group is the Rahad irrigation project.

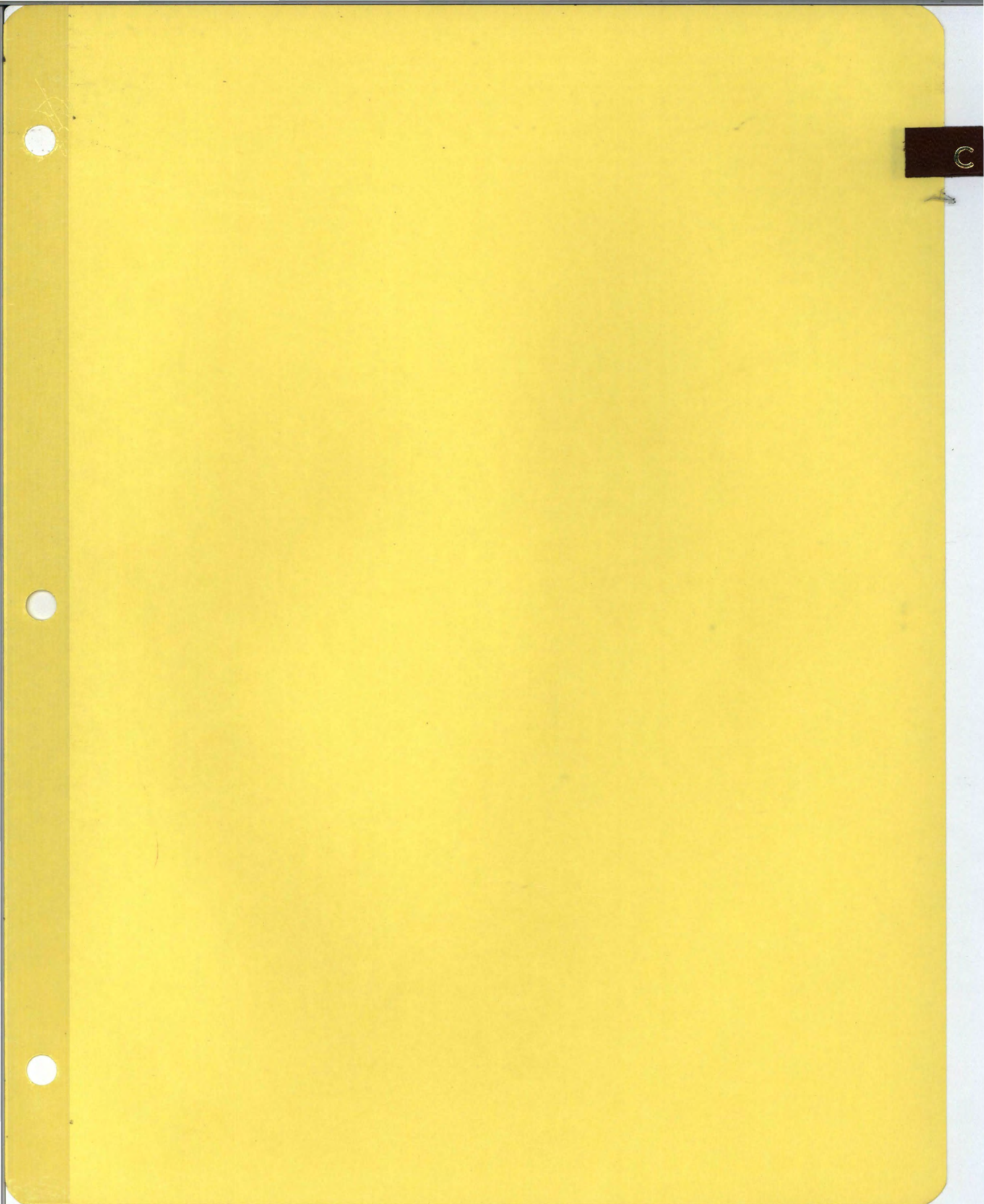
In considering the efforts that need to be made for the future, we are particularly interested in the possibilities of economic development in Southern Sudan. Our recently approved highway project has already provided for the improvement and maintenance of roads there, as well as in other parts of the country. But I am looking forward to visiting the southern region to learn more about its problems and its potential.

I realize that the process of development is neither easy nor quick, but I am confident that your Government and people will strive



hard to make good use of the nation's tremendous potential for economic development. The Bank Group stands ready, as we have been in the past, to assist you in this task.









# REPUBLIC OF THE SUDAN

## BACKGROUND NOTES

Population: 15.6 million (1970 est.)

Capital: Khartoum

Sudan lies across the middle reaches of the Nile River and is bounded on the north by the United Arab Republic; on the west by Libya, Chad, and the Central African Republic; on the south by Congo (Kinshasa), Uganda, and Kenya; and on the east by Ethiopia and the Red Sea. Almost one-third the size of the continental United States, Sudan is the largest country in Africa (967,500 square miles).

From south to north, Sudan's terrain changes from tropical forests and savanna, through vast swamplands, open semitropical savanna, and scrublands, to the sandy and arid hills which lie between the Red Sea and the vast Libyan and Sahara Deserts. Through these diverse regions the White Nile, the main artery of the Nile River, flows from south to north for some 2,340 miles. Extreme desert conditions in the northwest give way to sandy steppes north of Khartoum. Most cultivation in this area is dependent on irrigation from the Nile while in many areas of the south there is sufficient rainfall for cultivation or grazing. Of Sudan's estimated 120 million acres of land considered suitable for agriculture, only about 22 million are actually under cultivation.

Khartoum, situated at the junction of the White and Blue Niles, has a desert climate. Average maximum temperatures of 100° F. and more prevail for 8 months of the year (March through October), while average maximums of 90° F. to 98° F. prevail for the remaining 4 months. The heat usually is accompanied by low humidity.

Sudan's flag consists of horizontal red, white, and black stripes, with a green triangle extending from the staff to one-third of the flag's length.

### THE PEOPLE

Based on the 1955 census and an annual growth rate of 2.8 percent, Sudan's population is approximately 15.6 million. Distribution is uneven, with more than 2 million people concentrated in a 64,000-square-mile area at the juncture of the White and Blue Niles. The principal cities and their approximate populations are: Khartoum (160,000), Omdurman (183,000), and Khartoum North (100,000), which form a single metropolitan area. Other cities of 50,000 or more include Port Sudan, Al Ubayyid, Kassala, Wad Madani, and Atbarah.

Sudan's population is composed of two distinct cultures, and their integration is one of the country's principal internal problems. The six northern Provinces cover almost two-thirds of Sudan and have most of the urban centers. The 11 million Sudanese who live in this area are largely Arabic-speaking Moslems. Among these are several distinct tribal groupings: the Beja in the Red Sea area; the Nubians, whose ancestral home on the Nile has been inundated by the waters rising behind the Aswan High Dam and who have been resettled in a new location on the Atbarah River; the Jamala, the camel-raising, nomadic tribe in the steppe regions on both banks of the Nile; the Negroid Nuba in the hills of southern Kordofan, who speak a number of African languages; the Fur, a Negroid people in the western reaches of the country whose independent state lasted until 1916; the Baqqara, a seminomadic, cattle-raising tribe of Kordofan and Darfur; and the Jaaliin and Shaiqiyya groups of settled, riparian tribes.

In contrast, the three southern Provinces have a population of approximately 4 million with a predominantly rural subsistence economy. The Sudanese in this area are mostly animist, although Christian missionaries, before their expulsion in 1964, made a number of converts. Prominent among the numerous Negro tribes in the south are the 1 million Dinka; the related Anuak, Nuer, and Shilluk in central southern Sudan who extend into Ethiopia; the "Sudanic" tribes in the west comprised of the Azande, the Bor, and the Jo Luo; and the Acholi and the Lotuho in the extreme south who extend into Uganda.

The literacy rate for Sudan as a whole is about 10 percent.

### HISTORY

Sudan was a collection of small independent states from the beginning of the Christian era until its conquest and unification by Egypt in 1820-21. Taking advantage of conditions resulting from Egyptian exploitation and maladministration, a religious leader proclaimed himself the Mahdi, or awaited religious leader, and began a revolt in 1881. With the fall of Khartoum in 1885, the Mahdi's forces controlled most of the Sudan for the next 13 years.





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Following its conquest by an Anglo-Egyptian force in 1896-98, Sudan was proclaimed a Condominium in 1899 under joint British-Egyptian administration. From 1899 until 1954 the United Kingdom dominated Sudanese administration, formulated policies, and supplied most of the administrative personnel, although the appearance of joint administration was maintained.

In February 1953 the United Kingdom and Egypt concluded an agreement providing for Sudanese self-government and self-determination. The first Sudanese self-government parliament was inaugurated on January 9, 1954, and the transitional period toward independence was begun. With the consent of the British and Egyptian Governments, Sudan achieved independence on January 1, 1956, under a provisional constitution. The United States was among the first foreign powers to recognize the new state.

The first cabinet of independent Sudan was composed entirely of National Unionist Party members under Prime Minister Ismail el Azhari but was soon replaced by a coalition government comprised of the Umma and the People's Democratic Parties. On November 17, 1958, following a period of economic difficulties and political maneuvering which paralyzed public administration, Chief of Staff, Lt. Gen. Ibrahim Abboud, overthrew the parliamentary regime in a bloodless coup d'etat.

Gen. Abboud did not carry out promises to return Sudan to civilian government, however, and popular resentment against military rule led to a wave of riots and strikes which on October 21, 1964, forced him to relinquish power.

The Abboud regime was followed by a provisional civilian government until parliamentary elections in April 1965 led to the formation of a coalition government of the Umma and National Unionist Parties under Prime Minister Muhammad Ahmad Mahjoub. Between 1966 and 1969 Sudan had a series of civilian coalition governments which were unable to agree on a permanent constitution or to cope with major problems of factionalism, economic stagnation, and ethnic dissidence.

Dissatisfaction culminated in a second military coup on May 25, 1969. The Revolutionary Command Council (RCC) was formed and initially consisted of nine military officers and a civilian Prime Minister. The leader of the coup and Chairman of the RCC, Maj. Gen. Jafar Muhammad Nimeri, subsequently was appointed Prime Minister. In November 1970 three RCC members were dismissed. Upon assuming power the new regime abolished the parliament and outlawed all political parties.

In 1955 Sudanese troops in the southern Provinces mutinied over the substitution of Arabs for departing British officers. Southern Sudanese political groups have agitated for autonomy or secession for the three southern Provinces, and a chronic state of insurgency against the Central Government has existed there since 1963.

## GOVERNMENT

Government decisionmaking is largely centralized in the Revolutionary Command Council (RCC), which supervises the operations of the largely civilian ministries. Its Chairman is Chief of State and Head of Government. All seven members of the RCC hold cabinet portfolios and insure that the Council of Ministers (cabinet) adheres to policy decisions of the RCC. The RCC appoints the Council of Ministers. In the absence of a parliament the legislative function is carried out by the RCC in the form of republican decrees.

The independence of the Sudanese judiciary is no longer protected by a provisional constitution and is increasingly subjected to the control of the Central Government. The judiciary is divided into separate systems to administer civil, criminal, and tribal courts as distinct from cases of personal status involving Moslems.

Administration is highly centralized and local government officials are controlled from Khartoum. There are nine Provinces, each headed by a Governor appointed by the Central Government. A civilian Ministry of Southern Affairs was created following the 1969 revolution to deal with problems of the three southern Provinces, although matters relating to the continuing civil war in the south are handled by the army.

There is presently no constitution in effect in Sudan, although an appointed committee began deliberations in December 1970 to reach agreement on the text of a national charter to be approved in final form by popular referendum.

## POLITICAL CONDITIONS

Since May 25, 1969, the Sudanese Armed Forces has replaced the previous mass political parties as primary supporters of the Government. The success of the military takeover was due partly to the cooperation of an army group known as Free Officers who have supported Gen. Nimeri and have retained considerable influence in the decisionmaking process.

While the radical ideology of the RCC and Communist orientation of some members have generated criticism from members of the conservative Ansar and Khatm-yya religious sects, these groups have posed no lasting challenge to the present Government. Following the revolution supporters of the Ansar spiritual leader, Imam al-Hadi al-Mahdi, assembled at Aba Island south of Khartoum and instigated an abortive uprising in early April 1970 during which the Imam was killed. Since that time they have offered little organized resistance.

While formal political parties are disbanded, the Sudan Communist Party (SCP), the largest in Africa, has increased its influence under the present Government. During 1970, however, a split developed between pro-Egyptian and



doctrinaire Marxist factions of the party and three Communist RCC members were dismissed in November 1970.

Organized labor also retains considerable influence and Gen. Nimeri has staged numerous rallies to encourage support from the dominant Sudan Railway Workers' Union and the Federation of Sudanese Workers' Unions.

Southern Sudanese political groups, many operating in exile, are loosely associated with the Anya-Nya guerrillas who have carried out terrorist activity against government forces and installations in the south.

## ECONOMY

Sudan's gross national product (GNP) in 1969 was U.S. \$1.6 billion, and its per capita income was less than \$100.

Sudan's principal resources are agricultural. Although efforts are being made to diversify its agriculture, cotton and cottonseed remain the major cash crop and account for approximately 60 percent of the export earnings. The second largest export crop, sold almost exclusively to the United States, is gum arabic, with Sudan producing four-fifths of the world's supply. Grain sorghum (dura) is the principal food crop, and wheat is grown for domestic consumption. Other crops, such as sesame seeds, peanuts, and castor beans, are cultivated for domestic consumption and export. There is vast livestock-producing potential, and large numbers of live animals, particularly camels and sheep, are exported to the United Arab Republic (U.A.R.).

The inadequacy of the transportation system and the high cost of hauling agricultural products over great distances are major hinderances to economic development. Presently, the country's transportation facilities consist of one railroad with a feeder line, supplemented by river steamers, the Sudan Airways, and some 900 miles of paved or graveled roads.

There have been large investments and considerable success in growing cotton under various irrigation and pump plans, particularly the well-known Gezira Scheme, located south of Khartoum between the White and Blue Niles. Success has been uneven with respect to rainland agriculture. However, the Government is making some progress in developing tracts of such land for mechanized agriculture. It is on rainlands that most of the millet, sesame seeds, peanuts, and short-staple cotton are grown. These offer a promising future if the problems of water development and transportation can be solved and political stability can be achieved in the southern Provinces.

Industrial development is limited and consists principally of the processing of agricultural products and various light industries located at Khartoum North.

No exploitable minerals have been discovered in significant quantities. Oil concessions for

exploration along the coast have been granted to various companies, but so far no oil has been found. Pending electrification of various dams, there is no source of cheap power.

Until recently the United States, certain West European countries, Saudi Arabia, and Kuwait supplied the major share of economic assistance to Sudan. The International Bank for Reconstruction and Development (IBRD) has been the largest single source of development loans. Since the 1969 revolution Sudan has, however, relied increasingly on Communist assistance. The Soviet Union carried out substantial military deliveries to Sudan during 1969 and 1970 under a comprehensive military aid agreement concluded in 1968.

Cultural, economic aid, and trade agreements have also been signed with the U.S.S.R. and various East European states. Under a trade agreement, renegotiated annually, the Soviet Union now imports about \$43 million in cotton, or nearly one-third of Sudan's cotton exports, in exchange for Soviet goods valued at about \$35 million and the remainder in hard currency. East European countries and Communist China also purchase significant amounts of Sudanese cotton. In 1970 Communist China extended an aid credit of \$42 million and North Korea agreed to a modest credit to Sudan.

In 1970 the Government adopted a new 5-year development plan, prepared by a team of Soviet advisors. The third in a series of long-term development plans, it calls for substantial increases in almost all areas and is based on extensive private sector contributions and external assistance. The plan follows wide-scale government confiscation of private businesses during May-June 1970, which is likely to decrease revenues from the private sector. The Government also has plans for new irrigation projects as well as for expansion of existing systems.

Sudan's total imports for 1969 were valued at \$256.5 million and exports at \$247.7 million, an increase over the 1968 levels. In 1969 U.S. exports to Sudan totaled \$7 million, consisting primarily of machinery and transportation equipment, chemicals, and manufactured goods. U.S. imports from Sudan were valued at \$8.7 million—primarily gum arabic, resins, and raw cotton.

Major trading partners during 1969 were the Soviet Union, the Federal Republic of Germany, Italy, the United Kingdom, and India. It is expected that trading patterns will be affected by further trade agreements which were negotiated with the U.S.S.R. and East European countries during 1970.

## FOREIGN RELATIONS

Solidarity with other Arab countries has been a major feature of Sudan's foreign policy. With the outbreak of the Arab-Israel war in June 1967, Sudan declared war on Israel and broke relations with the United States. Since the 1969 revolution,



it has pursued a determinedly "anti-imperialist," Socialist policy, placing particular reliance on the U.S.S.R. and other Communist countries.

During November 1970 Sudan, Libya, and the U.A.R. announced agreement to implement measures toward tripartite economic, military, and political federation, to which Syria subsequently adhered. While the extent to which the proposed federation will be implemented is not yet apparent, Sudan's decision to join reflects its commitment to Arab goals in the Middle East and interest in playing an active role in inter-Arab affairs.

Sudan is a member of the United Nations and several of its specialized agencies, the Arab League, and the Organization of African Unity (OAU).

## U. S. -SUDAN RELATIONS

Sudan broke diplomatic relations with the United States on June 6, 1967, following the outbreak of the Arab-Israel war. The Netherlands assumed responsibility for U.S. diplomatic interests in Sudan, and a small U.S. staff remains at Khartoum as the American Interests Section of the Royal Netherlands Embassy. The Somali Republic represents Sudanese interests at Washington, D.C.

Before the break in relations the United States contributed to economic development under an aid agreement signed in 1958. U.S. programs, totaling \$103 million, were concentrated in the fields of transportation, agricultural diversification, technical education, and other technical assistance.

## PRINCIPAL GOVERNMENT OFFICIALS

### Revolutionary Command Council (RCC)

Maj. Gen. Jafar Muhammad (Nimeri) Chairman  
(Prime Minister; Minister of Economy)  
Ba Bakr Awadallah (Deputy Prime Minister;  
Minister of Justice)  
Maj. Gen. Khalid Hassan Abbas (Minister of  
Defense)

Maj. Abu al-Qassim Muhammad Ibrahim (Assistant Prime Minister for Services and Local Government; Minister of Interior)

Maj. Mamun Awad Abu Zaid (Minister of State for Presidential Affairs; Chief, National Security Department)

Maj. Abu al-Qassim Hashim (Minister of Youth and Social Affairs)

Maj. Zain al-Abdin Muhammad Ahmad abd al-Qadir (Assistant Prime Minister for Agriculture and Animal Resources)

Ambassador to the U.N.—Mansur Khalid  
Chief, Sudanese Interests Section of the Embassy of the Somali Democratic Republic—Osman Mohammed Hamid

## PRINCIPAL U. S. OFFICIALS

Chief, American Interests Section of the Royal Netherlands Embassy—George C. Moore  
Public Affairs Officer (USIS)—Leslie M. Lisle

## READING LIST

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Bureau of Public Affairs



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## THE DEPARTMENT OF STATE BULLETIN

# DEPARTMENT OF STATE PUBLICATIONS

The official record of U.S. foreign policy, this weekly periodical contains statements made by the President, the Secretary of State, the U.S. Representative to the United Nations, and other principal officers of the Government. Authoritative original articles on various aspects of international affairs are also featured. Information is included concerning treaties and international agreements to which the United States is or may become a party. Current publications of the Department, United Nations documents, and legislative material in the field of international relations are listed.

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D



THE CABINET

The President issued a Republican Decree forming the Cabinet under his premiership and holding portfolio of the Ministry of Defence.

Ministry of Interior - Major General Mohd ElBaghir Ahmed  
Ministry of Foreign Affairs - Dr. Mansour Khalid  
Ministry of Justice - Sayed Ahmed Suleiman  
Ministry of Public Service & Administrative Reform - Sayed Abdel Rahman Abdalla  
Ministry of Health - Major Abulgasim Mohd Ibrahim  
Ministry of Housing & Public Utilities - Sayed Mubarak Sinada  
Ministry of Local Government - Dr. Gaafar Mohd Ali Bakheit  
Ministry of Communications - Dr. Bashir Abbadi  
Ministry of National Economy - Sayed Ibrahim Moneim Mansour  
Ministry of Industry - Sayed Musa Awad Billal  
Ministry of Planning - Dr. Laurence Woul  
Ministry of the Treasury - Sayed Ibrahim ElYas  
Ministry of Transport - Sayed Ahmed ElAmin Hummeida  
Ministry of Agriculture - Sayed Wadie Habashi  
Ministry of Irrigation & Hydro-Electric Power - Sayed Yahai Abdel Mageed  
Ministry of Natural Resources - Sayed Abdalla El Hassan El Khidir  
Ministry of Information & Culture - Sayed Omer El Hag Musa  
Ministry of Youth Sports & Social Affairs - Sayed Salah Abdel Aal Mabrouk  
Ministry of Higher Education & Scientific Research - Sayed Sir El Khatir El Khalifa

*Methem in Wash in April*



Ministry of Religious Affairs - Dr. Awn El Sharif  
Ministry of Instruction & Education - Dr. Mohd Khair Osman  
Minister of State for the Affairs  
of the Presidency of the Republic - Sayed Mahdi Mustafa El Hadi  
Minister of State for the Affairs  
of the Presidency of the Council  
of Ministers - Dr. Baha El Din Mohd Idris  
Minister of State for Local Government - Sayed Samuel Loubie

The President appointed the following as Vice-Ministers:-

Secretary General of the Council  
of Ministers - Sayed Ahmed Babiker Eisa  
Secretary General of the Presidency  
of the Republic - Sayed Abubakr Osman  
Mohamed Salih  
Vice-Minister of Transport - Mustafa Osman  
Vice-Minister of Youth Sports  
& Social Affairs - Sayeda Nafisa Ahmed El Amin  
Vice-Minister of Housing and  
Public Utilities - Sayed Mahmoud Gadien  
Vice-Minister of Information & Culture - Sayed Bouna Mulwal



## BIOGRAPHICAL DATA

### GENERAL JAFAR EL NIMEIRY

President

General Nimeiry has been President of Sudan since he staged a successful coup d'etat in May 1969. During the early part of his rule he was pro-Soviet, pro-Arab and anti-United States, but he has gradually shifted to a more pro-West policy.

Nimeiry has successfully eliminated opposition elements on both the right and the left. In March 1970 he curtailed the disproportionate influence of the powerful Ansar religious sect that had dominated previous governments, when he put down an Ansar revolt in which their Imam was killed. He subsequently sent the Imam's nephew (and successor) into exile. Nimeiry then sought an accommodation with the Sudanese Communist Party (SCP), but the accord did not last; in July 1971 pro-Communist groups unsuccessfully attempted to stage a coup. The coup leaders were executed and other members of the SCP have since gone into hiding.

Having eliminated his opposition, Nimeiry has concentrated on his most pressing domestic problem, the rebellion of southern blacks who feared Arab domination. In February 1972 he negotiated a cease-fire agreement that in turn reduced his dependence on other Arab countries for military support and enabled him to move closer to other African countries. He has tried to remain friendly with the Arab countries, but they (especially Egypt and Libya) resent his independence.

Nimeiry was born in Omdurman in January 1930. He graduated from military school in 1952 and subsequently served in every military district in Sudan. His career was interrupted several times because of his arrests for participation in anti-government activities. In 1965 Nimeiry came to the United States to attend the Command and General Staff School at Ft. Leavenworth, Kansas.

Returning to Sudan in 1966, Nimeiry was assigned first to the Eastern Command and later to the Southern Command, where he distinguished himself fighting the rebels. From early 1969 until the coup he was attached to the Infantry School at Jubayt.

The President enjoys reading history and Arab literature. He was formerly an active soccer player. He is married but does not have any children. In addition to his native Arabic, Nimeiry can speak English. He has travelled extensively and has visited both the Soviet Union and China.

### MAJOR-GEN. MUHAMMED EL-BAGHIR AHMED

First Vice President; and Minister of Interior

Minister of Interior since October 1971, Major-Gen. Muhammed El-Baghira Ahmed became First Vice President and a Member of the Sudanese



MANSOUR KHALID

Minister of Foreign Affairs

Mansour Khalid was appointed Minister of Foreign Affairs in August 1971. He had previously served since July 1970 as Sudan's Permanent Representative to the United Nations. Prior to that he had a brief term as Minister of Youth and Sports. Khalid is widely respected for his intelligence and integrity.

Khalid was born on January 17, 1931. After graduating from the University of Khartoum in 1957, he attended the University of Pennsylvania, where he received an LL.M. degree in 1960, and the University of Paris, where he received an LL.D. degree in 1964. From 1957 to 1959 he was an attorney in Khartoum. Khalid served as a legal officer for the United Nations during 1962-63. From 1964 to 1965 he was in Algiers as Deputy UN Resident Representative. From 1965 to 1969 he served with UNESCO in Paris. In 1968 Khalid received a leave of absence to serve as visiting Professor of International law at the University of Colorado.

He took a leading part in the diplomatic negotiations ending with the settlement of the south and has then been connected with the international relief efforts which followed. He is one of the most powerful and closest advisers to General Nimeiry.

Khalid mingles well in both European and Arab circles. He is a bachelor. In addition to his native Arabic, he speaks English and French.

LAWRENCE WOL

Minister of Planning

On October 9, 1972, Lawrence Wol was appointed Minister of Planning. Since April 1972 he had been serving as Minister of State for Planning, responsible for the three southern provinces. Intelligent and articulate, he has been an effective spokesman for southern interests.

Born about 1935 in Bahr al-Ghazal Province, Wol is a member of the Dinka tribe and a Roman Catholic. After graduating from the University of Fribourg, Switzerland, with a degree in economics, he remained in Europe to represent the Sudan African National Union (SANU) - a political party composed primarily of southerners. A resident of London from 1965 to 1970, he served during that time as SANU's education secretary and edited its newspaper "Voice of the South". In December 1970-January 1971 Wol visited New York in the interest of the southerners. In an address to the UN General Assembly, he accused the Sudanese Government of practicing genocide in its attempts to put down the southern insurgency.



During January-February 1972 Wol participated in cease-fire talks with Sudanese Government representatives in Addis Ababa, Ethiopia. After the cease-fire agreement was reached, Wol was appointed to the Planning Ministry and to the Politburo of the Sudanese Socialist Union (now Sudan's only political party). As Minister of State for Planning he has been responsible for incorporating planning for the southern provinces into an overall national plan; and in this connection he has sought loans from both the Export-Import Bank and the African Development Bank.

IBRAHIM MONEIM MANSOUR

Minister of National Economy (industrial)

Ibrahim Moneim Mansour was appointed Minister of Economy and Trade in October 1971. He has a degree in Economics and is the architect of the present government's economic policy. Mansour, a former member of the Umma Party, is pro-West and wary of Soviet intentions.

Before his present appointment Mansour had been manager of the Khartoum Spinning and Weaving Company and the Sudan Textile Industries. He has also served as a managing director of the Industrial Bank of Sudan and as a member of the board of directors of Sudan Airways.

In May 1972 Mansour accompanied President Nimeiry to Saudi Arabia. In August 1972 he headed economic delegations to Italy and to Washington, where he met with representatives of the International Monetary Fund.

WADIE HABASHI

Minister of Agriculture

Habashi is in his fifties and joined the Ministry of Agriculture in 1941 and became Permanent Undersecretary to the Ministry of Agriculture in 1966. From 1966 to 1971 he was Chief of the Economic Commission for Africa's Agricultural Division in Addis Ababa until October 1971 when he was appointed Minister of Agriculture.

Basically a hard working civil servant, he has no political affiliations. He is a Coptic Christian from the Northern Province.

YAHIA ABDEL MAJID

Minister of Irrigation and Electric Power

Yahia Abdel Majid, formerly Permanent Undersecretary, was promoted as Minister of Irrigation and Electric Power in August 1971. A professional hydrologist and engineer, he has been affiliated with the Ministry since at least 1959. In 1960 he was chief hydrologist in the Department of Irrigation and Hydro-Electric Power and a member of the Joint Sudanese-Egyptian Nile Waters Board. In June 1968, under the sponsorship of the UN Economic Commission for Africa, he visited the United States on a study tour of river basins.



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AHMED SULEIMAN

Minister of Justice

Born in 1923 and a Bachelor of Law, he has been Lawyer, Minister, Member of the Executive Committee of the Communist Party and Ambassador to Moscow. He is now Minister of Justice in the Nimeiry Government. He was a leader of the leftist coup which overthrew the Abboud military regime in 1964. When Nimeiry began to crack down on the Communists in November 1970, he renounced his affiliation with the Party, took an oath of loyalty to Nimeiry, and was forgiven. He has had a major role in the ongoing negotiations on claims for compensation for nationalized firms.

He is married, speaks Arabic and English.

SIRR EL KHATIM EL-KHALIFA

Minister of Higher Education  
and Scientific Research

In April 1972 former Prime Minister Sirr el-Khalifa was appointed Minister of Higher Education and Scientific Research. During the previous year he had served as an adviser in the Ministry. A highly respected official, he has spent much of his career in education.

Sirr el-Khalifa was born in ed-Dueim on January 1, 1917. He studied in the United Kingdom from 1944 to 1946. In July 1950 he was named education director for the Southern provinces. Named principal of the Khartoum Technical Institute in 1960, he became deputy under secretary in the Ministry of Education in 1964.

When the military dictatorship of Lt. Gen. Ibrahim Abbud was overthrown in October 1964, Khalifa was named Prime Minister. He resigned in June 1965 and the following September was appointed Ambassador to Italy. In March 1968 he was appointed Ambassador to the United Kingdom. He was removed as Ambassador in May 1969 but remained in London as a private citizen. Because Khalifa was considered more of a technician than a politician (he was not a member of any party when he was Prime Minister) the government recalled him to Khartoum in 1971 to serve as an education adviser.

Khalifa is married to the granddaughter of the Mahdi and is a brother-in-law of Ansar leader and former Prime Minister Sadiq el Mahdi. He speaks both Arabic and English.

MUSTAFA HASAN

Deputy Chancellor, University of Khartoum

Dr. Mustafa Hasan is a professional educator. He has been deputy chancellor of the University of Khartoum since 1968. Previously he was the dean of the University's faculty of Sciences.



MAMOUN BEHEIRY

Born in 1925, Mamoun Beheiry was educated in the Victoria College in Alexandria and took a degree in Economics at Oxford. A former Secretary to the Ministry of Finance, he founded the Bank of Sudan and was its first Governor (1959-63). He was the Minister of Finance (1963-64) and then became President of the African Development Bank at Abidjan. Soon after the settlement in Southern Sudan in March 1972, President Nimeiry appointed him with ministerial rank as the President of the Board of Trustees for the Special Fund for the relief and rehabilitation of the Southern Region.

He is regarded by many as a pro-western economist not interested in politics as such.

HAMZA MIRGHANI

Hamza Mirghani, an able economist, born on January 1, 1922, and educated at Cambridge University, was appointed Minister of Finance and Economics in the Mahdi Government in 1966.

After independence, he became the first Undersecretary of Finance, but resigned as a result of his strong differences with the military regime. He was appointed Director of the United Nations Department of Administration in New York, but after two years left to become Director of the African Department of the International Monetary Fund in Washington. While there he was asked to return to his own country as Finance Minister.

He is believed to be more interested in economics than politics and since 1969 he has been in private business as the head of the Sudanese consulting firm which is carrying out the joint IBRD-Kuwaiti Technical Assistance Project in Northern Yemen.

ABDEL SALAM ABOULEILA

A millionaire in his fifties and popular for his modesty and sense of humour, Aboulela occupies a key position in his country's economic fortunes. He is the head of the leading Sudanese business - house of Aboul Ela, which has various manufacturing and trading activities. For many years he has been the chairman of the Sudan Chamber of Commerce as well as chairman of the Board of Khartoum Spinning and Weaving Ltd. (IFC's only investment in the Sudan). Mr. Aboulela is a good friend of Mr. Abdel Galeel El Emary.

LUCIANO CAPPELLETTI

UNDP Resident Representative

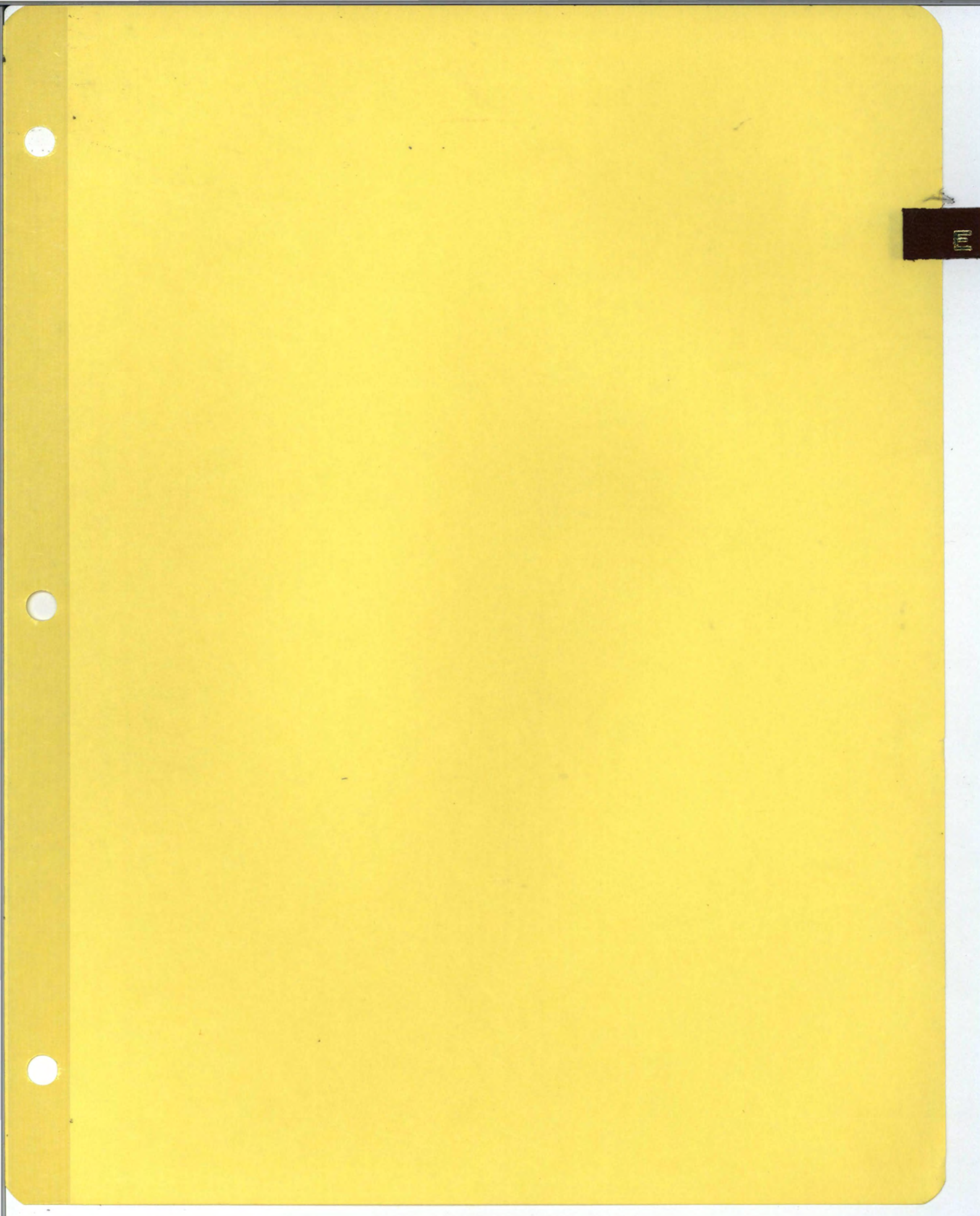
An Italian national born in 1930 and educated in Italy and the U.S., Cappelletti has doctorates in jurisprudence and political science. Starting in the teaching profession in the University of Bologna, he joined the UNDP in 1965 and has served as Assistant and Deputy Resident Representative of



the UNDP in New Delhi and Kampala. Shortly before coming to Khartoum in December 1971 he had first hand experience of UN relief operations in Dacca. He participated in the Special UNDP Mission to Southern Sudan in May 1972 and has been very active in coordinating and revising the UNDP program of action to take into account the urgent additional requirements of the Southern region. He has excellent working relations with the Government as well as his colleagues representing various UN organizations in the Sudan.

Eastern Africa, Programs I  
October 25, 1972







LIST OF TOPICS FOR DISCUSSION

1. The Rahad Project
2. The Consultative Group
3. Transport Development
4. Resident Representative
5. Economic Situation
6. Southern Sudan



SUDAN  
TOPICS FOR DISCUSSION

1. The Rahad Project

This irrigation project has been under consideration by the Bank Group for some years. It seeks to use some of the still available storage capacity of the Roseires Dam which was completed in 1966. The first phase of the Rahad Project, included in our lending program for FY73, is expected to irrigate an area of about 300,000 feddans (311,000 acres) which are now sparsely populated semi-desert on the east bank of the Rahad River. The project would use water pumped from the Blue Nile and would include the construction of irrigation supply, distribution and drainage works, installation of agricultural processing equipment, storage facilities, and the settlement of about 13,700 tenant families (about 70,000 people) with all the necessary infrastructure. A new semi-autonomous government agency, the Rahad Corporation, is being established to undertake the development and management of the Rahad Project and its future extensions. The first phase is expected to be completed in five years and is estimated to cost \$83.6 million with a foreign exchange component of about \$55.6 million. From the beginning we have told the Sudanese that this is more than IDA could provide and there would have to be a syndicate of co-lenders. They have been told that IDA will provide \$25 million (though in fact the Loan Committee decision of July 18 would permit us to go as high as \$30 million if necessary) and that the remaining foreign exchange - about \$30 million - would have to come from other sources. Potential donors are Italy, Germany, Kuwait Fund, U.K. and U.S.A. The Sudanese authorities hope to see the project launched during the current fiscal year. The dry season in the Sudan, during which construction work can be carried out in the field, extends from late October to early June, and irrigation water deliveries begin each year in June. These factors, together with the necessary lead times for procurement and installation of pumps and design and construction of other facilities, have been subjected to a critical path analysis which shows that, if the first irrigation water is to be delivered to the project area in June 1975, as hoped, it will be necessary to award a contract for the supply of pumps in January 1973. If this deadline is missed, as now appears likely since we have not yet been able to get firm commitments from other donors, an additional year will be required to complete the project, and construction work, rather than getting underway in late 1972, would not need to begin until October 1973. This would be very unfortunate from the Sudanese point of view, since the Government is committed to maintaining a large labor force in the Ministry of Irrigation and already has on hand a substantial pool of earth-moving machinery for which it is making installment payments to foreign suppliers. Thus the cost of waiting another year for the Rahad Project consists not merely of the foregone economic benefits of the 1975 crops but also of the necessity of paying for unutilized men and machinery during the next twelve months.

The only obstacle at present to beginning work on the Rahad Project is the organization of a financing group to fill the \$30 million gap. A meeting of potential members of such a group was held in Washington on September 29 to discuss the timing of possible commitments of funds for the project vis-a-vis the urgent necessity of getting work started in the field as soon as possible. With few exceptions the representatives of the potential donors foresaw difficulty in making the necessary commitments before early 1973, citing various legislative and budgetary obstacles which had still to be overcome.

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There was general agreement, however, that it should be feasible to form, within a few months, from among those represented at the meeting a syndicate capable of covering the whole foreign exchange cost of the project. The head of the Kuwait Fund was the only participant at the meeting who announced a readiness to commit funds immediately. He stipulated however that his organization's contribution should be used for topping-up purposes and should, if possible, be the smallest in amount. The U.K. representative said that his Government was faced with a disbursement problem rather than a commitment problem and could not envisage making any actual disbursements for the Rahad Project before April 1974. Commitments on the other hand would probably only depend on continued progress towards a settlement of compensation claims by British nationals for nationalized holdings. The Germans, in the light of their upcoming elections and lack of a budget, were entirely non-committal but we know of no reason why they should be against participation once they have a new Government and aid policy. The Americans seem well disposed to participating but have budget problems also.

For our own part we have always stipulated that our willingness to finance the Rahad Project depended on the Government's exerting its best efforts to remedy the difficult economic and financial situation and a clear demonstration that, within the resulting budgetary constraints, the Government's own contribution towards financing the project could be made without prejudicing other high priority expenditures. Since adopting this position however, we have become increasingly aware that the recent peace settlement in the South is likely to add to, rather than subtract from, the Government's financial burden, at least in the short run. Thus, while the urgency of proceeding with the Rahad Project is clear, the necessity of spending substantial sums to restore the peace and livelihood of the South is equally clear. In this context it may be unduly optimistic to expect an early improvement in the Government's overall financial picture. On the other hand the net additional financial burden which will be imposed by the implementation of the Rahad Project is small, since most of the Government's contribution would consist of men and machinery already carried on Government account. Thus we should be prepared to go ahead with the negotiation of an IDA credit for the project as soon as reasonably firm commitments for the remaining funds are obtained, despite the fact that there is little prospect for a tangible improvement in the Government's overall budgetary situation in the next year or two. After our forthcoming special mission in November, however, we should agree with the Sudanese on reasonable, realistic fiscal targets to be achieved during the next two or three years, which if they cannot assure an improvement in the Government's performance would at least prevent a further deterioration. Such an approach would be consistent with the current strategy of the IMF, who are continuing to operate on a series of standby arrangements which are renegotiated periodically and varied in stringency as the Government's short-term circumstances indicate. The IMF concluded the latest standby arrangements in August but expect that a further negotiation will be needed in early 1973.

In these circumstances we propose to press ahead with forming the syndicate for financing the Rahad, and as soon as we have the necessary commitments we will invite negotiations.



## 2. Consultative Group

At the 1962 Annual Meeting of the World Bank the Sudan asked that the Bank sponsor a Consultative Group (CG) for it, but the Bank believed that a decision on this matter should await the appraisal by the Bank of the Ten-Year Development Plan. This was completed by June 1963. A preliminary meeting to discuss the formation of a CG for Sudan was held in Washington on July 24, 1963 and a decision to form the Group was taken. The members were Belgium, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the U.K. and the U.S. The first regular meeting of the Group was held in Washington on November 27, 1963. The purpose of the meeting was to discuss the Bank's appraisal report of the Ten-Year Plan of Economic and Social Development. Meetings were subsequently held in Washington on January 29, 1964, when the Government presented a progress report on the Development Plan and a project list, and on April 13, 1964 when members of the Group exchanged information on their activities in Sudan. Representatives of Canada, Kuwait and the International Monetary Fund attended as observers. The pro-Western Abboud regime was overthrown in October 1964, and no meetings have been held since.

When Mr. Lejeune was in Khartoum last May, General Nimeiry asked that the Bank take the lead in marshaling help for the Sudan, particularly for the rehabilitation of the South. Mr. Lejeune reminded him (and the Foreign Minister, who appeared at that time to be leading the Government's efforts to obtain foreign help for the South) of the existence of the dormant CG. General Nimeiry requested the Bank to reactivate the Group and it was agreed that we would sound out the original members. Favorable responses have been received from France, Italy, Japan, Switzerland, the U.K. and the U.S. and replies are awaited from Belgium, Germany and Sweden. The CG should be a useful means of building up understanding and confidence between the Sudan and potential donors. It is likely that Kuwait will become a full member of the CG and countries like Abu Dhabi, Rumania and Yugoslavia, all of which have aid programs in the Sudan, may wish to join. The report of the November economic mission to Southern Sudan, together with the Bank's economic report of June 1972 could form the basis for a meeting of the CG. The time of a meeting has yet to be discussed with both the Sudanese and the prospective members. May would be the earliest and July the latest.

We can inform the Sudanese that we have taken action to reactivate the CG, will be circulating relevant substantive information as it is ready and are planning a meeting for mid-1973.

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### 3. Transport Development

Transport is particularly important for economic development in the Sudan because of the large size of the country and the considerable distances between the main economic centers and the sea. The existing transport system consists of about 4750 route km of single track railway, 1700 route km of river services, about 18,000 km of road and track, twenty all-weather airfields and a single seaport, Port Sudan.

#### Railways and Roads

Distances and the terrain involved have made the railway the country's most important transport mode. The Sudan Railways (SR) is still operating well below its potential capacity and its inability to meet current requirements is hampering the growth of the economy. The Sudanese authorities have accepted the suggestion that there is an urgent need for external technical assistance to improve almost all aspects of railway management and operation.

The emphasis placed hitherto on the development of railways has led to roads being generally neglected. A system of all-weather roads to complement the railways is essential. Duplication of transport services has not yet been a major problem but with the Government's increasing emphasis on transport development and larger allocation of investments in this sector, further development of transport infrastructure should be properly planned and coordinated. A specific example of Government's views being at variance with those of the Bank's transport experts is the proposed construction of a road between Khartoum and Port Sudan, through Wad Medani, Gedaref, Kassala and Haiya which, in our view, would be an avoidable duplication of the existing railway link. The Government is reportedly going ahead with the project using foreign assistance from the Chinese and Abu Dhabi for separate sections of the proposed road, but with a sizeable amount still remaining to be financed. On the Bank's advice, however, the Sudanese have made arrangements for a transport study, the results of which may influence future transport investments.

The Sudanese may express the view that the Bank tends to overstress the need to concentrate on improving the Sudan Railways and does not sufficiently support highway construction. While it is true that we have advised against the construction of the road which would duplicate the rail link between Port Sudan and Khartoum, we have gone ahead with the recently approved Highway project and foresee a great need for expansion of the road system as part of integrated development of all modes of transport in the country.

#### River

River transport on parts of the Nile system supplements the railways and with the recent settlement of the Southern problem this mode of transport is likely to become more important in serving the southern areas of the country. Some of the problems faced are obsolete vessels and equipment, obstruction of the river by the spread of water hyacinths and imbalances in the direction of traffic. The Sudanese have sought Rumanian technical assistance and financing for developing river transport.



### Ports and Pipeline

Port Sudan, located on the Red Sea, is the only deep-water port for the country. It is a railway-oriented port and is presently operated at or above its optimum capacity. Traffic will increase in the future, particularly if the capacity of the railway is improved. The Government is considering a Yugoslav proposal to construct a new port at Suakin about 45 km south of Port Sudan. At the Government's request, the Bank staff made a quick study of Port Sudan and have advised that, as a first step, some improvement of Port Sudan, followed by some expansion, seems better than constructing a new port immediately. The Bank has also stressed the need for technical assistance to the Ministry of Transport to help in assessing the port and shipping needs of the country. The possibilities are also being examined of a pipeline from Port Sudan to Khartoum for transport of oil.

### Air

Sudan Airways, a semi-autonomous corporation, operates a small fleet of aircraft providing a few international flights out of Khartoum but catering mainly to the country's domestic air traffic. The Government is planning to transfer the international air services to another agency to be operated with technical and financial help from Kuwait Airways. The inadequacy of surface transport and the size of the country with a widespread distribution of population justify improvement of domestic air services. The Sudan now has twenty airports served by scheduled domestic flights, all operated during daylight hours. A feasibility study by Dutch consultants has recommended a large project costing \$44 million involving the improvement of twelve of the more important airports and increased services. Further investigation, however, seems to be called for to suggest how the development needs to be phased over several years.

### General

It is understood that certain decisions on a number of important related transport projects are being considered and may be taken in the near future. These include:

- (a) construction of the remainder of the Khartoum/Port Sudan Road;
- (b) construction of an oil pipeline from Port Sudan to Khartoum, to be financed possibly by Kuwait; and
- (c) construction of the first phase of the proposed new port at Suakin.

Each of these proposals could have a considerable influence on the railway and port investment plans referred to above and we need to emphasize that these important projects should be considered in the context of the overall transport investment priorities. Financing for suitable technical assistance in the transport field has already been included in our recently approved Highway project and will be an important component in the proposed Third Railway project to be appraised by the Bank in December. In particular we should indicate that we hope that the existing cost study on oil transport by rail and pipeline, being financed by the Bank Group, will be completed and reviewed before any firm decision about the pipeline is taken.



4. Resident Representative

Last Spring, the Ministry of Planning requested the Bank to station a man in Khartoum. The question was discussed in May. It was clear that General Nimeiry had never heard of the proposal and that there was no clear idea on the Sudanese side as to the need for such a person and his functions. It was agreed to postpone further discussion until the Annual Meeting, but the delegation never raised the issue and the discussion did not take place.

The Sudanese may well need technical assistance, particularly in planning. If they have such a need and propose genuinely to make use of expatriate advisers (which they have handled poorly in the past), we could undertake to try to find such help, preferably through UNDP or bilateral sources; we are probably too short of staff ourselves to second people from the Bank.

As our program builds up, it may become useful to station a resident representative in Khartoum mainly to maintain close contact with the relevant ministries and to expedite action on our program.

If the Sudanese revert to the question of a resident Bank man, we should try to pin down what they feel to be the function to be performed. We can then consider the request on its merits. Needless to say, we have no budget for such a man.



## 5. Economic Situation

During the past five years, the economy has shown little growth. This is primarily due to the depressed level of investment, both public and private. In addition to the low growth rate, the economy has suffered from excessive monetary expansion to cover the public sector deficits. While the Government has been successful in achieving a high rate of growth of revenue, the rise in recurrent expenditure has absorbed most of it, and development expenditure has decreased. Prices have risen steadily, and the external position has been under pressure owing to the rapid growth of imports and progressive decline in net capital inflow. While there has been some growth of cotton exports, there has been a stagnation in the export of gum arabic, sesame and groundnuts. Sudan's foreign assets were substantially depleted by 1968 and net foreign assets are now negative. In 1970/71, there was a net outflow of public capital.

Over the period 1961/62 - 1970/71, Central Government's recurrent revenues and expenditures rose at the annual rates of 11.8 and 12.3 percent respectively. Despite efforts to increase revenues, recurrent expenditures kept rising and, as a result, the surplus on the recurrent budget has been small, averaging about Ls 8 million a year, and has fluctuated widely. If account is taken of the major public enterprises then the aggregate public sector savings has averaged about Ls 10.0 million a year over the last decade. This level of savings, though small, should be viewed as the upper limit of the actual savings of the public sector in the absence of complete data on its operations.

Public sector development expenditures totalled Ls 334 million during the period 1961/62 - 1970/71, of which the share of the Central Government was 72 percent, the balance representing investment by the public enterprises. The average annual investment, as well as saving, in the second half of the 1960s was lower than in the first, resulting largely from political uncertainty and the consequent failure to assign high priority to economic development and also to generate resources on an adequate scale. With regard to the financing of investment, external sources provided about 41 percent, while public sector savings and internal borrowing covered the remainder equally. The decline in public sector savings is a particularly disquieting feature, and has contributed significantly to the mounting deficit.

### Public Sector Development Expenditures and its Financing

	<u>Annual Average</u> <u>1961/62-1965/66</u>		<u>Annual Average</u> <u>1966/67-1970/71</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	<u>(Ls m)</u>		<u>(Ls m)</u>	
<u>Development Expenditures</u>	38.6	100.0	28.1	100.0
<u>Financed by:</u>				
External Sources	14.8	38.0	12.8	46.0
Public Sector Savings	16.3	42.0	3.1	11.0
Deficit Financing	7.5	19.0	12.2	43.0



In recent years the Sudanese balance of payments has been characterized by (a) a heavy reliance on cotton as the major export; and (b) a rising level of imports due to the inadequacy of local food production and the limited range of local manufacturing industry. Although the growth of imports has, on the average, been slower than that of exports, Sudan has had a continuous deficit on the current account averaging Ls 19.4 million a year throughout the 1960s.<sup>1/</sup> The problem was aggravated by the closure of the Suez Canal in 1967, since it raised the import bill and reduced export receipts. Furthermore, owing principally to political instability, the net inflow of capital, which averaged only about Ls 8.9 million a year during this period, began to decline until it became negative in 1970/71. These factors led to a rapid depletion of Sudan's foreign reserves, and forced the Government to contract short-term loans on less than favorable terms.

It has been our view that the present economic stagnation could be overcome if the Government were to take appropriate steps to curtail expenditure, particularly on defense, increase revenues and export earnings and reactivate the private sector. The IMF has had a series of stand-by arrangements with the Sudan, the latest of which is a stand-by for 40 million SDR's up to March 1973. (See attached letter of intent dated August 1, 1972.) Both in the IMF consultations and the Bank economic mission's discussions with the Government, specific recommendations have been made regarding budgetary and fiscal measures needed to improve the economic situation.

One of the most noticeable trends in the Sudan has been the steady rise in expenditure on non-productive activities like defense and security. Over the period FY62-71 defense expenditures rose from \$21 million to \$108 million or at an average rate of 20 percent per annum. Expenditures on defense and internal security combined absorbed 32 percent of the total Government expenditures in FY71 which exceeded the combined expenditures on social and economic services. The actual level of defense expenditures is believed to be higher than the quoted figures since imports of some items of military equipment have been obtained on credit from Eastern Bloc countries and will show in the budget only when the repayments of the credit take place, presumably after 1975. Defense expenditures absorbed about 5 percent of GNP and on that basis Sudan allocated more resources to defense than any other developing country outside the Middle East and South East Asia.

While accepting the validity of most of the recommendations made by the IMF and the Bank, the Government has expressed its inability to implement the suggested economic measures. The main reason is that the relief and rehabilitation requirements of the South constitute a very heavy burden which more than offsets any savings likely to arise from the cessation of military activity in the region. The present situation is that while the Government is aware of the seriousness of the economic situation it is not ready immediately to take politically unpopular steps like additional taxation. The indications are that the 1972/73 budget is unlikely to show any significant improvement on the lines proposed by the Bank economic mission. Higher expenditures will be a fact of life owing to the emergence of Southern Sudan as a distinct political entity. Hence the only way of raising public sector resources for development is by generating more revenues and exercising careful control on all recurrent

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<sup>1/</sup> In contrast to many other African countries which started the 1960s with large surpluses on current account, for the period 1957-61 Sudan had an average annual deficit on its current account of Ls 9 million.



expenditure. There is a wide margin for additional taxation - particularly through increases in the price of products subject to government monopoly, e.g., sugar. If the price of a pound of sugar is increased by 1 piaster (3 US cents), an additional increase of Ls 5 million in government revenues would be generated. On the other hand, the Government has to adopt a system of an overall ceiling on recurrent expenditures, which permits a meaningful level of public savings to be transferred to the development budget. Within this overall ceiling economic and social services should receive the highest allocations while defense and other nonproductive activities should receive the lowest possible priority.

If the Government does not muster enough political courage to increase taxation and control expenditure it will not achieve financial stability and may even fail to meet the development requirements of the country including the South. It may therefore, be stressed in discussions that the Government should concentrate on taking effective steps to mobilize internal resources for development. Improvement in this regard would also encourage the inflow of external development assistance and facilitate the working of the Consultative Group for the Sudan which is being reactivated.

Attachment (pp. 1-4)





# Record Removal Notice



<b>File Title</b> Travel Briefings: East Africa (Sudan, Somalia, Zambia, and Zaire) - Travel briefs, Sudan	<b>Barcode No.</b>  1772637
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<b>Document Date</b> Aug 1, 1972	<b>Document Type</b> Letter
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**Correspondents / Participants**  
 To: Schweitzer  
 From: Ibrahim Moneim Mansour, Minister of Economics and Trade

**Subject / Title**  
 Government credit and fiscal policies

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**Reason for Removal**  
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**Additional Comments**

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Withdrawn by Tonya Ceesay	Date Apr 12, 2013
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6. Southern Sudan

The Addis Ababa Agreement of March 27, 1972 brought to an end the disaffection of the "black" Southern Sudan against the "Arab" North which had been the cause of fighting with varying degrees of intensity ever since 1955. By this Agreement and a series of legislation that followed under Presidential Orders and Decrees, a Southern Provinces Regional Self-Government has been set up with headquarters at Juba for the Southern Region which comprises the three provinces of Bahr El Ghazal, Equatoria and Upper Nile with a total area of 250,000 sq. miles and an estimated population of 4 million, both about one-fourth of the total for the Sudan. Arrangements are being made to constitute a separate legislature for the Southern Region, with specific powers over public services, regional duties and taxes. Regional executive authority is to be vested in a High Executive Council (HEC), acting on behalf of the President. Pending the election of the People's Regional Assembly and the establishment of the HEC, executive and legislative powers are to be exercised by a Provisional High Executive Committee (PHEC) for a period not exceeding 18 months. Sayed Abel Alier, a prominent Southerner has been appointed as Vice President of the Sudan and President of the PHEC with eleven Commissioners as shown in the list attached.

The Southern Region, with its vast green and blue swamps and lush savannah vegetation with occasional densely forested mountains provide a striking visual contrast to the dry sandy brown plains of much of the rest of the Sudan. The climate in the South is also cooler and rainfall more plentiful. The region is rich in agricultural potential but its development would need particular attention to basic requirements like better transport facilities and an effective administrative infrastructure. Because of the remoteness of the Southern Provinces, agricultural development based on food and cash crops would have to be viewed primarily in the context of meeting local demands and elaborate large-scale schemes would seem to be inappropriate. It is possible that tea and coffee produced in the South could be consumed in the rest of the country thus reducing the present level of imports of these commodities. However, our present knowledge of the South is not enough to enable a proper assessment of the requirements and potential of this large area.

Both through the Foreign Minister's meeting with Mr. McNamara in Washington in April and Mr. Lejeune's meeting with General Nimeiry in May, the Sudanese have been told of the Bank's readiness to help with the rehabilitation of the South and to provide some additional IDA funds for this purpose. As a first step the Bank undertook to send Mr. Adams, Deputy Chief of PMEAs, and Mr. Panikar, Loan Officer, on the UNDP mission to the South in May. This was an early reconnaissance. It was agreed with the Government, however, that the Bank would send a more substantive special economic mission in the second half of November specifically to examine the needs of the South and to identify projects which the Bank or others could support. The report of that mission will provide the basis for the Bank's program for the South and for discussion of the South's needs at the Consultative Group meeting in mid-1973.

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← when will report be available

Attachment (p. 1)



PROVINCIAL HIGH EXECUTIVE COUNCIL (PHEC)

FOR THE SOUTHERN REGION

Sayed Abel Alier - President

Members

Sayed Hilary Logali	- Finance and Planning
" Esboni Mundiri	- Communications, Transport & Roads
" Joseph Oduku	- Housing, Public Utilities and Electricity
" Luigi Adwok	- Education
" Mading de Garang	- Information, Culture and Tourism
" Samuel Aru	- Rural Development
" Elia Lupe	- Public Service and Labor
" Michael Tawil	- Cabinet Affairs (Khartoum)
" Michael Wol	- Cabinet Affairs (Juba)
" Toby Maduot	- Health
Dr. Gama Hassan	- Agriculture and Animal Production

(Secretary-General - Sayed Kelaito Hassan)



## OFFICE MEMORANDUM

TO: Mr. Michael L. Lejeune (through Mr. W. Brakel)      DATE: June 8, 1972

FROM: Roger Adams

SUBJECT: Mission to Sudan - May 25-June 2, 1972:

1. In accordance with terms of reference dated May 19, 1972, I joined a UNDP sponsored mission for identification of assistance needs to the Southern Sudan, led by Mr. Paul Marc Henry, seconded from OECO to UNDP. Mr. C.V.R. Panikar and myself substantially agreed on reporting before leaving the Sudan.

Nature of the Mission

2. The mission had been requested by the Sudanese Government and more specifically by Dr. Mansour Khalid, Minister of Foreign Affairs, who I understand had expressed a preference for Mr. Paul Marc Henry as mission leader. The mission did not, to my knowledge, operate under well defined terms of reference. While the mission leader conceived a mission which would provide elements enabling the Secretary General of the United Nations to launch an appeal for emergency assistance to the Southern Sudan, I frequently had the impression that various segments of the Government were instead primarily interested in laying the foundations for regular longer term development.

Composition and Itinerary of the Mission

3. The mission started out with an introductory session at the UNDP office in Khartoum in the presence of representatives of most UN agencies. Mr. J. Jamieson, Director of Operations of the UN High Commission for Refugees, gave an interesting account of his visit to the Southern Sudan a week earlier. This meeting was followed by an official meeting in the office of the Foreign Minister to launch the mission.

4. The bulk of the missions' time was taken up by a four day field trip to the South, in which participated:-

Mr. Paul Marc Henry

Mr. Wadie Habashi, Minister for Agriculture

Mr. Mamoun Beheiri, formerly President of the African Development Bank, now in charge of the Special Fund for Resettlement for the Southern Sudan.

Dr. Lawrence Wol, Minister of State for Planning (roughly corresponding to Assistant Minister status in Kenya) in charge of liaison between the Cabinet in Khartoum and the Provisional High Executive Council for the South.

Mr. T. Jamieson, Director of Operations, UN High Commission for Refugees.



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Mr. Luciano Cappelletti, UNDP Resident Representative, Khartoum.

Mr. Jean Noblet, World Food Program Representative, Khartoum

Mr. T. Malhotra, UNDP, New York.

Mr. C.V.R. Panikar and myself, observers from the Bank.

5. During the field trip we had the benefit of an Army Helicopter, which enabled us to cover all major centers in the area within a short period. This mode of transportation did, however, not allow us to gain a thorough impression of countryside and road conditions. The mission did have the opportunity for a candid exchange of views with H.E. Abel Alier, Second Vice President of the Sudanese Republic and Chairman of the Provisional High Executive Council for the South; and with other Southern officials.

6. The mission visited Juba, Yei, Maridi, Yambio, Nzara, Wau, Aweil and Malakal. Various places of interest with respect to agricultural and industrial development were visited in Yei (experimental station for agriculture). Yambio (agricultural research station virtually destroyed during the hostilities), Nzara (Agro-industrial complex based on cotton), Wau (canning factory), Aweil (rice scheme).

7. Upon its return to Khartoum, the mission had a briefing session with Sudan Government representatives (chaired by Major-General Mohammed El Baghir Ahmed, first Vice President of the Republic and Minister of the Interior) and with representatives of the various UN family agencies. It should also be mentioned that Mr. Paul Marc Henry had conversations with a number of diplomatic missions while Mr. Panikar and myself independently tried to come to an assessment of the posture of the Southern Sudan in the Central Government planning and budgeting preoccupations.

The Southern Sudan - Physical, Political and Psychological Conditions:

8. The Southern Sudan comprises the provinces of Equatoria, Bahr El Gazal and Upper Nile or three provinces out of the nine of the Sudan. The dividing line between North and South is roughly the 10th parallel. The area is very large, land locked and remote. From a purely physical point of view, it offers one of the best agricultural potentials I have ever seen so far, anywhere in Africa. Actual or potential crops include (besides traditional food crops), coffee, tea, rice, cotton, sugar, pineapples, peanuts, papyrus etc., livestock and forestry are also important. There are, however, a number of factors adversely influencing the potentiality of the area:

- (i) The communications and marketing problems and costs due to the remoteness. ←



June 8, 1972

- (ii) the virtual non-existence of public administration and of a pool of skilled manpower for project staffing (e.g. no agricultural extension service to speak of).
- (iii) The (insofar as I can judge) absolute absence of funds to meet local costs and recurrent expenditures for projects.

9. Politically, the Southern Sudan appears extremely unstable. From a military point of view, the Southern Sudanese are the losers, (we had ample evidence of this during a visit to an Anya-Nya ((rebel army camp)). There are about 30,000 Anya-Nya (some 20,000 officially) of which 6,000 (2,000 per province) will, according to the Addis Agreement, be incorporated in the regular Sudanese army, police, etc. One may seriously doubt whether budgetwise, the Sudan can afford this exercise. Meanwhile, the fact remains that a major proportion of the former rebel army will presumably remain armed and anxiously awaiting a genuine sign of goodwill in the relations between North and South. ? ask about

10. The 'High Executive Council' for the Southern Sudan is, as a mission member put it, hardly "high" or "executive" and certainly not a "Council". H.E. Abel Alier, Vice President and Head of the Council is no doubt a very competent man, who grasps the realities of the situation. This was evidenced during a two hour informal meeting the mission had with him. Other members of the Council which we met were of uneven quality. (It should be noted, however, that a number among the more prominent members of the Council were absent due to a meeting on the Southern Sudan, organized in Geneva by the World Council of Churches). The effectiveness of the Council is further hampered by the total absence of supporting staff. The list of members of the Council is attached.

11. Expectations are very high in the South and most observers agree that the situation may again become explosive if tangible signs of Northern goodwill are not forthcoming in the short run. Mutual mistrust between North and South is still very prevalent and frustration on the part of the Southerners is already apparent. Personally, I feel that there is a marked tendency within the



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Khartoum Government to rely almost exclusively on the outside world to solve the problems of the South. It would appear that there is little willingness, if not a reluctance, to view the situation primarily as the responsibility of the Central Government.

12. Real planning and budgetary provisions (which according to the Self Government Act, clearly remain the prerogative of the Central Government) for the South have not been made, but a list of projects for relief and reconstruction in the Southern 'regions' has been drawn up. Its second version (known as the 'yellow book') was distributed to the mission (please refer to Mr. Panikar's copy as it appears desirable to keep a copy in PMEA). This document is a "shopping list" classified according to urgency in "emergency requirements", "short term projects", "medium and long term projects". The document has obviously been drawn up by the various interested departments without an attempt to integrate. The costing is very haphazard as is the relative emphasis on various items in the presentation of the document, (e.g. very little about education, but endless detailed lists of medical supplies, which according to a WHO representative, were taken straight out of a Supplier's catalogue). Despite its shortcomings, the document is a starting point for emergency relief and may also help in providing initial ideas in the area of project identification.

#### Results of the Mission

13. As already pointed out, the main objective of the mission was to collect information which would enable the Secretary General of the United Nations to launch an emergency appeal, similar to those made in the case of Rumania and Peru. Mr. Paul Marc Henry assessed the emergency needs at some US\$100 million, to be shared between the Government and the donors, (the question of the proportions was left very much in the open). Probably two appeals will be issued, one through the Administrator of UNDP and the other through the High Commissioner for Refugees, stressing the link between both. Major items would be:-

Cargo aircraft  
 Vehicles (100 trucks)  
 Shelter and Storage building materials.  
 Emergency road maintenance equipment  
 and agricultural tools.  
 Medical supplies.  
 Food (there is, at present, a food shortage in the area, although certainly no famine, as sometimes reported in the press)

14. Besides, the various UN agencies are expected to step up their

*2 basic + priority*  
*4 have any appeals been made*



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activities. The UNDP Governing Council will be requested to approve an additional allocation of US\$ 3 - 5 million to supplement the current allocation for the Sudan, which is of the order of US\$ 14 million, over five years. Mr. Paul Marc Henry will recommend the setting up of a UNDP office in Juba to act as a focal point and servicing center for the action of UN family agencies. WFP has a program of US\$10 million over five years for the South, which has to be reviewed. FAO, ILO, UNIDO and UNICEF all plan missions to the South in the fall (October/November). ILO was reportedly planning a large Kenya and Ceylon type employment mission; which we advised against.

*that as the states*

15. Voluntary agencies are already active in the area. The Government does not appear very pleased with their action so far, because of the selective and non-coordinated character of their approach. A certain fear of political interference on their part is also present.

Prospects for, and approach to, Bank Group involvement:

16. We indicated to the Sudanese Government, that relief or emergency actions could hardly be expected from the side of the Bank Group but that we would act as soon as possible to identify and help prepare projects suitable for Bank Group financing.

17. As mentioned earlier, in this report, there are impressive agricultural resources in the area, which should form the basis for development projects. The remoteness of the area from potential markets, is however, a serious constraint.

18. The obvious priority sectors are:

Rehabilitation and improvement of the transportation network.

Revitalizing agriculture, cash crops in particular,  
in order to move from subsistence to a monetary economy.

The 'yellow book' presents a number of project ideas, which fall in these categories. Educational needs are immense, but this sector is politically very sensitive, while the problems of integrating refugee children who started their education in different systems and languages will be complex. Industrial development undertaken in the past has largely failed and lessons



from experience should be drawn (e.g. by UNIDO) before financing of a new project is undertaken.

19. In order to focus our ideas, Mr. Panikar and myself selected a number of project concepts which could usefully be pursued during the planned mission in the fall.

- a) a road maintenance/betterment project, with provision of equipment and technical assistance for institution building. Reports on the state of the roads are conflicting. The laterite roads of Equatoria and Bahr El Gazal are passable even during the rains. Most roads on clay soils in Upper Nile are closed, but not primarily because of destruction.
- b) A river navigation project including:-
  - (i) provision of barges, preferably self propelling for both shallow and deep water and equipment of workshops.
  - (ii) construction of embankments to prevent excessive flooding, which over the last decade has become more and more of a problem.
  - (iii) if technically feasible, eradication of the water hycint weed which increasingly block navigation. This should be accompanied by the creation and equipment of a regular control service.

Such a project is definitely more urgent than it may appear at first sight. The Nile is the major transportation link between North and South, serving areas which are not touched by the railway. The economic recovery of the area will largely depend on an inflow of supplies from Port Sudan in the North, since the Sudanese Authorities are likely to take a dim view of alternative routes mostly on foreign territory. On the other hand, it is likely that the production of the South will, to a large extent, be marketed in the North. Most vessels have reached the limit of useful life and their replacement is urgent. The weed control component of the project



is likely to require a lot of study and experimentation to determine its feasibility. This work should be started as soon as possible. Experience gained with the Zaire River Navigation project maybe useful in this context.

- c) a cash crop rehabilitation project, which in the case of coffee, could possibly be akin to the one financed in Burundi. The lack of an extension service would, however, be a major constraint in this type of project. This project could also include rehabilitation of the major agricultural research station at Yambio.
- d) a 'pilot' integrated rural development project in one or more selected districts, (there are 22 in the Southern region).

20. Any project undertaken in the Southern region, will face the following major constraints:-

- a) virtual absence of public administration.
- b) acute lack of technically competent manpower to staff projects. In addition, the Government attitude towards a large influx of expatriates, without whom projects will not become operational, is by no means clear.
- c) shortage of counterpart funds. External financing will have to include local costs and a sizeable proportion of the recurrent costs to be effective.

21. As previously suggested, a Bank mission should visit the Sudan at an appropriate time in the fall. In finalizing the timing, one should take into account a certain degree of 'congestion' which is likely to occur if all the missions referred to earlier take place in October/November, as planned. I understand that Ramadan will also be on during that period, which may hamper work in Khartoum.

The mission should have a twofold task, namely:-

- i) project identification in transportation and agriculture. PME should provide the staff for this aspect.



- ii) assess the influence of the Settlement on the Sudanese economy as a whole, and on the economic position and prospects of the South in particular. Special attention should be given to:-
  - a) the posture of the South within the overall budget and plan of the Sudan.
  - b) the ability of the Government to provide funds for financing of local and recurrent costs of projects.
  - c) the manpower and employment situation in the South with special reference to provision of employment for returnees and ways and means of training skilled manpower.

22. The mission should preferably comprise:-

- i) a senior and experienced general economist, as mission chief, who should also have diplomatic skills in view of the prevailing 'attitudes'.
- ii) a project oriented economist able to do preliminary economic analysis of transportation and agricultural projects, including the marketing aspects (possibly PMEA).
- iii) an agriculturalist. (PMEA)
- iv) a transportation engineer. (PMEA)
- v) a manpower specialist.

I would also suggest that the Division Chief or Loan Officer for the Sudan participate at least part time in the mission.

23. The question of reviving the former aid coordination group



Mr. M. Lejeune

- 9 -

June 8, 1972

with a view to looking particularly at the rehabilitation and development aid requirements of the Southern Sudan, was not raised during the mission. Personally, I feel that at least for the time being, the wide array of political interests and motivations and the prevailing ambiguity of North South relations, would preclude meaningful aid coordination.

cc: Mr. J.M. Malone ✓  
Mr. C.V.R. Panikar



Korea: Chon-an-hi didn't press for UNW men for @  
Koreas - but achieve unity with them --  
Rehab of Vietnam: UNW hasn't been asked for  
its views - similarly re super. Peace for  
Jenks: Africans don't want too much help  
regards to effect of presence of Asians with  
skills -

Suban program aimed at bringing back 150,000  
from ops & re-creating 50,000 within South -  
peace has come - rebels are being reintegrated  
in accordance with Abidjan agreement -  
after 17 yrs of bitter struggle, seem to be finding peace.  
I want to contribute to peace in stability in Africa  
must transform the 1 yr relief op. to a long  
term devel. program.

The Sudanese govt as result of rape - Kenyan visit,  
expected that after the 1 yr effort, the UNW program  
would be far greater than is developing -  
"credibility" of UNW in Africa will be damaged -  
have created expectations which will not be  
fulfilled: fulfill or disuse -

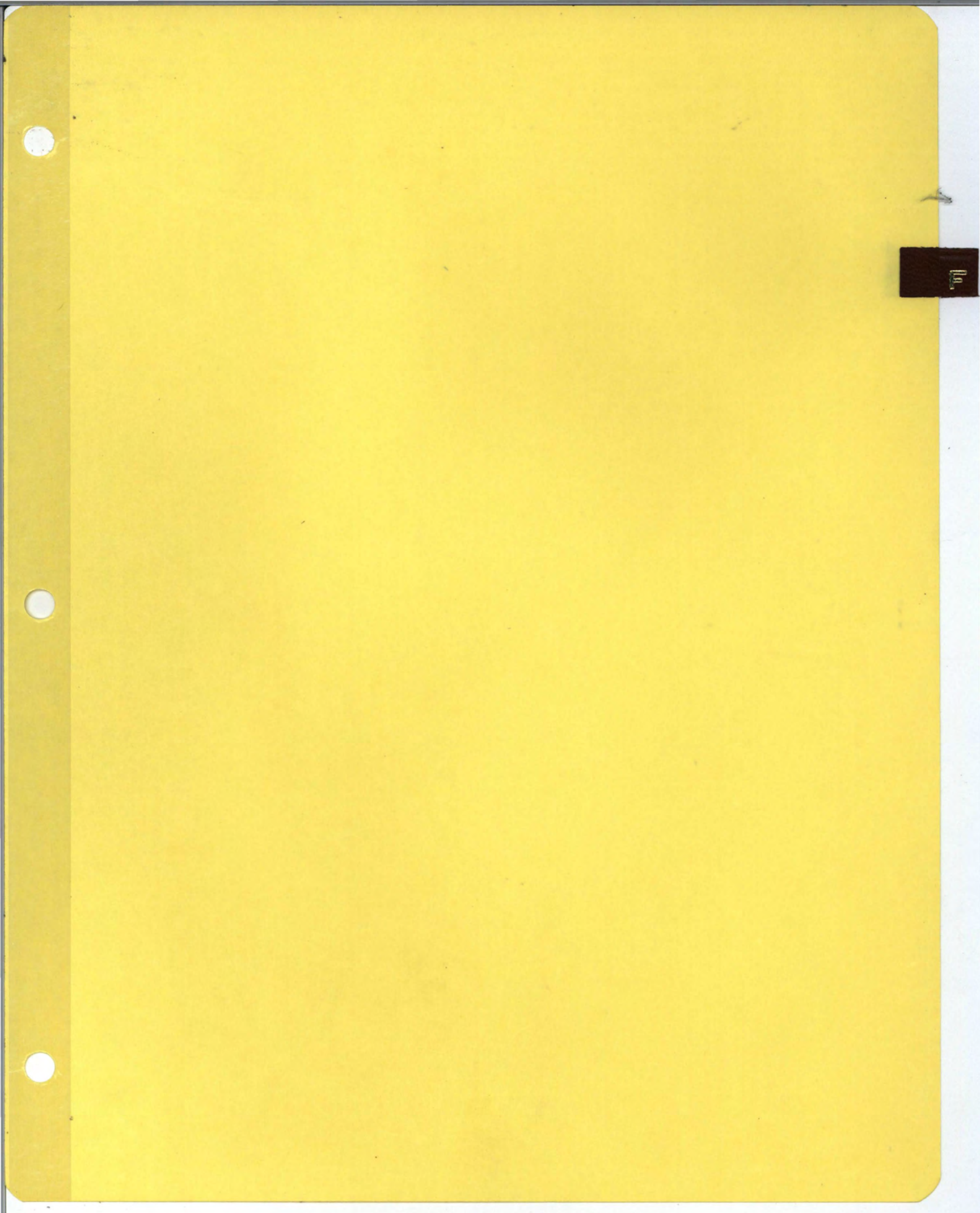
Jenks: "no human infrastructure at all in the South."  
+ 17 yrs bred revolutionaries who will break out  
again if help doesn't come - UNW program  
not a sufficient answer.

Polerna: Who will coordinate the action UNWDP, the  
BK - [should not a committee of meet to  
lay out a medium term program] -

Sec Gen: will appoint a coord - will follow [Kenya]  
Bangladesh with 1 man in NY + 1 in field

George Davidson: ACC should propose for UNWDP to  
set a limit on resources I will support efforts +  
after this, 1 yr later, come back with terms of reference







REFERENCE MATERIAL

Country Program Paper

~~State Department Background Notes~~

Subject Briefs on:

- (i) Political Situation
- (ii) Nationalization
- (iii) The Gezira Scheme
- (iv) Sudan Railways
- (v) Industrial Bank of Sudan
- (vi) Mechanized Farming Corporation



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SUDAN  
COUNTRY PROGRAM PAPER

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**APR 05 2013**  
**WBG ARCHIVES**

Postscript

53. The Sudan Country Program Paper was reviewed at a meeting held in the President's Office on September 14, 1972. The President agreed with the general strategy set out in the Paper and the proposed lending program, recognizing that the livestock project, which is not yet in preparation, may not materialize as early as FY74. He felt that improvement in the performance of the Sudanese economy, particularly with regard to planning and the generation of public sector savings, would be important considerations for future lending, and that progress in this respect should be carefully considered at next year's program review meeting. He indicated that he would stress the importance of reducing the growth of recurrent expenditures, particularly for defense, during his forthcoming visit to Sudan in November. The size of the IDA allocation for the proposed lending program was agreed, it being noted that the Program included no Bank lending, that the Rahad Project had been a long time in preparation and was an important symbol of cooperation, and that the average annual allocation of US\$30 million during FYs74-78 was supposed to cover projects in the South for rehabilitation and reconstruction, which in other respects should be viewed as supplementary to the "normal" program. Finally, it was agreed that the Bank should take steps to reactivate the Consultative Group for the Sudan and in organizing joint or parallel financing for projects, especially in the South.

Eastern Africa Department  
September 29, 1972



DECLASSIFIED

APR 05 2013

WBG ARCHIVES

COUNTRY PROGRAM PAPER

SUDAN

	<u>IBRD/IDA Lending Program (\$ million)</u>			
	<u>FY1964-68</u>	<u>FY1969-73</u>	<u>FY1974-78</u>	
1972 Population: <u>16 million</u>	IBRD	50.0	5.0	-
1969 per capita GNP: <u>\$110</u>	IDA	<u>8.5</u>	<u>56.3</u>	<u>150.0</u> 73=45m
Current Population growth rate: 2.5 percent p.a.	Total	<u>58.5</u>	<u>61.3</u>	<u>150.0</u> 30m/mf
Current Exchange rate: 1 US\$ = .34 LSudan	Operations Program			<u>205.0</u>

Annual Average per capita (\$)

IBRD/IDA	0.77	0.76	1.8
IDA	0.11	0.70	1.8

A. Introduction

1. During much of the period since the Sudan's attainment of independence in 1956, the political situation has remained unstable. The one significant exception was the period 1958-64 when General Abboud, the army commander, ruled the country following a coup. This was the period when the Bank made loans for developmental projects in the Sudan, particularly the Roseires Dam and the Managil Irrigation project. In 1964 the country returned to civilian rule based on uneasy coalitions among amorphous religious or social groups which lacked a clear sense of direction and therefore were inherently ephemeral. The lack of a clear sense of priorities, and insufficient attention to important economic matters began to have an adverse effect on development.

2. Following a successful army coup in May 1969, General El Nimeiry, a relatively unknown and young officer assumed power, dissolved the Constituent Assembly and suspended all political activity. A Revolutionary Command Council was set up to run the Government. A decidedly socialist orientation was given to economic policy and considerable nationalization of economic activity was implemented. Close relations were cultivated with communist countries and, inevitably, the influence of western countries began to dwindle.

3. From the outset General Nimeiry's government was beset with two major problems. The first of these was the unbearably high cost of defense and internal security, which resulted from a rebellion in the south.



The second was the considerable slowdown in economic development resulting from a resource base which had been eroded by low growth, and applied increasingly to non-productive endeavours. The problem was compounded by purges of the civil service which had deprived it of some of its relatively able men. Thus Nimeiry's tasks were complex. Assistance in the preparation of a new development plan was obtained from the Soviet Union and a five-year plan for the period 1971-75 was, in fact, prepared. However, Soviet influence ended abruptly following an abortive communist-inspired coup against Nimeiry in July 1971. After that the Government began a cautious process of rebuilding its links with the West; diplomatic relations were resumed with West Germany in December 1971 and with the United States in July 1972.

4. Among the major achievements of the Nimeiry government is the progress made so far in dealing with the 'southern problem'. The disaffection of the "black" southern Sudan against the "Arab" north has been the cause of fighting with varying degrees of intensity ever since 1955. This situation has contributed to the general political instability in the Sudan and has pushed up military expenditure, thus cutting down on development and eventually producing a serious liquidity problem for the Government. Soon after coming to power, President Nimeiry sought to arrive at a settlement of the problem through negotiations which culminated in the Addis Ababa Agreement of March 27, 1972, between the Khartoum Government and representatives of the south. Under a series of Presidential Orders and Decrees which followed this Agreement, a Southern Provinces Regional Government has been set up for the three southern provinces. Arrangements are being made to constitute a separate legislature for the southern region, with specific powers over public services, regional duties and taxes. Regional executive authority is to be vested in a High Executive Council, acting on behalf of the President. Pending the election of the People's Regional Assembly and the establishment of the High Executive Council, executive and legislative powers are to be exercised by a Provisional High Executive Council (PHEC) for a period not exceeding 18 months. Sayed Abel Alier, a prominent southerner, has been appointed as Vice President of the Sudan and President of the PHEC, and a new regional capital has been established at Juba. While peace has no doubt been restored in the south, its durability will ultimately depend on the ability and willingness of the Khartoum Government to devote resources to the south on a scale which is commensurate with its needs. While General Nimeiry's own sincerity in this regard is above doubt, it would appear that there is some skepticism at the lower levels on whether the country can indeed raise the requisite resources for the south.

5. The Government has also taken some steps to improve the internal financial situation. Soon after it came to power, it increased certain taxes and reduced civilian expenditure, but the resulting resources were absorbed by increased military expenditure. The Government has, however, succeeded in holding the line and, very recently, it has entered into a standby agreement with the IMF which includes an exchange adjustment and certain budgetary targets. There have been previous attempts at stabilization in conjunction with IMF standbys but they have not been followed through with strong enough policies in the long run. The chances of success in achieving a measure of stabilization are now better owing, in part, to reduced non-productive expenditures and also the prospect of a resumption of aid from sources which had temporarily dried up.



## B. Country Objectives

6. The Sudan is the largest country in Africa and, while much of it is desert or semi-desert, there are considerable areas suitable for agriculture and livestock raising. The White Nile and the Blue Nile have endowed the country with an abundance of water, which has enabled it to develop the biggest irrigation system in tropical Africa. With a population estimated at only 16.0 million, there is no pressure of population on land; indeed, in some parts of the Sudan, a shortage of labor has limited the expansion of agriculture.

7. The economy is based largely on cotton. The Sudan is an important producer of long and extra-long staple cotton and also of gum, sesame and groundnuts. Its livestock resources have hardly been tapped. The manufacturing sector is relatively small - about 9 percent of GDP - and, apart from the processing of some agricultural commodities, is limited to the production of consumer goods and some building materials. There is some potential for mining (chrome, iron ore and copper). There have been some exports of chrome ore and the feasibility of developing the iron and copper deposits needs to be investigated.

8. The Sudan's past development has benefited from a body of able civil servants. The country has accumulated much experience in the construction, maintenance and operation of irrigation systems. The past record shows that, apart from the exceptional increase in security expenditures in the south, there has been little serious misallocation of resources. With some exceptions, principally in the industrial field, the Sudan has carried out the right projects and, compared to many African countries, physical execution has been reasonably efficient. Our problems with ongoing projects have been primarily managerial and financial. The Government's present financial difficulties stem largely from political decisions regarding current public expenditures, rather than from reckless development spending; revenues have been increased substantially but current expenditures allowed to outpace them.

9. The Sudan's development in the future will depend on its success in overcoming three principal constraints. The first is the serious deficiency of its present transport system. The Sudan is a large country, with its main producing and consuming areas far from the sea. It is therefore dependent almost entirely on its railway, particularly the link between Khartoum and Port Sudan. This link has become heavily overloaded, and some truck traffic has developed spontaneously to supplement the railways. Improved maintenance and some further investment in the railway system now have very high priority.

10. Secondly, there are a number of constraints familiar to most developing countries. There is a shortage of skilled manpower, mainly below the professional level, and training programs are needed, particularly for the railway system, and to increase the agricultural extension services. It is estimated that the population is increasing at 2.5 percent per year, and this is likely to result in increased allocations for social services and, in the longer run, give rise to some urban unemployment. The frequent changes of Government have hampered the coordination of policy and the definition of responsibility between the various departments and agencies of the Government.



11. Thirdly, there is a serious shortage of financial resources in the public sector. This shortage is the direct result of the heavy military expenditure and the relatively small inflows of foreign aid. It is clearly going to take some time to improve this situation, but, with the new situation in the south and the policies reflected in the IMF standby, the prospects are at least better than they were. The central question is whether the Government will succeed in adhering to the course which it has set itself. The degree to which its new Development Plan, covering the period FY71-FY75, can be carried out will depend on policies in this regard.

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if SA  
Wright  
more  
129

### Prospects

12. Neither the Sudan's past economic performance nor her development prospects and objectives can be set out in a macro-economic framework owing to lack of data. There are no reliable figures for GDP or its composition, and little information exists about production and investment in the economy. Hence, the analysis has to run in terms of the production of particular products, of foreign trade, and of expenditure, savings and investment in the public sector.

13. The Sudan had a Ten-Year Development Plan starting in 1961, but after 1965 it ceased to be a realistic guide to policy, and investment intentions in the public sector were set out only in the annual development budgets. However, the absence of a plan did not result in any obvious physical misallocation of resources. The Sudan has avoided the temptation to indulge in prestige projects, and the nature of the economy is such that there are in reality few options in terms of physical development objectives. No high-value mineral resources have been found, but there are large areas of fertile land for rainfed agriculture, which has large potential, and substantial amounts of unused Nile water.

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14. The development of irrigated agriculture using water from the Nile is clearly important. The new Government recently completed the (80,000 feddan) Es Suki Pump Scheme, and is anxious to move ahead with the Rahad Project. Both of these would use water from the Roseires Dam. The amount of irrigation water which the Sudan can take from the Nile is governed by a 1959 agreement with the U.A.R. To use all the water which this agreement allocates to the Sudan would require the construction of further irrigation works after Rahad. At the same time, rainfed agriculture should now be given more emphasis than it has received in the past.

### Development Planning

15. Although the economy is fairly simple and the physical development objectives obvious even in the absence of macro-economic data, reliance on annual development budgets is unsatisfactory. The Sudan needs better planning over a longer term so as to be able to formulate and implement the economic and financial policies which will provide the level of resources necessary for public investment. The new Government has prepared a Development Plan for the years FY71-FY75. It envisages total investment of Ls 427 million, which is expected to yield a rate of growth of about 7.5 percent. However, these targets are far too high; it is doubtful whether either investment or the growth rate will reach even half the target figures. The Plan must therefore be regarded as not much more than a political exercise.



16. In the years immediately ahead, the major problem is to increase the volume of resources; there are enough obviously worthwhile investments which need to be carried out so that the Government will be able to make good use of any additional resources which it can obtain. But the scale of the financing problem can be seen by recalling that, while public savings averaged about Ls 21 million in 1962-64, they averaged only Ls 1.7 million a year during 1965-70. While they used to finance 52 percent of a comparatively high level of public development expenditures, which averaged nearly Ls 40 million a year during the years 1962-64, since then they have covered only 6 percent of a considerably smaller amount of development expenditure (averaging less than Ls 30 million a year). This decline in public savings has occurred despite a substantial rise in budget revenue; from FY62 to FY71 recurrent revenue rose by nearly 12 percent a year. However, current expenditure rose even more rapidly. The largest single increase in expenditure has been on defense and security, which in FY71 amounted to 32 percent of Government's total ordinary expenditures. In addition, while employment in the civil service increased by about 4.5 percent a year in the first half of the 1960s, the increase rose to about 9 percent a year during the second.

17. During the five-year period FY62 to FY66, public enterprises provided an annual average of Ls 5.5 million towards development expenditure. In the five years following, this contribution steadily declined and has been negative for the last two years, showing an overall annual average deficit of Ls 1.58 million. The decline is particularly significant for the Gezira Board and the Railways. In the former case it reflects an increase in the share of the tenants and a consequent reduction in the Government's share. In the case of the Railways, the main reason is that rates have not been increased to match rising costs resulting, in no small measure, from the Government's directive that the Railway should increase its labor force. Both are trends which could be reversed by suitable policy measures but a practical problem has been the political difficulties of raising rates and taxes at a time when the Government felt it necessary to secure maximum public support for its political policies.

#### Balance of Payments

18. The inflationary forces, caused mainly by deficit financing of the public sector, are reflected in a tight balance of payments situation. Since FY61, the Sudan has experienced a continuous balance of payments deficit averaging Ls 8.2 million (\$23.5 million) a year, even during exceptionally good cotton years, e.g., FY63, FY68 and FY69. In the latter two years, there were record crops and a rise in world prices, with the result that foreign exchange receipts from cotton exports were three times as high as the average for the seven years since FY61. That the deficits continued despite this was due partly to a decline in net aid receipts and partly to a persistent rise in imports. The continuous deficits caused a decline in the Sudan's net foreign exchange reserves from \$278 million in July 1962 to a negative \$62 million in June 1971.



C. External Aid<sup>1/</sup>

19. Gross disbursements of external assistance over the five years 1966-70 amounted to \$203.3 million, which was about 50 percent of development expenditure. The Bank Group and the Arab countries each contributed a little over a quarter of this total, and western official sources and private banks each provided about 20 percent.

External Assistance 1966-70

	Amount (US\$ million)	Percent
<u>Multilateral organizations</u>		
IBRD	54.6	26.8
IDA	3.6	1.8
<u>Bilateral sources</u>		
Western	39.1	19.2
Eastern	9.2	4.5
Arab	54.0	26.6
<u>Private banks</u>	42.8	21.1
	<u>203.3</u>	<u>100.0</u>

20. As mentioned above, aid from western countries and from the Bank Group has declined owing to the Sudan's economic and political troubles. This has by no means been offset by more aid from other sources, so the total aid received has declined significantly. Moreover, because of the rise in debt service, which has been accentuated by the unfavorable terms of some recent borrowings, the relative decline in net aid is even greater. It is only recently that the basis for reversing this trend and increasing external aid began to be established, and it is not possible to say how fruitful the Government's policies will be. Some successes have been achieved. Since 1970, the People's Republic of China has granted two credits on soft terms, totalling \$80 million equivalent, and a loan of US\$73 million has been signed with Rumania. Full details of these loans are not available but the Chinese aid is mostly for road construction and a textile factory while the Rumanian assistance is expected to be mainly for river transport. Furthermore, some aid should be forthcoming from Libya, Kuwait and Saudi Arabia. Finally, with the resumption of diplomatic relations with Germany and the U.S., the prospects for western aid are better. One fact which may hold down aid from some western countries is the widespread nationalization of foreign firms which occurred in 1970 and 1971. The Government has undertaken to pay compensation but so far final agreements have been reached in only a few cases. The Government has asked the Bank to reactivate the Consultative Group which has been inactive since 1964 should the members so wish. Favorable responses to inquiries have already been received from the U.K., France, Japan and Switzerland. The group should be a useful means of building up understanding and confidence between the Sudan and potential donors. It can be particularly useful in coordinating programs of much needed technical assistance.

<sup>1/</sup> The Sudan is one of the UNCTAD list of 25 least developed countries.



Creditworthiness

21. At the end of 1970, the Sudan's total disbursed public external debt amounted to US\$283.9 million and 19 percent of GDP. The debt service ratio in FY71 was 10.5 percent. While the debts contracted between 1964 and 1970 had an average interest rate of 3.9 percent, an average grace period of 4.3 years and an average maturity of 17.7 years, these relatively soft terms may be changed somewhat by the Government's accumulation of short term debts and suppliers' credits in 1971, which are not included in the calculations. The recent economic mission estimated that exports could not grow by more than 3.5 percent per year. To sustain growth the Sudan will have to import large amounts of capital. Unless a substantial part of this is provided on soft terms, the debt service ratio is likely to rise over the next decade. However, the debt service does not itself constitute a problem and need not necessarily do so for some time. It is the Sudan's tight liquidity position, its absence of exchange reserves and its recent history of overspending and emergency borrowing that have reduced its creditworthiness. The economy itself has the potential for development and, if reasonably well managed for a few years, could in principle support some borrowing for development on conventional terms. This would depend on political developments in the area, which in the past have been notoriously unstable.

*longing to get it - a need for opportunities will be beneficial (being 70% soft)*

22. Because of the Sudan's substantial external capital requirements and the limited capacity to increase savings and exports over the next five years, a moderate amount of local currency financing by external lenders would be necessary and justified.

*shift west if we don't*

D. Bank/IDA Plan

23. Since the Sudan became independent in 1956, the Bank Group has provided external assistance totalling \$166.75 million and has been the country's largest source of foreign aid. A major portion of our lending was to help finance irrigation and railway projects, but we also financed one power project and an education project. Agriculture has also benefited from two mechanized farming projects and a first highway project was recently approved. Despite delays caused by changes in Government, organizational problems and the shortage of experienced technical personnel, the progress of our projects has been fairly satisfactory with the exception of the Education Project. Changes in school sites and modifications to the curricula, together with inadequate guidance from the Ministry of Education, have set this project back considerably. We have finally been able to persuade the Ministry of Education to devote more attention to this project, and better progress is now expected. However, difficulties in obtaining suitably trained personnel and inadequate organization are likely to be problems facing most projects in the Sudan.

24. No loans or credits were made to Sudan between September 1968 and April 1972, largely because of the Government's failure to take the measures necessary to overcome its economic difficulties. The CPP prepared in February 1970 proposed a modest lending program as a holding operation, concentrating on projects or borrowers with which we are involved in connection with loans already made. Since then significant progress has been made. The Government has given more attention to the resolution of its domestic, economic and political problems. The ending of the conflict in the south, restoration

*in fact, with some reasoning this is justifying 25% of the follow-up*





of diplomatic relations with West Germany and the U.S., and attainment of agreement with the IMF on a standby, all attest to a genuine determination to find solutions to the Sudan's pressing problems. A clearly more receptive attitude to the Bank and the needs of the south add to the justification for a larger lending program than contemplated before. There will be a mission in November specifically to identify and assess the south's needs; meanwhile we have tentatively included two projects for it.

Strategy

25. Whereas our program in the past was essentially a holding operation our strategy for the Sudan is to seize the opportunity presented by the Nimeiry government's relatively greater stability and dynamism to build up a program consistent with the Sudan's size and needs. As one of the acknowledged least developed countries, and recognizing that assistance in the past has been only modest, it should, if possible, be given an extra measure of help. Uncertainties and constraints abound but we should keep pressing to accomplish as much as practicable. In reviewing economic performance in relation to proposed IDA lending we should bear in mind that over the next year the prospects for any significant improvement in public savings are limited by a stagnant economy, the requirements of the south and the very limited cutback that can be achieved in defense expenditure. Our effort will be to press the Government and to help them to define longer term (possibly for a five-year period) savings and investment programs and to review their implementation as we get ready to process our credits.

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26. The program here proposed is not large in relation to the size of the Sudan's economy and its needs. The need for transport is great and the long distances mean that substantial sums must be invested; irrigation is also a capital intensive activity and large amounts are needed for it. Nevertheless, we do not feel that Bank lending is justified at present; if the economic situation improves, some Bank lending might be possible before the end of the present program but the program does not include any at this stage. Since the amounts required to carry out the program will press hard on the amount of IDA money which can be made available, we intend to try to obtain for our projects as much assistance as possible from other lenders to enable us to carry out the projects in the program.

their willingness to do this should be a condition precedent for performance.

Sector Programs

27. Agriculture dominates the Sudanese economy. It constitutes about 40 percent of the GDP, about three-quarters of the country's population are employed in it, and about 98 percent of exports originate from it. The principal exports are cotton, oil-seeds, vegetable oils, gum-arabic, oil cakes, livestock, hides and skins. The country is self-sufficient in its staple food grain - sorghum (dura) - of which surpluses are exported in years of good harvest.

28. In their Development Plan the Sudanese have rightly given high priority to agriculture. However, the investment targets for agriculture are optimistic and do not take sufficient account of the transportation constraint and of marketing limitations for specific products. Moreover, some reorganization of the existing machinery for planning and administration of agriculture is needed. At present, four Ministries - Agriculture, Irrigation, Cooperation and Rural Development and Animal Resources - several departments and six

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corporations hold responsibilities for different agricultural activities. Some consolidation of these responsibilities is needed to achieve a better deployment of the available staff. In seeking to help the Sudan to develop its agriculture, we should try to help them achieve a more efficient organization. The Government has indicated its agreement to specific recommendations in this regard outlined in a recent Bank economic report, aimed at streamlining the organization of the agricultural activities under various ministries and eliminating the overlapping of functions.

29. During the 1960s the area under cultivation expanded at an annual rate of 3.7 percent and the use of the Nile waters for irrigated agriculture increased from 4 to 11.7 million cubic meters. The Managil and Roseires Irrigation Projects, financed by the Bank, contributed to this development, but the storage capacity of the Roseires Dam, completed in 1966, is still only partly utilized. The first phase of the Rahad Irrigation Project, which we have included in our lending program for FY73, would use part of this stored water to irrigate an area of about 300,000 feddans (311,000 acres) which are now sparsely populated semi-desert on the east bank of the Rahad River. The project would use water pumped from the Blue Nile and would include the construction of irrigation supply, distribution and drainage works, installation of agricultural processing equipment, storage facilities, and the settlement of about 13,700 tenant families (70,000 people) with all the necessary infrastructure. A new semi-autonomous government agency, the Rahad Corporation, is being established to undertake the development and management of the Rahad Project and its future extensions. The first phase is expected to be completed in five years and is estimated to cost \$83.6 million, with a foreign exchange component of \$55.6 million. Of this amount IDA may be able to provide about \$25 million and the remainder of about \$30.6 million is being sought from other potential sources. To ensure continuity of the proposed development a second phase project is tentatively shown in FY75 but the actual timing would depend on the progress of the first phase.

30. Rainfed agriculture can also be developed. About 12 million feddans out of a total area of 16 million feddans are rainfed, including about 1 million under mechanized farming. Further expansion is possible in mechanized farming, but the choice of crops has to be carefully considered. We have already helped finance a successful mechanized farming project in 1968 and a second one was approved in April 1972.

31. The present availability of production and development credit in agriculture is inadequate and many farmers are either unable to purchase improved inputs or depend on private credit from merchants at high interest rates. Credit on suitable terms for agriculture is needed and, accordingly, we are including an Agricultural Credit project in our program under FY76.

32. Increasing use of machinery, improved cultural practices, more scientific inputs and better storage facilities are obvious needs for further development. We have included in our program a Grain Storage project in FY77 to provide up-country storage facilities and thereby relieve some of the pressure on transport capacities caused by the seasonal peaks in traffic flows. For FY77 an Agricultural Aviation project for spraying large areas is proposed, for which the flat terrain is particularly suitable.



33. The livestock potential of the Sudan is still largely untapped. The African Development Bank and the Kuwait Fund are helping with some livestock projects, but much more can be done, and we have included a livestock project in our program for FY74.

34. The return to normal conditions in Southern Sudan may provide scope for a Rural Development project based on small-scale production of food and cash crops. With more knowledge and experience of conditions in the south, larger agricultural projects may follow. Accordingly, we have included in our program a Rural Development project in the south for FY74 and an unidentified agricultural project for FY78.

35. Transport is particularly important for economic development in the Sudan because of the large size of the country and the considerable distances between the main economic centers and the sea. Economic development is now almost confined to the area bounded by the converging White and Blue Nile rivers and an area about 400 km south and east of the capital city of Khartoum. The transport system of the Sudan consists of about 4,750 route km of single track railway, 1,700 route km of river services and about 18,000 km of road and track. There are 20 all-weather airfields and a single seaport, Port Sudan.

36. Distances and the terrain involved have made the railway the country's most important transport mode. The Sudan Railway (SR) are operating well below potential capacity, and their inability to meet current requirements is hampering the growth of the economy. The Bank has already helped finance two railway projects, but there is still scope for improvement of services and for technical assistance in almost all aspects of railway management and operations. This position has been accepted by the Sudanese authorities and the proposed Third Railway project for FY73 will include some technical assistance.

37. Emphasis on railways hitherto has meant that roads have generally been given a low priority and the road system is badly in need of maintenance. A system of all-weather roads to complement the railways is essential. Very little duplication of transport services has taken place in the past and lack of transport coordination has not been a major problem hitherto. However, now that the Government is emphasizing transport development and expects to be allocating large investments in this sector over the coming years, further development of transport infrastructure should be properly planned and coordinated. For this reason the Highway maintenance project approved in FY73 includes an element of technical assistance to the Ministry of Transport for planning and coordination of investments in the transport sector.

38. Port Sudan, located on the Red Sea, is the only deep-water port of the country. It is a railway-oriented port and is presently operated at or above its optimum capacity. However, the indications are that traffic will increase in the future, particularly if the capacity of the railway is improved.

39. The Sudan Government is currently considering a Yugoslav proposal to construct a new port at Suakin about 45 km south of Port Sudan. At the Government's request, we recently made a quick study of Port Sudan and have advised that, as a first step, some improvement of Port Sudan followed by some expansion, seems better than constructing a new port immediately. We have also stressed the need for technical assistance to the Ministry of Transport to help in assessing the port and shipping needs of the country. The Government has welcomed foreign technical assistance and we intend to include a technical



assistance component for port development in our Third Railway project in FY73. The possibilities are also being examined of a pipeline from Port Sudan to Khartoum for bulk transport of oil. Two port projects have been included in our program under FY74 and FY76.

40. Sudan Airways, formerly a department of the Ministry of Communications, was established in 1967 as a semi-autonomous corporation. It operates a small fleet of aircraft providing a few international flights out of Khartoum but catering mainly to the country's domestic air traffic. The Government is planning to transfer the international air services to another agency to be operated with the cooperation and financial help of Kuwait Airways.

41. Domestic air services could well be improved and expanded, given the shortage of surface transport. At present, the Sudan has twenty airports served by scheduled domestic flights, all operated during daylight hours. A feasibility study has recommended improvements to twelve of the more important airports to encourage domestic air travel. A large project costing \$44 million has been suggested by the consultants, but further investigation is required and it is likely that the investment can be spread out over several phases. We have provided for a domestic aviation project in our program under FY77.

42. Power: the provision of electricity is the responsibility of a government corporation, the Central Electricity and Water Corporation (CEWC). The main interconnected system of CEWC, the Blue Nile Grid, has an installed capacity of 175 MW and comprises 95 percent of the corporation's total generating capacity. Hydroelectric plants supply 105 MW to the Grid, the remainder being supplied by thermal stations. A new hydro station was completed during 1972 by the commissioning of the last of the first three 30 MW generators at the Roseires Dam.

43. At present, it is estimated that not more than 10 percent of the total population live in areas where electricity is available, but the increase in demand over the next decade will be governed by the speed at which government development plans for agriculture and industry are executed. In 1968 a Bank loan of \$24 million was made for a power project. Consequent on savings in transmission lines' construction costs and at the Borrower's request, the loan amount was reduced to \$19 million in 1970 and the project has just been completed. Studies will shortly be undertaken into the next generation project for the Blue Nile Grid, which should be commissioned about 1976. Early indications are that this will be a thermal plant of about 30 MW capacity in Khartoum, with an additional 30 MW hydro set at the Roseires Dam. An important requirement of future lending will be the improvement of the organization and administrative ability of CEWC. The additional need for electric power in the Southern Region also needs to be assessed, and we have accordingly included a second power project in FY74 and a third in FY77.

44. Industry: the main industrial enterprises in the Sudan are now in the public sector. This reflects major changes which occurred during the 1960s and, more particularly, in the last two years. The Government's entry into industrial production began early in the last decade. In 1965 the Industrial Development Corporation (IDC) was formed as a holding company for the enterprises set up by the Government. In the May 1970 nationalizations, 38 manufacturing firms, representing about a third of the total capital invested in private manufacturing, were taken over and grouped with the earlier



8 IDC units to form a new organization, the Industrial Production Corporation (IPC). Similarly, all the commercial banks, 27 commercial enterprises (mostly foreign-owned), and some hotels were nationalized and the commercial enterprises were consolidated into a holding company, the General Trading Corporation (GTC). Another 14 cotton exporting companies were nationalized and grouped into four firms under the jurisdiction of a newly formed State Cotton Marketing Corporation (SCMC).

45. The performance of industrial undertakings under public management has been poor. There has recently been some shift in policy back toward private enterprise and the extent of public ownership in industry and commerce is being reassessed. Meanwhile there is uncertainty about the future status of the state-owned enterprises.

46. The lending program provides for four loans for industry. Three of these would be credits to the Industrial Bank of Sudan (IBS), a state-owned institution set up in 1962 to encourage the establishment of private industry. Its charter is now being amended to permit it to finance state-owned enterprises as well. The fourth credit would be for an as yet unidentified project for industrial development.

47. IBS has so far been only moderately active and has been hampered by a persistent shortage of resources as well as by the uncertainty surrounding the relative roles of the public and private sectors. Its operations are likely to increase, however, since the Government intends to rely more on the private sector for new industrial investment, and the Bank of Sudan would like to rely to a greater extent on IBS for the financing of private and public enterprises. IDA's assistance could be helpful in making IBS a more effective instrument of development.

48. Education: the educational system in the Sudan has had a longer period of evolution than that of most other African countries. While the number of children in elementary schools is still small in relation to their total age group, universities and other institutions of higher learning cater for relatively larger numbers, which in 1969, for example, amounted to about 11,000 or about twice as high as the combined enrolment in comparable institutions in Kenya, Tanzania and Uganda. However, there is need to adjust the hitherto academically-oriented and literature-dominated curriculum, particularly at the secondary school level.

49. The Government is aware of the new needs in education and is attempting to reshape the system as a tool for the development of the country. We made a \$8.5 million credit in 1968 to help finance the training of more agricultural technicians and the upgrading of teaching standards in intermediate and secondary schools, along with reorientation of secondary school education to make it more suited to the country's manpower requirements. There is a need for comprehensive survey to serve as the basis for a manpower plan which could lead to further projects in the education sector. We have, accordingly, provided for a second and third education projects under FY76 and FY78, respectively.

50. IFC: in 1964 the Khartoum Spinning and Weaving Company Ltd. (KSW), one of the Sudan's largest textile mills, received a loan and equity investment from IFC amounting to about \$0.7 million equivalent. In May 1972 IFC made a second loan to KSW of \$1.5 million equivalent to support an expansion of its capacity to meet existing and future domestic demand for grey sheeting made from lower grades of local cotton.



E. Conclusion

51. While it is too early to be confident that President Nimeiry's regime will bring a much-needed period of stability to the Sudan, the indications are better than they were. He seems to have overcome opposition from both the right and the left, and the settlement in the south should strengthen his position. He has been able to take the initial steps to restore the Government's financial position and to obtain more external assistance. The economy has good potential for growth and is likely to be able to make good use of all the IDA funds which can be made available. To carry out the projects already in the program will, in any case, require some participation by other lenders, preferably on soft terms. Bank lending is not warranted until the Government has shown the ability to manage the economy well enough to ensure creditworthiness.

52. The program concentrates on the high priority tasks of breaking the transport bottleneck and encouraging agriculture, both irrigated and rainfed. It may be modified to take account of projects specifically benefiting the south as we gain knowledge of its needs.

Attachments:

1. Actual and Proposed Lending Through FY78.
2. Cumulative Estimated and Actual Disbursements on Loans and Credits.
3. Indicators of Development.
4. Long-term Public Debt Projections.
5. Economic Work Program.



Population: 16 m; 2.5 % p.a.  
Per Cap. Inc: \$110 (1969)  
Area: 2,506 sq. Km

## SUDAN - ACTUAL AND PROPOSED LENDING PROGRAM THROUGH FY78

(\$ million)

	Thru FY68	FY69	Actual FY70	FY71	FY72	Current FY73	FY74	FY75	Program FY76	FY77	FY78	Total FY64-68	Total FY69-73	Total FY74-78
<b>Agriculture</b>														
Mechanized Farming I	IBRD	5.0												
Mechanized Farming II	IDA				11.3									
Mechanized Farming III	IDA								10.0					
Rural Development (South)	IDA									10.0				
Grain Storage	IDA										10.0			
Livestock	IDA								10.0					
South (unidentified)	IDA													10.0
Agricultural Aviation	IDA									5.0				
<b>Irrigation</b>														
Managil	IBRD	15.5												
Roseires Irrigation	IBRD	19.5												
	IDA	13.0												
Rahad Irrigation I	IDA					25.0								
Rahad (II)	IDA							30.0						
<b>Power</b>														
CEWC (I)	IBRD	19.0												
CEWC (II)	IDA						10.0							
Power (South)	IDA									10.0				
<b>Transport</b>														
Railways I and II	IBRD	70.0												
Railways III	IDA					20.0								
Domestic Aviation	IDA										5.0			
Highway (I)	IDA					7.0								
Highway (II)	IDA										15.0			
Port Development (I)	IDA						10.0							
Port Development (II)	IDA								10.0					
Highway (III)	IDA													25.0
<b>Education</b>														
Education I	IDA	8.5												
Education II	IDA								10.0					
Education III	IDA										10.0			
<b>Industry</b>														
DFC (I)(Industrial Bank of Sudan)	IDA					3.0								
DFC (II)	IDA							5.0						
DFC (III)	IDA								5.0					
Unidentified	IDA								5.0					
<b>Operations Program</b>														
IBRD	124.0	5.0												
IDA	21.5	-			11.3	55.0	40.0	35.0	40.0	45.0	45.0			205.0
TOTAL	145.5	5.0			11.3	55.0	40.0	35.0	40.0	45.0	45.0			205.0
<b>Lending Program</b>														
No.	5	1			1	4	4	2	5	5	3			
IBRD	124.0	5.0										50.0	5.0	-
IDA	21.5	-			11.3	45.0	30.0	30.0	30.0	30.0	30.0	8.5	56.3	150.0
TOTAL	145.5	5.0			11.3	45.0	30.0	30.0	30.0	30.0	30.0	58.5	61.3	150.0
No.	5	1			1	2	3	1	3	3	3			
<b>Other Agencies 1/</b>														
IBRD o/s 2/ incl. undisb. excl. undisb.	112.4 73.3	115.0 79.8	111.5 87.9	102.2 92.3	97.2 91.8	91.8 83.3	85.6 83.2	79.1 77.3	72.2 71.8	64.9 64.8	57.2 57.1			
<b>IBRD Gross disbursements</b>														
Less: Amortization	14.9	3.5	3.7	4.7	5.0	5.5	6.2	6.5	6.9	7.3	7.7	12.2	35.8	2.4
Equals: Net disb.	75.1	5.5	7.6	4.1	-0.5	-3.5	-5.2	-5.8	-5.5	-7.0	-7.7	25.6	22.4	21.2
Less: Interest & Charges	24.5	4.2	4.0	5.0	5.3	5.3	5.0	4.7	4.4	4.1	3.7	16.6	13.4	11.3
Equals: Net transfer	50.6	1.3	3.2	-0.9	-5.8	-8.8	10.2	-10.5	-9.9	-11.1	-11.4	9.0	-11.0	-10.1
<b>IBRD/IDA Gross disbs.</b>														
Less: Amortization	14.9	3.5	3.7	4.7	5.1	5.6	6.3	6.6	7.0	7.4	7.8	12.2	10.0	11.3
Equals: Net disbursements	87.1	5.8	8.0	4.3	0.6	-1.3	3.2	13.2	19.6	21.9	21.6	34.6	20.6	24.1
Less: Interest & Charges	24.8	4.3	4.7	5.1	5.4	5.4	5.1	4.9	4.7	4.5	4.2	16.9	14.9	11.3
Equals: Net transfer	62.3	1.5	3.3	-0.8	-4.8	-6.7	-1.9	8.3	14.9	17.4	17.4	17.7	-7.0	12.8

1/ Figures available only as at end of December 1970. The main sources were Mainland China (40), Kuwait (46), Saudi Arabia (20), West Germany (17), Libya (17), U.S.S.R. (12) and U.K. (11). Future foreign assistance from western countries is likely to increase but no specific figures can be given.

2/ As at end of fiscal year.

Note: Since the lines IBRD o/s include participations sold to third parties, they cannot be fully reconciled with the figures for disbursements, amortizations, etc. which include transactions on behalf of third parties.



## SUDAN: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective	Closing Date	Forecast Date	FY'71	FY'72				FY'73				FY'74	FY'75	FY'76	FY'77	FY'78	FY'79	FY'80	
						1	2	3	4	1	2	3	4								
Roseires Irrigation IDA 2 1/	13.0 - 13.0	6/13/61 6/14/61 10/19/61	Orig: 6/30/68 Rev: 12/31/71 Act: -	9/30/70 (1st) - -	12.3 - 12.3	12.3 - 12.3	12.3* - 12.3	- - 12.4	- - 12.4	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Roseires Irrigation IBRD 284	19.5 - 19.5	6/13/61 6/14/61 10/19/61	Orig: 6/30/68 Rev: 12/31/71 Act: -	9/30/70 (1st) - -	18.7 - 18.8	18.7 - 18.8	18.7* - 18.8	- - 18.8	- - 18.8	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Second Railway IBRD 440	31.0 - 31.0	12/23/65 12/27/65 3/10/66	Orig: 6/30/69 Rev: 12/31/72 Act: -	9/30/70 (1st) - -	30.5 - 29.4	30.5 - 29.7	31.0 - 29.9	- - 30.2	- - 30.9	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -
Power Project IBRD 522	24.0 5.0 19.0	1/ 9/68 1/15/68 7/23/68	Orig: 12/31/72 Rev: - Act: -	9/30/70 (1st) 8/31/71 -	8.8 - 14.2	9.6 - 15.0	10.6 - 15.9	11.8 - 16.6	13.0 - 16.9	13.6 18.5 18.9	13.8 18.8 18.9	14.0* 18.9 18.9	- 19.0 -	- -	- -	- -	- -	- -	- -	- -	- -
Education Project IDA 122	8.5 - 8.5	6/11/68 6/24/68 1/24/69	Orig: 2/ Rev: - Act: -	9/30/70 (1st) 9/30/71 -	.9 - .1	1.4 - .2	1.9 - .2	2.9 - .2	3.9 - .2	4.9 .5	5.9 .8	6.7 1.3	7.4 2.4	8.0 5.7	8.5 7.9	8.4 8.4	8.5 8.5	- -	- -	- -	- -
Mechanized Farming IBRD 556	5.0 - 5.0	7/30/68 9/ 6/68 1/ 8/69	Orig: 6/30/72 Rev: 12/31/72 Act: -	9/30/70 (1st) 4/30/72 -	2.3 - 2.2	2.4 - 2.4	2.6 - 2.6	2.7 - 2.9	2.9 - 2.9	3.1 3.8	- 4.3*	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Second Mechanized Farming IDA 311	11.3 - 11.3	4/25/72 6/12/72 N.E.	Orig: 12/31/78 Rev: - Act: -	4/ 6/72 - -	- - -	- - -	- - -	- - -	- - -	.4 - -	.7 - -	1.2 - -	1.5 - -	4.9 - -	8.2 - -	10.2 - -	11.1 - -	11.3 - -	- -	- -	- -

\* Balance indeterminate

1/ To be disbursed jointly with Loan 284 SU

2/ The closing date for Parts A, B, C and E is 12/31/73 and for Part D is 12/31/76.



Last Economic Mission  
November/December 1971

THE SUDAN

INDICATORS OF DEVELOPMENT

	Unit	Annual Average			
		1951-60	1961-65	1966-70	1973-77
<b>I. ECONOMIC AND STRUCTURAL INDICATORS</b>					
1. Gross domestic Product (in constant prices)	% Change	-	-	-	3-4
2. Manufacturing Output	% Change	-	-	-	-
3. Agricultural Output	% Change	-	-	4.6	6.0
4. Imports of Goods and NFS	% Change	-	-	-	3.9
5. Exports of Goods and NFS	% Change	-	-	-	3.6
6. Domestic Price Level	% Change	-	-	-	-
		<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
7. Gross National Savings	% GDP	10.8	10.0	9.6	10.8
8. Resource Gap	% GDP	3.0	2.6	3.2	0.9
9. Net Factor Payments Abroad	% GDP	1.2	0.9	1.0	1.2
10. Gross Domestic Investment	% GDP	14	13	12	12
11. Debt Service	% exports	6.6	4.5	7.1	7.7
12. Central Govt. Current Revenue	% GDP	16.3	17.2	18.4	22.6
13. Central Govt. Current Surplus (Deficit)	% GDP	0.4	0.7	1.2	0.7
14. Public. Exp. on Social Services <u>1/</u>	% GDP	3.4	3.2	3.2	4.1
15. Military Expenditure	% GDP	3.2	3.3	3.5	4.2
16. Manufacturing Output	% GDP	-	-	-	-
17. Energy Consumption	million tons	-	-	-	-
18. Fertilizer Consumption	'000 tons	-	-	-	-
<b>II. SOCIAL INDICATORS</b>					
19. Population Growth Rate	%		2.5	(from 1968-1971)	
20. Urban Population Growth Rate	%		-		
21. Birth Rate	Per 1,000 popln.		51.7	(1955/56)	
22. Family Planning	Acceptors '000s.		-		
23. Income of: Highest Quintile	% total income		-		
24. : Lowest Quintile	% total income		-		
25. School enrollment: Primary & Secondary	% school age popln.		13	(1969)	
26. Literacy rate	% adult population		19	(1969)	
27. Unemployment rate	% labor force		-		
28. Population per hospital bed	Number		1,235	(1970)	

1/ Central Government only.

Eastern Africa Department  
September 7, 1972



SUDAN: LONG-TERM PUBLIC DEBT PROJECTION<sup>a/</sup>  
(Calendar years; US\$ millions)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
<b>National Income Accounts</b>																
GNP	1820	1877	1940	2009	2084	2167	2256	2350	2451	2559	2674	2798	2930	3071	3223	3386
Plus: Net Factor Income Payments b/	13	15	16	18	19	21	22	23	24	25	26	27	28	28	28	28
Equals: Gross Domestic Product	1833	1892	1956	2027	2104	2188	2278	2373	2475	2584	2701	2825	2958	3100	3251	3414
Consumption	1685	1731	1781	1836	1896	1962	2032	2108	2188	2274	2360	2453	2552	2658	2775	2912
Gross Investment	176	193	211	231	252	269	287	306	327	349	373	398	426	456	488	512
Gross National Saving	135	146	159	173	189	206	224	243	263	285	314	345	378	414	448	474
Imports of Goods and NFS	388	404	421	439	459	473	488	505	524	543	558	575	594	614	638	665
Less: Exports of Goods and NFS	360	373	386	400	415	430	447	465	484	504	526	549	574	600	627	655
Equals: Resource Gap - Amount (constant prices)	28	31	35	39	44	43	41	40	40	40	32	26	20	14	11	10
- as % of GDP	1.5	1.7	1.8	2.0	2.1	2.0	1.8	1.7	1.6	1.5	1.2	0.9	0.7	0.4	0.3	0.3
<b>Finance of Resource Gap</b>																
Bilateral: c/	60	77	82	81	88	90	76	77	79	79	76	75	74	72	78	80
Multilateral: IBRD	3	1	1	1	1	25	28	29	31	31	31	32	32	33	34	35
IDA d/	2	4	11	18	22	21	18	18	19	20	19	19	19	18	20	20
Private: Suppliers' Credits	14	18	19	19	21	21	18	18	19	20	19	19	19	18	20	20
Total: Gross Disbursements	78	101	113	119	132	137	122	124	129	130	126	125	125	124	131	135
Less: Amortization	35	37	41	37	40	43	43	46	46	45	47	51	55	60	68	72
Net Inflow	43	64	72	82	92	94	79	80	83	85	79	74	70	64	64	64
Other Inflow (Net) e/	-1	-15	-17	-19	-21	-22	-6	-6	-6	-7	-6	-6	-7	-8	-10	-11
Less: Net Factor Income Payments	14	16	17	19	21	23	25	27	29	31	33	34	36	37	38	38
Equals: Resource Gap	28	33	38	43	49	48	48	47	47	47	40	33	26	18	15	14
<b>Memorandum Items</b>																
Interest on Debt	14	16	18	21	24	27	30	33	35	37	39	42	43	45	46	48
Total Debt Service f/	49	53	59	58	64	70	73	77	81	82	87	93	99	105	115	120
Average Interest Rates (%)	4.3	3.4	4.0	4.0	4.0	4.0	3.9	3.9	3.9	3.9	3.8	3.8	3.8	3.7	3.8	3.8
Debt Service Ratio (4)	13.2	13.7	14.4	13.5	14.1	14.5	14.3	14.0	14.0	13.4	13.2	13.3	13.3	13.3	13.6	13.3
Total Debt Outstanding	338	401	473	555	647	741	820	900	982	1068	1147	1221	1290	1354	1418	1482
IBRD Debt Outstanding - excluding Undisbursed	90	86	80	74	68	60	54	49	45	41	37	32	28	23	17	14
- including Undisbursed	86	80	74	68	60	54	49	45	41	37	32	28	23	17	14	14
IDA Debt Outstanding g/	14	18	29	47	68	94	121	151	181	212	243	273	304	335	367	400
IBRD Debt Service	11	12	12	12	12	12	10	8	8	7	7	7	7	7	7	7
IBRD/IDA 4 Gross Inflow	5.5	5.3	10.3	15.6	17.4	18.5	23.1	23.7	23.7	23.8	24.8	25.1	25.9	26.8	25.9	25.8
4 Debt Service	22.4	22.4	20.2	20.7	18.8	17.8	14.9	12.2	10.9	10.3	10.4	10.6	10.4	10.3	9.9	9.8
IBRD 4 Debt Outstanding	26.8	21.4	16.9	13.3	10.5	8.1	6.6	5.5	4.6	3.8	3.2	2.6	2.1	1.7	1.2	0.9

a/ 1969/70 are the base years for the projections due to lack of data. Historical figures are not available or accurate. The projections are expressed in constant US\$ 1971 prices, with the exception of Capital Flows data which are in current US\$.

b/ Net factor income payments are negative throughout the projection.

c/ No attempt to make a breakdown of this item has been made due to the unclear situation of foreign aid sources and the incomplete details available of the recent commitments obtained by the Sudan. However, we expect Mainland China, Rumania, the Arab Gulf States, West Germany, U.K. and possibly U.S. will be the major sources. It is assumed that half of the inflow from bilateral sources will be on soft terms and the other on medium terms.

d/ Based on the actual and proposed 1972-75 lending program.

e/ Includes grants and change in reserves to build and maintain them up to the level of three months' imports.

f/ On disbursements in each year.

g/ Excluding undisbursed.

**Projection Basis (1972-87)**

GNP Growth	1972-77 : 3 to 4% p.a.
Incremental Capital/output ratio	1979-87 : 4 to 5% p.a.
Exports Growth Rate	: 3%
Consumption Growth Rate	1972-79 : 3.5 to 4% p.a.
	1980-87 : 4 to 4.5% p.a.
	: 3 to 4% p.a.



a/  
Economic Work Program FY1973-74

<u>Activity</u>	<u>Rationale</u>	<u>Responsibility</u>	<u>Status</u>
Southern Sudan Survey Mission (November 1972)	To study the economy of the South and the implications of integrating the Southern Region into the economy of the Sudan.	EA	Planned
Special Savings Study	Mobilization of domestic savings for advice to Government	EA/EPDDF	Recommended
Agriculture Sector Mission	To review the development of this key sector with special emphasis on the evaluation of the economic and special aspects of irrigation, vis-a-vis rain-fed farming. Such a study should produce some guidelines for future investment in this sector.	EA/APD	"
Economic Statistics Mission	To review statistical procedures of various agencies in the Sudan with a view to improving their accuracy and coverage.	EA/EPD	"
<u>FY1974</u>			
Special Economic Mission (August 1973)	To study the long-term prospects of the Sudanese economy as a whole (North and South). Such a study will help the Government in the preparation of the next Plan.	EA/Other	"
Transport Sector Mission	To determine the long-term investment priorities in this sector.	EA/TPD	"
Industrial Sector Mission	To review the development of this sector with special emphasis on evaluating the strategy of import substitution vis, the processing of exports.	EA/IPD	"

a/ The economic work program is designed to fill gaps in our knowledge of the Sudanese economy and also to be a form of technical assistance to the Government in the preparation for the new Development Plan.







## POLITICAL SITUATION

The settlement in March 1972 of the long-standing "Southern Problem" is by far the most significant political event in the Sudan since independence in 1956. The immediate relief and rehabilitation requirements of the Southern Region and the means of enabling effective autonomy to be exercised by the Southern Regional Government are doubtless going to impose a heavy burden on the already impoverished economy and the inadequate administrative organization in the Sudan. However, the end of internal hostilities opens up a potential for the unification and development of the entire country. This is not going to be an easy or quick process. Distrust, fear and hatred have long divided north and south Sudan and their dissimilar peoples. Only the Nile, a history of British colonial rule and Africa's drive for national unity tie them together.

Since the expulsion of the communists from positions of power, much of the Sudan's politics now centers around the conflict between those who adopt an Arabist attitude and those who favor an Africanist attitude. The political consensus which is likely to prevail is to favor a balanced position between the Sudan's affiliations with the Arab Middle East and with the surrounding black African continent. President Nimeiry seems so far successfully to have steered the difficult course of satisfying both his supporters in the predominantly Arab and Muslim North as well as the newly allied African and Christian population of the South now aspiring to equal opportunities in an undivided Sudan. Nimeiry has been resisting the pressures of Pan-Arabism from neighbors like Libya and Egypt. Resumption of diplomatic relations with the U. S. in July incurred widespread criticism in the Arab world. General Amin's policies in Uganda recently forced Nimeiry to take a definite stand as a champion of Sudanese Africanism by refusing permission to the Libyans to send Uganda-bound troops through his country. Arab reactions to this move are likely to be adverse but his action certainly indicates that Nimeiry is extremely earnest in taking all steps to show that Sudan follows an independent line.

President Nimeiry has also taken action towards the country's possible return to a popularly elected Government. In May 1971 Nimeiry promised to return the country to civilian rule within two years. He then announced the formation of the Sudanese Socialist Union (SSU), an amorphous national political organization roughly modeled after Nasser's Arab Socialist Union in Egypt. Guidelines for a new constitution were laid down last January by a Congress of the SSU and the first elections since 1968 were completed in October this year to choose a 207-member People's Council which is to draw up a new constitution within six months and then dissolve itself leaving the way for new elections to be held. Previous attempts to draw up a constitution had been foiled by failure to reach agreement over the future of Southern Sudan where civil war had raged for nearly 17 years.

Following the recent election of the People's Council, President Nimeiry also reshuffled his cabinet bringing in civilians to replace most of the



military members. This seems to be more in line with the efforts to introduce more technocrats into his Government. It is too soon to express an opinion on how the new cabinet will function.

The political scene, is thus, now more encouraging than it has ever been since independence. The possibility now definitely exists that a new constitution will soon be adopted which will be based on democratic principles and which would seek to ensure a national Government for the entire country in which the South and its peoples would find their rightful place.

That political events would actually proceed in such desirable directions of course, largely depends on how successful the Nimeiry Government will be in tackling the serious economic situation in the country. Not well versed himself in economic or financial matters, President Nimeiry does not seem to have sufficient access to experienced advice in economic administration. To a limited extent such expertise is available among senior Sudanese civil servants, politicians and academicians, but so far this has not been drawn upon. By realigning his foreign policy, however, President Nimeiry has made more positive external assistance possible. His contacts with the People's Republic of China have resulted in soft term credits totalling \$80 million. A Rumanian loan of \$73 million has also been secured. Resumption of diplomatic relations with West Germany and the U. S. have now improved the prospects of Western aid. Nimeiry's definite turn towards the West, particularly the U. S., is bound to affect adversely his support among some Arab countries. This move has to be interpreted as a recognition by him of the Sudan's need to follow a pragmatic policy in its own national interests. Another example of this trend is that the Sudanese Government has now welcomed technical assistance from various external sources. If given and utilized properly, such assistance could go a long way in meeting the country's most pressing need - that of effective implementation of practical policies designed to give a boost to the country's lagging economy as quickly as possible.



## NATIONALIZATION

Under the two Nationalization Acts of 1970, the Sudanese Government nationalized a wide range of financial, commercial and industrial privately-owned companies. Many, but not all are essentially foreign-owned. The Act provides that compensation shall be paid. The value of the compensation is to be determined by committees set up for the purpose. The payment is to be made in the form of Government Bonds, carrying an interest rate of 4% a year and redeemable after 10 years with a maximum final maturity of 15 years. The obligation is in Sudanese currency. While Egyptian, French, Swiss, Greek, American and Canadian companies were expropriated, the bulk of the foreign holdings were British. As far as we know negotiations are underway with respect to all the claims but so far only two (Credit Lyonnais and Commercial Bank of Ethiopia) have been settled. We have been in close touch with the British Government about the British claims. The claimants individually or in groups are pursuing their claims with the British Government providing its good offices but not so far being itself in direct negotiation with the Sudanese Government. The British Government's position is that they are satisfied that negotiations are under-way and reasonably hopeful of settlements but are doubtful of the Sudanese Government's capacity to transfer the amounts which would be called for under the likely settlement arrangements. In this respect one should note that the compensation terms stipulated in the Acts under which the expropriations took place have in effect been replaced by direct negotiation. For example, the settlement with Credit Lyonnais called for payment in Sterling over four years.

We know that the Sudanese Government also is concerned about the service burden which would result from these settlements. For one thing they are attempting to get a loan from the British to meet at least part of the potential obligation and for another they are at least considering reversing some of the expropriations.

The British Government's position on the question of aid for the Sudan has been to encourage lenders, including the World Bank Group, despite the status of the compensation negotiations. They raised no objection to our two recent credits taken to the Board and they have actively sought to encourage the U.S. Government to resume aid. We have been told that they do not propose to enter any objection to our lending for Rahad barring a breakdown in the continuing negotiations. On the other hand their own willingness to participate will depend upon continued progress on negotiations. One can note that they themselves made two loans and two grants to the Sudan since 1970.

No other member government has made any representation to us about compensation for properties taken from their nationals.



It would seem reasonable to conclude from the events so far that there is a genuine intention on the part of the Sudanese to settle the outstanding compensation claims as quickly as possible or to return the properties in question, but that they are facing a difficult problem to find the resources to make early payments in full. Even if agreement on the amounts of compensation can be reached soon, it seems likely there will be some difficult bargaining over the means and time of payment.

Under the Bank's policy, however, no grounds can be seen not to lend to the Sudan as the Government has accepted liability for compensation and is making reasonable efforts to reach satisfactory settlements.

Attached is a list of the expropriated companies.

Attachment

Eastern Africa, Programs I  
October 25, 1972



SUDAN

NATIONALIZED ENTERPRISES

Claims as Originally  
Submitted by Owners  
(Ls)

I. Banks

British

1. State Bank of Foreign Trade (previously Barclays Bank DCO) .....	8,213,688
2. Omdurman National Bank (previously National and Grindlays Bank) .....	2,289,841

Others

3. People's Cooperative Bank (previously Bank Misr)	--
4. Juba Commercial Bank (previously Commercial Bank of Ethiopia)	--
5. Red Sea Commercial Bank (previously Arab Bank)	--
6. El Nilein Bank (with 40% interest by Credit Lyonnais)	--
7. Sudan Commercial Bank	--

II. Commercial Companies

British

1. Gelatly, Hankey and Co. Ltd. ....	3,629,179
2. Mitchell Cotts and Co. Ltd. ....	4,200,000
3. Sudan Mercantile Co. Ltd. ....	1,554,348
4. Bittar and Co. Ltd. ....	102,302
5. Aziz Kfoury and Sons Ltd. (1/8 British share) ....	230,000
6. Sudan Tractor Co. ....	363,970

Others

7. Seferian and Co.	--
8. National Cash Register Co.	--
9. Red Sea Shipping Co.	--
10. Sudanese Storage and Shipping Co.	--
11. Automobiles Co.	--
12. Kattan Co.	--

III. Manufacturing Companies

British

1. Sudan Portland Cement Ltd. ....	2,164,373
2. Blue Nile Brewery Ltd. ....	752,568

Others

3. Blue Nile Packing Co.	--
4. Bata	--
5. AYBEE Distilling Factory	--



## THE GEZIRA SCHEME

Situated south of Khartoum and in the triangle formed by the confluence of the Blue and White Niles, the two million acre Gezira Scheme is the world's largest irrigated agricultural enterprise under one management. Based on studies in the early years of the century, the Scheme was started with the construction of the Sennar Dam in 1925. From 1925 to 1950 it was run by a syndicate as a private enterprise. In 1950 the Scheme was nationalized and placed in the charge of the Sudan Gezira Board and various extensions including the Managil Scheme were carried out by 1960. In the late 1960's the Bank conducted an elaborate study resulting in the Rist Report which made various recommendations on agricultural and management matters. The report was given to the Government in 1968 and some of its recommendations have been implemented.

The Gezira is run as a tri-partite partnership primarily producing about 60 percent of Sudan's cotton, all for export, as well as other crops like dura, groundnuts, wheat and vegetables. The Government provides the land and looks after its irrigation. The tenants undertake the production of crops. The Sudan Gezira Board acts as an overall coordinator, attending to the financing and purchase of the crop, the supply of fertilizers, the maintenance of internal transport facilities and the provision of cleaning and processing installations. Income for groundnuts, dura, wheat and fodder crops belongs to the tenants exclusively. The gross proceeds from cotton are subject to deductions for Joint Account charges like cost of sowings, fertilizers, spraying, cotton transport to ginneries and to Port Sudan, cotton picking advances, ginnery storage and insurance. The net proceeds from cotton are then distributed as follows: 50 percent to the tenants, 36 percent to the Government, 10 percent to the Sudan Gezira Board and 2 percent each to the local government councils and to the Social Development Department.

Apart from its vital importance to the country's economy, the Gezira Scheme has been a way of life for thousands of tenants and their families. The total number of people directly employed by, or for, the Scheme is estimated to be about 600,000, which is about 10 percent of the Sudan's labor force. The Gezira Board has been responsible for various social welfare programs resulting in improved housing, higher standards of health and education and the development of new skills and occupations in the Gezira region.

### Finances

Out of its 10 percent share of the cotton proceeds the Board pays interest to the Government on the original Ls 4 million of capital supplied, meets its administrative costs and transfers the surplus (if any) to the Government as a dividend. All these allocations refer to the accounting profits, which are not determined until several months after the crop grown during a given fiscal year has been harvested and processed. But the Scheme's partners, the tenants and the Government, demand advance payments against



expected profits and this financing has to be provided by the Board. The normal cycle of events is outlined below.

Preparations for the crop grown during a given fiscal year are in full swing by the beginning (July) of that year - indeed some costs are incurred towards the end of the previous fiscal year. The cotton is sown and tended by tenants and their hired labor until December when the picking begins and continues until April. The ginneries work at full capacity from February until the end of June. It is only in early March that significant sales of this crop begin and continue for several months, with the accounts being closed the following January. Adjustments are then made between amounts advanced to the partners and their legal profit share. But by this time much of the financing for the next crop would have already occurred. This lag between the revenue and cost streams creates a demand for working capital which has to be met by the Gezira Board. In a static situation with one year replicating the previous one, a given stock of working capital should suffice. But the secular growth in cotton crops has found the Gezira Board continually grappling with an increasing demand for working capital. This was compounded in 1965/66 by the inclusion of picking operations amongst jointly provided inputs so that the picking advances to tenants became a category of joint account costs. As a result, the picking advances for that year were never repaid and the Gezira's shortage of working capital was sharpened.

Both due to the structural lag of receipts behind payments and the increasing demand for working capital, actual profit share transfers to the Central Government during a fiscal year bear little relation to the accounting share out of the crop grown in that fiscal year. In the past the Board sometimes "solved" its working capital problems simply by not paying the Government its due share (e.g. 1965/66 and 1966/67) or paying them only a part of it. Of late the Government has insisted on prompt payment of its share as well as payment of arrears. During fiscal 1970/71 the changeover to a new cotton marketing system slowed the flow of revenues to Gezira, further intensifying the demand for working capital. To meet these needs the Gezira borrowed Ls 3.4 million from the Bank of Sudan over fiscal 1970/71. During 1971/72 there is likely to be a further net recourse to bank finance because:

- (a) the Gezira Board has from this year taken over the responsibility for financing the production of wheat in the Scheme;
- (b) temporary marketing difficulties associated with reversing the recent trend towards East European markets back to Western ones.

Such recourse to bank finance swelled the Gezira Board's "current deficit" last year and is expected to do so again this year. But it would be premature to regard these deficits as indications of a trend decline in the Gezira's profitability. Until the 1968/69 crop (the last one for which final accounts were available) the Gezira Scheme's profits were clearly increasing. The accounts for the subsequent two years are not expected to show significant increases, but nor are they expected to reveal a severe decline in accounting profits. The large "current deficit" for fiscal 1970/71 and the expected one for 1971/72 may reflect nothing more



than the need for a once-and-for-all increase in working capital and hence should be construed mainly as a transitional problem. This explanation will become untenable, however, if large "current deficits" continue to recur beyond 1971/72 without significant increases in size of crops.



## SUDAN RAILWAYS

### General

The total length of the railway system is 4,757 route-km, all of which is single track of 3'6" gauge. The 787-km line connecting Port Sudan with Khartoum continues for a further 270 km to Sennar, where it joins the alternative route from Port Sudan via Kassala and Gedaref. As the line proceeds westwards from Sennar to Nyala (1,048 km) and to Wau (1,157 km) traffic density becomes much lighter, but these extension lines are nevertheless of great social importance because, as with almost the whole of the railway network, they still represent the only practical means of surface transport over the long distances involved.

To summarize its main features, the railway is favored by a virtual monopoly, and by a predominance of long-haul bulk traffic well suited to rail conveyance, though the advantages are tempered by the pronounced seasonal nature of much of the freight traffic demand. In assessing the railway's performance generally it should be remembered that it operates for the most part under harsh desert conditions, giving rise to technical and operating problems not found in more equable terrain and climatic conditions.

The railway is financially viable, though its best-ever net operating revenue of Ls 5.6 million achieved in FY 1964 was followed by much poorer results. In FY 1969 SR only just managed to break even, but after tariff increases and cancellation of wage awards, net operating revenue rose to about Ls 2 million in each of the following years, which amounts to an operating ratio of about 90%. (All these results relate to railway operations only, excluding Port Sudan's and other non-railway operations).

### Traffic

Movements to or from Port Sudan account for about three quarters of SR's freight traffic. In summary, average annual tonnages over the three fiscal years, 1969-1971, were as follows: -

	<u>Revenue-Earning Traffic</u> (000 metric tons)	<u>%</u>
To Port Sudan	881	29
From Port Sudan -		
Bulk petroleum products	498	17
Other	903	30
Other Traffic	<u>708</u>	<u>24</u>
	<u>2,990</u>	<u>100</u>

The average length of haul of about 865 km reflects the heavy preponderance of traffic between the Port and Khartoum or adjacent areas.



Exports of cotton, cotton seed, oil cake, groundnuts and sesame represent nearly 80% of the traffic to Port Sudan, while petroleum products from the refinery at Port Sudan, and imports of wheat, sugar and fertilizers, provided nearly 70% of railway tonnages in the reverse direction (Table 1). Apart from petroleum products, freight traffic in general has shown little sign of expansion for some years (Table 2), though there have been considerable fluctuations from year to year, largely reflecting similar variations in agricultural harvests. The failure to show much overall growth has been due to downward trends in some export crops, notably groundnuts and dura, and to the fairly static trend in dry cargo import tonnages, taking one year with another. The inadequacies of railway capacity, and to a small extent the increased movement of port traffic by road must also be affecting overall traffic volumes.

Against this background the estimate of an expansion in railway export tonnages by more than 60% over the four years to 1975 (Table 1) may well be over-optimistic. For the most part this is based on mission forecasts of future agricultural exports, but a fundamental requirement for their achievement will be the railway's ability to provide the additional capacity needed.

The 3.4 million passengers in FY 1971 accounted for less than 20% of SR's receipts, but since the railway offers the only low-cost mass transit over nearly all its routes, the passenger business is socially very important. Passenger-km have increased by more than half over the last ten years, due for the most part to increases in the average length of journey, which now amounts to about 300 km. About 15% of passenger receipts were earned from the 100,000 first class and sleeping car passengers in FY 1971. In view of the long distances travelled and the very slow speeds achieved in practice, a substantial diversion of this business to air transport can be expected once adequate services are available (para. 79). Air fares, in addition to transit times, may well be competitive with rail if the cost of meals etc. is taken into account on the longer journeys. Bearing in mind the steady growth in the total passenger business during the last ten years, the Government's forecast of continued increases by about 3.5% p.a. to 1975 seems reasonable, in spite of possible diversions to the air services.

#### Railway Facilities and Operations

The main line between Port Sudan and Khartoum has recently been relaid with 90 lb. rail on timber sleepers (under Loan 440-SU). The other principal lines have 75 lb. rail in reasonable condition, also on timber sleepers, while the remaining lines have 50 lb. rail on steel sleepers. The earth and sand ballasts used are sufficient in view of the relatively low operating speeds. In general track standards are adequate, though improved techniques to increase the life of track material (by better timber sleeper impregnation, for example) should be investigated for local application.

Neither the railway's track nor its signalling equipment give rise to problems of track capacity. Even on the first 200-km section from Port Sudan, where freight traffic density is the highest on the system, and where trailing loads are limited to 1,200 tons (from the normal 1,500 tons) because of the grade,



the mission considers that the number of train movements could be increased by about 50% with existing facilities. Additional crossing loops are at present unnecessary, but could be installed without difficulty if further line capacity is eventually required, while the length and weight of trains could be increased simply by double-heading or employing more powerful locomotives.

In spite of operating well below potential line capacity on all its routes, substantial delays and late running are an everyday feature of the railway's operations. The working timetable bears only remote relationship to actual working, with the direct result that the effective capacity of the track is reduced, and with the indirect consequence that the poorer utilization of locomotives, rolling stock and train crews limits their effective capacity as well.

The reasons for this situation are numerous and complex. An important factor could well be the acceptance of delays by railway staff as an inevitable operating fact, particularly after a period when morale has probably eroded as fast as their real wages and salaries. The railway's recent annual reports, in recording the proportion of trains arriving on time as varying between 3% and 7%, regularly refer to the effects of engine failures, engineering works, sandstorms and heavy rains. In addition the mission feels that a serious handicap is the lack of adequate telecommunications, and a system of train control that appears to record events rather than to have a prompt influence upon them. It is true that the railway has to cope with washouts after rainstorms and line blockages or delays due to sandstorms, but these cannot be blamed for the daily experience of late running. In some sections sand blowing across the track and blocking points is a daily problem, but hardly an insurmountable one.

28. Delays in traffic are a primary cause of the poor diesel locomotive utilization, which fell from 85,000 train-km per available main line diesel in FY 1964 to under 70,000 train-km in FY 1971. The railway management points out that, with only 57 diesel units available in the earlier year, compared with 79 in 1971, they were allocated to work offering the best opportunities for good utilization, leaving steam to work the poorer diagrams; but given the long distances worked by the railway, an average figure of 85,000 train km a year should by no means be regarded as an impractical target.

29. The utilization of the 103 main-line diesels (which account for only half of the main-line locomotives, but for 80% of the train-km) is also impaired by their low level of availability. This is currently down to about 70% of the total fleet due, partly to a shortage of spare parts, and to continuing difficulty with the cooling system of the fifteen Cockerill-Ougree locomotives. With spares now arriving, SR believes that availability of the diesel fleet will soon be up to 75% (or to 88% if the Cockerill-Ougree locomotives are excluded). If a satisfactory improvement is not achieved, then in view of the critical need for making better use of the existing fleet, the mission recommends that SR should seek technical assistance for its diesel maintenance.

3. A new cooling system fitted to three of the Cockerill-Ougree locomotives is proving reasonably satisfactory; hence SR is planning to convert six more, but this cannot be completed before about April 1973. Since this costs about Ls 10,000 a unit, which is low in relation to the price of a new locomotive, there is probably a good case for converting all fifteen units even if they are limited to secondary duties in the longer term.



The fleet of over 5,000 freight wagons (excluding service vehicles) includes 600 tank wagons, and about 550 reserved for non-revenue earning duties. The average wagon loading of over 20 tons is quite high, but with an empty wagon proportion of only 27%, the average turnaround time of 10.5 days (over the last three years) is disappointing, particularly at a time when there is an unmistakable shortage of wagon capacity. Given this shortage, empty wagon movements may well be less than necessary to ensure prompt service, while the good wagon loading may only emphasize that shippers load as heavily as possible when wagons are in short supply.

In identifying remedies for the wagon shortage, which will tend to worsen if the forecasts of potential traffic demands are borne out, the first emphasis should be given to increasing the availability of motive power and improving the utilization of locomotives in traffic, to avoid the current situation where wagons are standing empty or under load awaiting motive power.

The next essential is for an effective means of wagon control, and here again there is need for a better communications system. The mission believes that the Government committee, set up in the 1970/71 season to allocate wagons to traffic in an attempt to avoid the previous season's shortages, was bound to prove unsuccessful, because it was too far removed from actual operations. It seems essential that SR should remain responsible for day-to-day wagon allocation, with the Government setting priorities, if necessary, on a longer-term basis.

SR owns about 390 passenger coaches, and about 50 dining and luggage coaches; in addition there are 200 service coaches and saloons provided principally for the use of railway staff. Some of these vehicles are undoubtedly justified by the needs of operations and railway management, but apart from the costs of providing and maintaining this fleet, their use of train capacity, at a time when motive power is in such short supply, is a matter calling for close attention.

The railway workshops at Atbara cover a wide range of activities, including body construction for passenger and freight cars, and the manufacture of some 90% of all components required for maintaining the steam locomotive fleet. The variety and sophistication of skills shown by the workshops' staff is impressive, and should be of considerable value in other employment when the steam locomotives are phased out, together with much of the railway's need for these technical aptitudes.

#### Management and Staff

SR's management staff give an impression of considerable technical competence as individuals, but there appears to be need for more purposeful and coordinated planning based on a broader overall view. One reason may well be the management organization itself, which at middle levels seems somewhat diffuse, without clear lines of authority.

The mission believes that the management structure and staff positions should be reviewed and strengthened, with reference especially to direction and planning. It is understood that steps in this direction are already being taken, and that technical assistance in this respect would be welcomed.



The strong criticism of the railway from Government agencies and the public in general (paras. 4 to 9) is accentuated by the lack of adequate communication between the railway and its customers. Local officers say they have no authority to discuss or follow up customer complaints or problems, but must refer them to headquarters, which is isolated at Atbara, 300 km from Khartoum and far from the railway's main customers. The mission was informed of the Government intention to relocate the railway's headquarters in Khartoum, and to examine the scope for system-wide delegation of customer relations and other functions.

The number of SR staff (railway operations only), which has been rising steadily for some years, has now reached 30,000. This is more than 10% higher than in FY 1964, when a similar level of traffic was carried. It is understood that in the past the Government has insisted on the railway's retention of casual labor as permanent staff, even after they were no longer required. The intention is to reduce the number by about 1,000 a year through normal attrition, until a level of about 25,000 is achieved. The retirement age is now 50 to 55 and should not be lowered further to achieve a faster loss of staff; on the contrary, the railway can ill afford to lose its best personnel between those ages, particularly in the management grades.

There are training schools for new entrants and lower grade staff, while graduates from technical schools are given training as charge hands in the workshops, and SR's engineers, of university graduate standard, are given three or four years' training, about half of it overseas. Training for lower grades at departmental level is uncoordinated, and it is also insufficient for staff advancing through the organization, particularly for junior and senior supervisory duties. An I.L.O. expert who recently reviewed the facilities has suggested their reorganization; a new central training school is envisaged. The mission considers this important, and recommends provision for technical assistance and facilities in the investment plan.

#### The Railway's Investment Plan

The Five Year Plan ending in FY 1975 includes Ls 14 million investment expenditure for the railway. The mission believes that to meet forecast traffic demands this sum might well have to be raised to Ls 24 million (Table 3), but recognizes that expenditure of this order may well be impractical during the Plan period. Among the reasons for the increase, the most important is the mission's proposal to strengthen SR's motive power fleet. The first essential is to improve the availability and utilization of existing locomotives, but it is calculated that even after making reasonable assumptions about improved efficiency, another fifteen diesel electric locomotives (2,100 hp) are required to provide a more adequate service for existing traffic and to meet projected traffic volumes. It is also recommended that some ten new diesel shunters should be added to the existing fleet of 59 to continue the progressive reduction in steam traction.



If traffic and other estimates are accurate, these additions would still require retention of some 50 existing steam locomotives for main line and shunting operations. The mission would like to see complete elimination of steam traction as soon as possible, not only to gain the full benefits of more economical diesel traction, but because a combination of steam and diesel locomotives considerably increases the difficulties of efficient and low-cost maintenance. However, in view of the general shortage of investment funds at this time, and the possibility that the traffic forecasts may prove to be over-optimistic, it seems prudent to plan for full dieselization by stages, retaining some steam traction for use or storage as traffic requires.

The Plan provides for about 1,400 new freight wagons, but having regard to the traffic forecasts, and after allowing for improved wagon turnaround times, the mission estimates that replacement of some 800 wagons more than 40 years old, and the addition of a further 900 units (1,700 in total), is likely to be justified. As with the locomotives, this estimate is deliberately on the low side, and if the forecast of traffic demand is fully realized it is expected that some of the older units will have to be retained beyond the Plan period. The estimate includes 100 new 40-ton tank wagons, at a total cost of about Ls 600,000. If a pipeline is constructed between Port Sudan and Khartoum (paras. 11 and 12) none of these would be needed after it comes into operation, but some at least would be required to meet increased traffic demands in the interim years. Since their effective life would be very short, the pipeline investigation should include a careful estimate of the minimum wagon needs for this interim period.

Also included in the Plan are 200 new passenger coaches, and provision for rebuilding some existing passenger stock. Accepting that some 80 coaches over 50 years old will need replacement, the balance of 120 new units, representing a 30% increase in the fleet, seems too high in relation to the expected increase in traffic; a total acquisition of 120 units should be adequate.

Among other items in the Plan, the mission recommends increased expenditure on telecommunications. The allocation for track renewals also seems unduly low. On the other hand some economy might be sought in the proposed expenditure on service vehicles, by making use of the older units due for replacement if necessary.



## INDUSTRIAL BANK OF SUDAN

IBS was established in 1961 to finance private industrial enterprises in the Sudan, but its role so far has been modest. Since 1967 the volume of its operations has suffered from the uncertainty which surrounded the private sector and, more recently, from a persisting shortage of resources.

The volume of IBS' operations is likely to increase. The climate for the private sector has improved considerably and IBS will probably be empowered to finance also public sector projects. IBS' pipeline of applications would allow it to increase operations substantially once additional resources become available.

IBS' loan portfolio has an extremely high percentage of arrears and its only equity investment is unlikely to yield any dividends in the near future. While likely losses and write-downs are difficult to estimate, they will probably exceed substantially present provisions. IBS needs to make a realistic evaluation of its portfolio and, on that basis, make appropriate provisions now. Alternatively, the Bank of Sudan should guarantee unconditionally IBS' existing loan portfolio. The recent establishment of a follow-up department should improve IBS' collections in the future.

IBS' charter and operational policies are being amended mainly to accommodate public sector financing. While some improvements could be suggested, the documents are generally satisfactory.

During 10 years of operations IBS has built up a well trained and experienced staff, somewhat large however, in relation to the present level of operations. Project appraisals are satisfactory from a financial and technical viewpoint but are weak in economic analysis.

IBS' financial record is poor. IBS has been profitable since 1969, but profits have been small, not sufficient to compensate for earlier losses or to allow a build-up of adequate provisions. The financial position is adversely affected by the bad condition of the portfolio and absence of sufficient provisions and/or reserves. IBS' last audit was superficial and satisfactory audits must be ensured in the future.

With renewed activity in the private sector and the prospect of financing some public industrial enterprises IBS has an important potential role. The major obstacle to IBS' growth is its shortage of foreign resources. IBS needs between US \$2 and 3 million in foreign resources to cover commitments in 1973 and 1974.



INDUSTRIAL BANK OF SUDAN

Exchange rate: £s 1 = US\$ 2.5

BASIC DATA

Date of Establishment: November 1961

Ownership: Paid-in share capital £s 2,500,000 wholly owned by the Bank of Sudan (Central Bank)

<u>Resource position</u> (as of Dec. 31, 1971)	<u>(£s 000)</u>
Equity	2,383
Provisions	100
Provident Fund	30
US AID Loan	61
	<hr/>
Total resources	2,574
Outstanding portfolio	2,131
Undisbursed commitments	408
Net fixed assets	45
	<hr/>
Total commitments	2,584
Resource gap	<u>10</u>

Net Approvals of loans and guarantees (£s 000)

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Loans	196	243	16	310	303
Guarantees	91	53	18	270	445
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>287</u>	<u>296</u>	<u>34</u>	<u>588</u>	<u>748</u>

Earnings Record (£s 000)

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Net income after provisions <sup>1/</sup>	(1.0)	(3.7)	.6	6.0	23.7
Net income after provisions as percentage of average share capital <sup>1/</sup>	(neg.)	(neg.)	0.0	0.3	1.0

<sup>1/</sup> in 1971 provisions were made equal to accrued interest on past overdue interest payments. In other years no provisions were made.



Financial Position (as of Dec. 31, 1971)

Debt-equity ratio	.05:1
Provisions to loan and equity portfolio	4.5%

Interest rates and other charges

Interest rate on medium term Loans (2-6 years)	8 $\frac{1}{2}$ %
Interest rate on long term Loans (6-15 years)	9 $\frac{1}{2}$ %
Commitment charges	1 $\frac{1}{2}$ %
Guarantee fee	2%



## THE MECHANIZED FARMING CORPORATION (MFC)

MFC was established as a quasi-Government corporation by the Mechanized Farming Corporation Act, 1968, with the objects of preparation of land for mechanized farming in the rain lands; survey and demarcation of farms on the basis of sound land use principles; grant of necessary loans on criteria decided by the Corporation and direction of tenants towards adopting proper agricultural techniques, production and marketing

The MFC is responsible through the Managing Director, to the Minister of Agriculture. Its revenues may be grants, budgetary appropriations or loans and it may open banking accounts and establish such reserve and sinking funds as the Board may consider appropriate. The annual budget of the MFC must be approved by the Minister and audited accounts must be submitted within three months of the financial year.

Since its establishment in 1968 the MFC has taken over from the Ministry of Agriculture the responsibility for mechanized farming projects in rainfed areas throughout the Sudan. Government allots land to MFC for clearing and allocation to farmers and sets conditions for farmer selection. These are, in particular, previous agricultural experience, ability to provide funds including working capital, fitness, character and creditworthiness. Provided enough local applicants are available and acceptable, 60 percent of the land is to be allotted to local inhabitants and cooperative societies are to be encouraged. A tenant is not supposed to work more than one farm, though intra-family arrangements often make this possible.

In 1969 the Government suspended the Board of the MFC along with the Boards of all other quasi-Government organizations, and MFC was run directly by the Ministry. As more effective autonomy for MFC was considered essential, re-constitution of the Board was made a pre-condition of our going ahead with the Second Mechanized Farming Project. Accordingly, Government recently re-established the MFC Board as envisaged in the original Act. While progress in the field has been good with the mechanized farming projects so far, organizational and operational problems in the MFC at headquarters continue to exist and will need special attention during further project administration.

Eastern Africa, Programs I  
October 25, 1972







## THE ECONOMIC DEVELOPMENT AND PROSPECTS OF THE SUDAN

### SUMMARY AND CONCLUSIONS

(i) The Sudan is the largest country in Africa but, with a per capita GNP of only \$110, it is also among the continent's poorest. While much of the Sudan is desert or semi-desert, there is a substantial margin of land which is suitable both for agriculture and livestock raising. The White Nile and the Blue Nile have endowed the country with an abundance of water which has enabled it to develop the biggest irrigation system in tropical Africa. With an estimated population of only 15.8 million, there is no pressure of population on land; indeed, in some parts of the Sudan, a shortage of labor has limited the expansion of agricultural production. Therefore, some of the agricultural programs - particularly those in the rainfed areas - have to be based on mechanization.

(ii) The Sudanese economy is based largely on cotton. It is an important producer of long and extra-long staple cotton, and also of gum, sesame and groundnuts. Its considerable livestock 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 some building materials. There is some potential for mining (chrome, iron ore and copper). There have been some exports of chrome ore and the feasibility of developing the iron and copper deposits needs to be thoroughly investigated. The inadequacy of transport could prove to be the biggest bottleneck in the development of the mining sector.

(iii) The deficiency of the transportation system is among the major problems facing the Sudan. The railway is virtually the only mode of transport. While it has played, and continues to play, a very important role, it is becoming increasingly evident that the railway will be unable to meet the growing traffic, except through further modernization and a significant improvement in operating efficiency. There is a growing reluctance to accept the railway's monopoly of the transport system, and the speedy development of other modes of transport - in particular roads and an oil pipeline - is being suggested. However, the railway represents one of the biggest investments in the country and, while there is a justification for investment in complementary facilities, e.g. feeder roads and storage, investment in other modes of transportation should be undertaken only after a careful evaluation of its economic justification. This applies, in particular, to the stretch of the Khartoum-Port Sudan road between Gedaref and Port Sudan.

(iv) The public sector has for a long time been dominant in the Sudanese economy. It embraces all modern irrigated agriculture, the railways, virtually all power and water supply. After the nationalization measures



of May 1970, a significant proportion of industry, commerce and finance was also transferred to the public sector, so that an estimated 50 percent of the GDP is now generated within the sector.

(v) Since its independence in 1956, the economic development of the Sudan has been adversely affected by political instability, frequent changes in government and government policy, and the consequent failure to order priorities and pursue consistent development goals. During this period, the government has had to cope with a difficult security problem in the southern part of the country, which has diverted resources to military tasks, thereby holding back economic development in some critical areas.

(vi) During the past five years, the economy has shown little growth. This is primarily due to the depressed level of investment, both public and private. In addition to the low growth rate, the economy has suffered from excessive monetary expansion to cover the public sector deficits. While the Government has been successful in achieving a high rate of growth of revenue, the rise in recurrent expenditure has absorbed most of it, and development expenditure has decreased. Prices have risen steadily, and the external position has been under pressure owing to the rapid growth of imports and progressive decline in net capital inflow. While there has been some growth of cotton exports, there has been a stagnation in the export of gum arabic, sesame and groundnuts. Sudan's foreign assets were substantially depleted by 1968 and net foreign assets are now negative. In 1970/72, there was a net outflow of public capital.

(vii) A new development Plan covering the period 1970/71-1974/75 was launched in July 1970. The Plan aims at an average annual rate of growth of GDP of 7.6 percent, based on a total investment of Ls 427 million. Public sector investment is estimated at Ls 257 million, to be financed about equally by foreign and domestic sources. The Plan has been in operation only for a year, and hence there can only be a limited assessment of performance. During the first year of the Plan, investment in the public sector (Ls 27 million) was below target, and there are indications that no significant improvement will take place in the second year either. The principal factors causing a slowdown in investment are a shortage of resources and inadequacies in the preparation of projects.

(viii) It is the mission's view that the present economic stagnation could be overcome if the government were to take appropriate steps to curtail expenditure, increase revenues and export earnings and reactivate the private sector. The resolution of the security problem in the south should help in reducing the strong military presence in that part of the country, and thereby release considerable resources for economic development.

(ix) The mission estimates that during the rest of the Plan period i.e., 1972/73-1974/75, total investment could amount to about Ls 200-220 million, divided about equally between the public and private sectors.



Including investment in the first two years, total public sector investment during the whole Plan may then amount to Ls 150-170 million, or somewhat under two-thirds of the Plan target for this sector. The mission endorses the high priority given to the agricultural sector, but it would give relatively greater emphasis to transport and somewhat less to industry, by comparison with the Plan.

(x) If the public sector is to carry out an investment program amounting to Ls 100-120 million, and if external assistance is to cover about 50 percent of this amount, public savings of about Ls 50-60 million have to be generated over the next three years. This would clearly require a ceiling on recurrent expenditures in each of the three years.

(xi) The scale of investment considered feasible in the public sector takes into account the prevailing financial and administrative constraints. If total investment amounting to Ls 200-220 is to be realized, the role of the private sector would be critical. This would, in turn, require that the government clarify the respective roles of foreign and local private enterprise, and create a suitable environment, including the early settlement of claims arising from the nationalization measures of 1970. The mission recommends that public sector investment be directed largely to agriculture and transport, leaving most investment in new industries to the private sector.

(xii) The mission's assessment of the export potential shows that exports could grow at the rate of 3.5 percent a year. Imports are expected to grow at the rate of 3.2 percent a year, with capital goods accounting for the major proportion of the increase. During the last three years of the Plan, it is estimated that the cumulative deficit on the merchandise account would amount to about Ls 50 million. The deficit on the services account is estimated at Ls 33 million. If amortization amounting to Ls 45 million and a desirable increase in reserves of Ls 22 million are added to the deficit in the current account, a total gross inflow of capital amounting to Ls 150 million would be required.

(xiii) At the end of June 1972 external assistance amounting to Ls 108 million was available from existing commitments for the public sector program. During the rest of the Plan, this could result in disbursements amounting to Ls 45 million. On the assumption that the Sudan's external aid requirements during the balance of the Plan amount to Ls 50-60 million, further commitments would have to be arranged to ensure additional disbursements of Ls 5-15 million during the Plan. Further, it is desirable that commitments be also secured in order to have a firm basis for disbursements in the initial years of the next Plan. A very approximate estimate of total new commitments required for both these purposes is in the order of about Ls 70-80 million. This does not include the aid requirements, which are still to be determined, for the reconstruction and development of the Southern Region.



(xiv) At the end of 1970, the Sudan's external public debt amounted to \$378.5 million equivalent and debt service payments in 1970 amounted to 10.5 percent of export earnings. The mission estimates that by 1975 the debt service ratio may be about 15 percent. This figure could be higher, however, depending on the terms upon which some of the very recent debt has been contracted (on which complete information is not yet available) and also on the terms for the payment of compensation in respect of nationalized enterprises, which have not yet been negotiated.

(xv) The Sudan's capacity to service additional debt is severely limited by its balance of payments situation, which is likely to be strained for some time. Hence, it is desirable that external assistance be provided almost entirely on concessional terms. The government should exercise particular caution in incurring new debts with short maturities and carrying high interest.



## I. SOCIO-ECONOMIC FRAMEWORK

### Introduction

1. The Sudan is the largest country in Africa. It covers an area of 2.5 million sq. km lying between latitude 4° and latitude 22° north. It is bordered by eight countries, and has a coastline extending over some 750 km on the Red Sea. A large part of the Sudan is desert, semi-desert or low rainfall savannah woodland. The northern region of the country has little rainfall to support agriculture, but in the central region (Kassala, Blue Nile and Kordofan Provinces), there is considerable scope for rainfed cultivation. The three southern provinces - Bahr el Ghazal, Upper Nile and Equatoria - receive about 40 inches of rainfall a year; but transportation problems and political unrest have prevented the utilization of their considerable potential. Most of the country is flat, but there are a few mountains; two of them - the Marra range in the far west and the Imatong mountains in the far south - rise to over 3,000 meters above sea level.

2. The scant rainfall in most parts of the Sudan is compensated by the White Nile and the Blue Nile rivers. The White Nile, which originates in Uganda, flows through the entire length of the Sudan before reaching Egypt. The Blue Nile originates in Ethiopia and joins the White Nile in Khartoum, the capital. The area lying between the two Niles - the "triangle" - is one of the most productive areas of the country and has undergone systematic development over the past few decades, particularly in the field of irrigated crop production.

### Population

3. The last census of population in the Sudan was held in 1955/56 and showed a population of 10.3 million. A census had been planned for 1970, but was not held owing to unsettled political conditions; there is some possibility that one will be held in 1972. A crude growth rate of 2.8 percent was used to measure changes in population since the 1955/56 census, on the basis of which the population in mid-1969 was estimated to be 14.9 million. A lower growth rate of 2.5 percent a year has been used since 1967/68 and, on this basis, the population in mid-1971 was about 15.8 million.

4. About one-half of the population is concentrated in three provinces - Blue Nile, Kordofan and Darfur - which account for about 40 percent of the country's area. The largest concentration is in the Blue Nile Province (which includes the "triangle") with an estimated density of 22.5 persons per sq. km as compared with the national average of about 6.3 persons per sq. km.

5. On the basis of the age distribution revealed by the 1955/56 census, it is estimated that about 47 percent of the population is 14 years old or under. The economically productive population (ages 15-59) amounted in mid-1971 to an estimated 7.4 million out of a total population of 15.7 million.



6. The Sudan's economy is predominantly agricultural and the overwhelming majority of the population lives in the rural areas. The urban population comprises about 11 percent of the total. More than half of the urban population is in the Khartoum metropolitan area which includes Khartoum, Khartoum North and the old city of Omdurman.

#### Land Utilization

7. Out of the Sudan's total area of nearly 2.5 million square km (about 598 million feddans), it is estimated that only about 200 million feddans or a little over a third of the land is potentially usable, of which some 80 million feddans represent range land. Consequently, the total potentially cultivable area amounts to 120 million feddans. About 16 million feddans are presently under crops, and hence there is considerable scope for expanding production, both through an extension of rainfed cultivation and further irrigation. Land which is suitable for livestock raising has not been utilized in a systematic manner, principally because livestock is very much within the subsistence sector and very little commercial development has taken place.

#### Irrigation

8. During the past five or six decades, the economic development of the Sudan has been influenced more by the expansion of production under irrigation than any other factor. The total irrigated area is a little under four million feddans, including irrigation by gravity, flood and lift. Traditional water-lifting devices such as the water wheel and the counterbalanced dipper have been used for a very long time but, over the years, the use of mechanically driven pumps increased considerably; the area irrigated by pumps exceeds one million feddans. There are over 2,000 plots irrigated by pumps under government license. Until 1969, these pump schemes were under private ownership, but the Government has since taken over 250 schemes devoted to cotton, mostly after the expiration of the licences, and, in some cases, when leases were surrendered. The two biggest pump schemes are the Guneid Project (about 45,000 feddans) and the Es Sukki Project (90,000 feddans). Flood irrigation accounts, on the average, for about 150,000 feddans or irrigated area each year. The biggest of the irrigation projects are based on gravity and in an average year, close to two million acres are irrigated by gravity. The best known of these is the Gezira Scheme on the Blue Nile which, since its inception in 1925, has been steadily expanded. The Gezira changed a way of living which had prevailed for centuries, and laid the foundation for Sudan's entry into the modern world. The second biggest gravity irrigation project is the Kashm El Girba scheme (400,000 feddans), for which water is provided from a dam across the Atbara river.



### Transportation

9. With an area of 2.5 million sq. km, the Sudan is highly dependent on its railway. Sudan Railways have a total route km of about 4,750, all of which is an unballasted, single-track railway. The railway was originally built for administrative purposes and for opening the country, but has performed a very valuable economic function by carrying the country's steadily rising imports and exports. Its southern and western extensions to Wau and Nyala have generally not yet proved economic <sup>1/</sup>, but the railway provides the only dependable link to remote parts of the country. However, under the pressure of growing traffic and the inadequate utilization of the present stock of locomotives and rolling stock, the railway's capacity is becoming severely strained. The road system is virtually non-existent, there being only a total of 330 km of bitumenized roads and some stretches within municipal limits. The fact that some traffic does move by road reflects not so much the suitability of roads but the considerable difficulty in getting wagon space on the railway. River transport could play a more important role than at present but, on the principal southern route will largely depend on the restoration of economic activity in the southern part of the country.

10. There is a growing pressure within the Sudan to develop alternative modes of transportation to break the present bottleneck and to ensure sufficient complementarity between the production and transportation sections; these issues are discussed in Annex III of the report. What is all too clear is that the development of transport has fallen behind, which is not only hampering the realization of the Sudan's great potential, but perpetuating the uneven development of the different regions and imposing considerable sacrifices on consumers and producers. There is urgent need for a review of the priorities of the transportation system and for a phased program of investment to eliminate longstanding problems.

### Manpower

11. As compared with most other countries in Africa, the Sudan has a far lesser problem with regard to the availability of high-level manpower. This is attributable in part to the fact that the educational system has evolved over a longer period. One of the features of the system is that, although the number of children in elementary and secondary schools is still small in relation to their total age group, universities and other institutions of higher learning cater for relatively larger numbers. University education in the Sudan is of much longer standing than in most countries at a comparable level of economic development, and enrollment in universities and other institutions of higher learning has increased rapidly. In 1968/69, for example, it amounted to about 11,000 or about

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<sup>1/</sup> The situation could improve if there is a restoration of economic activity in the area, for which prospects have now improved, following the resolution of the difficult "southern Problem" (see paragraphs 14-16).



twice as high as the combined enrollment in comparable institutions in Kenya, Tanzania and Uganda. Higher education is provided in a number of disciplines, so that in some of these fields, e.g., irrigation and agriculture, the availability of manpower poses few problems.

12. On the other hand, there has been a growing problem in absorbing some of the output of the educational system, particularly university graduates with general arts degrees. Although the Government has in the past hired all university graduates as a matter of course, this procedure clearly entails considerable wastage. Moreover, it detracts from the need to proceed with the proper planning of the educational system so as to make it more responsive to the requirements of economic development.

13. The last report on manpower resources and requirements in the Sudan was prepared in 1967. Some of the underlying assumptions of the report have been overtaken by events, and hence there is a need for a new comprehensive survey to serve as the basis for a manpower plan. In the absence of such a plan, there will continue to be a paradoxical situation characterized on the one hand, by an abundance of educated people and, on the other, by an acute shortage of staff with training and skills which are directly relevant to economic development.

#### The "Southern" Problem

14. One of the most critical problems which confronted the Sudan since its independence in 1956 was a rebellion in the southern provinces of Bahr El Ghazal, Equatoria and Upper Nile. The origin of the rebellion lies partly in the cultural and religious differences that separate the largely arabised, Muslim north from the Nilotic people of the south, of whom the majority are believed to be pagans, followed by Christians as the largest religious group and small numbers of Muslims. Before the Sudan became independent, the southern provinces lacked any close identification with the north, and official policy was not geared to promoting the integration of the two parts of the country. The suspicion and misunderstandings of the pre-independence period continued after 1956, and, before long, a secessionist movement emerged in the south. An attempt by the Government to find a military solution to these events simply aggravated the problem, and a number of splinter groups emerged, some of which began to engage in guerilla-type activity against the government forces. Many lives were lost, thousands of people took refuge in the neighboring countries and economic activity in the south came to a virtual standstill. A few feeble attempts were made to resolve the problem through negotiations, but not with much success. The unsettled conditions in the south necessitated a large military presence, with increasing expenditures on the armed forces, and the consequent diversion of resources from economic development. The failure to find a solution to this problem proved an embarrassment to the Government.



15. After President Nimeiry came into power in 1969, there was a renewed attempt to resolve the problem, but progress was slow. Following the events of July 1971, when an unsuccessful attempt was made to overthrow the Government, President Nimeiry assumed personal responsibility for dealing with the southern problem. As an initial step in gaining the confidence of the south, a southerner was appointed Vice-President and three southerners were appointed as Commissioners of the three southern provinces. President Nimeiry visited all parts in the south in an attempt to find a basis for reconciliation. He also initiated much behind-the-scenes activity, including secret negotiations with rebel groups, and it was announced in March 1972 that a solution had been agreed and that a cease-fire would follow. A cease-fire has since gone into effect and details of the new arrangements have been announced. They provide for a large measure of autonomy for the Southern Regional Government which would have its own legislature and governor. The Government in Khartoum would be responsible for defense, foreign affairs, customs, currency and economic planning whereas the south would exercise considerable discretion on all other matters. The implementation of the new arrangements is still in a preliminary stage.

*congratulate  
Bank for  
2/3  
leadership  
toward  
reconciliation*

16. The announcement of a solution to the southern question represents by far the most significant event in the Sudan for many years. During this entire troubled period there has been little or no economic development in the south and its potential has remained untapped. Plans for the economic development of the south have been conceived since before Sudan's independence, but not much has been achieved, the sole exception being the Zande Scheme. It is known that the soils and climate of the south will enable it to produce many commodities which currently the Sudan imports, e.g., coffee, tea and tobacco. The south also has rich timber resources and a great potential for livestock. It should be possible to establish a complementary relation between the north and the south, thereby laying the basis for the latter's development. It should be noted, however, that, when the Bank's economic mission visited the Sudan at the end of 1971, conditions in the south were still unsettled, and this precluded any meaningful review of the problems and potential of this part of the country. The present report is, therefore, largely concerned with northern Sudan. However, the Bank is keeping abreast of developments in the Southern Region since the conclusion of the agreement, and it is proposed to carry out a separate review of its development prospects, to supplement the findings of the present report.

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## EXTERNAL ASSISTANCE, DEBT SERVICE AND FOREIGN EXCHANGE RESERVES

Disbursements of external assistance in the five year period 1966-1970 amounted to US\$ 203.3 million (as shown in the table below) compared with development expenditures of about US\$ 400 during that period. The ratio of external financing was thus about 50 percent. The breakdown of external aid shows that the Bank Group and the Arab bilateral sources accounted for over one half of the gross inflow. Political events such as severing diplomatic relations with West Germany in 1965, and with the U.K. and U.S.A. in 1967, led to a decline in assistance from Western sources.

### Disbursement of External Aid

	<u>Amount</u> (US\$ million)	<u>Percent</u>
<u>Multilateral organizations</u>		
IBRD	54.6	26.8
IDA	3.6	1.8
<u>Bilateral Sources</u>		
Western	39.1	19.2
Eastern	9.2	4.5
Arab	54.0	26.6
<u>Private banks</u>	42.8	21.1
	<u>203.3</u>	<u>100.0</u>

A further decline in the levels of assistance from Western bilateral sources and international organizations since 1969 and ideological considerations following the May 1969 revolution made the Sudan turn to the USSR and other Eastern Bloc countries for aid. When this did not materialize, a sense of frustration and dissatisfaction with aid from the USSR and Eastern Bloc countries developed. Even before the abortive Communist coup of July 1971, the Sudan had made some approaches to its traditional Western and multilateral aid donors. It was not until the abortive coup of July 1971, however, that the Sudan felt free to reshape its foreign and economic policy. Diplomatic relations with West Germany and the U.S.A. were restored. The Republic of China has emerged since 1970 as an important donor by extending two credits amounting to US\$80 millions on soft terms. Part of the first credit is being used to construct the road from Wad Medani to Gedaref. In April 1971, following a visit of President Ceausescu to Khartoum, a loan of £28 million (US\$73 million) on medium terms was signed with Rumania. Finally, President Nimeiry's efforts to make the oil rich Arab Gulf states interested in the development of the Sudan have added to the list of potential donors.

While the new foreign policy of the Sudan and the settlement of the Southern problem have improved the prospect of larger aid flows, particularly from Western and Arab sources, the delay in finalizing of compensation payments in respect of properties nationalized in 1970 could limit such an inflow,



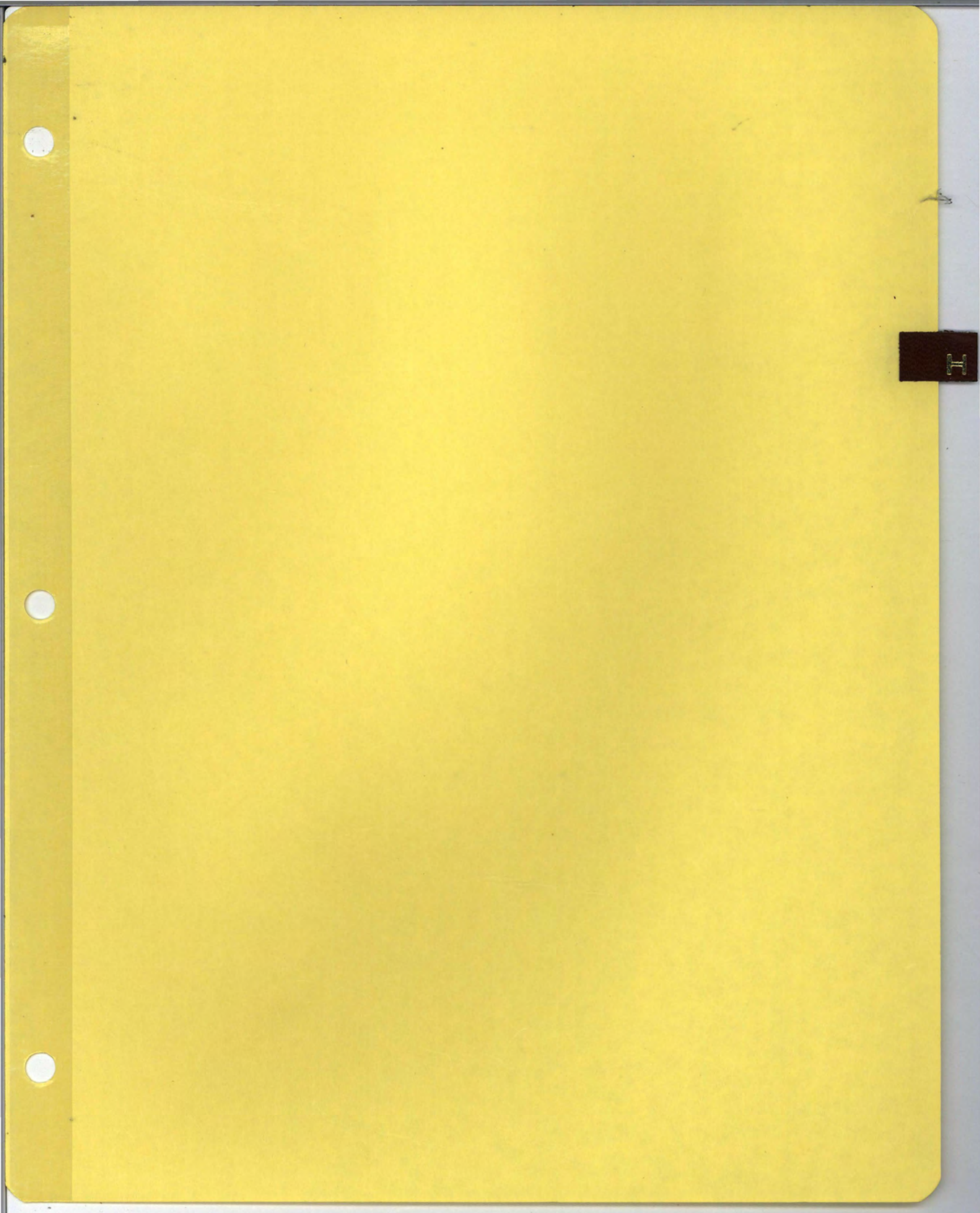
particularly from the U.K. Evidence of a serious desire to settle outstanding claims is provided by recent agreements with the French Credit Lyonnais, and the Ethiopian Commercial Bank. While a settlement of the compensation issue would encourage a larger inflow from bilateral sources, compensation payments will also increase Sudan's repayments. This would imply that gross inflows would have to be substantial in order to produce a net inflow of capital.

At the end of 1970, the Sudan's total disbursed public external debt amounted to US\$283.9 million. The debt service ratio in FY71 was 10.5 percent. While the debts contracted between 1964 and 1970 had an average interest rate of 3.9 percent, an average grace period of 4.3 years and an average maturity of 17.7 years, these relatively soft terms may be changed somewhat by the Government's accumulation of short term debts and suppliers' credits in 1971, which are not included in the calculations. The recent economic mission estimated that exports could not grow by more than 3.5 percent per year. To sustain growth the Sudan will have to import large amounts of capital. Unless a substantial part of this is provided on soft terms, the debt service ratio is likely to rise over the next decade.

#### Foreign Exchange Reserves

The Sudan's gross reserves of convertible foreign exchange which stood at a record level of \$175 million in 1961 have since been falling continuously and amounted to only \$31 million in July 1972, or the equivalent of about one month's imports. The deterioration in reserves resulted from increasing dependence of the Government and the public sector on the banking system to finance their operations.







2405  
OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Michael L. Lejeune

SUBJECT: SUDAN - Rahad Irrigation Project

DATE: November 1, 1972

~~CONFIDENTIAL~~ **DECLASSIFIED**

APR 05 2013

WBG ARCHIVES

1/3  
There is already in the brief prepared for you a description of the status of our efforts to form a syndicate to finance the Rahad Project. As you will remember, we are looking for the difference between the \$25 million of IDA money that we have told the Sudanese we are ready to recommend to the Executive Directors and the \$55 million odd of foreign exchange needed. While the Sudanese do not know it, we have already decided internally that we could go as high as \$30 million if necessary.

Since the preparation of the brief, I have talked once again to Sam Adams, Assistant Administrator of AID for Africa, and later, in his absence, to his deputy. While they continue to be cautious about making a commitment because they have not yet finished the process of dividing up the funds made available at the last minute by Congress and because before making any commitment they would still have to check with the Congressional Committees concerned (which means checking with the Committee staffs during adjournment), I get the clear impression that the United States will participate in the syndicate. The figure of \$10 million has been mentioned to me in confidence.

On my way to Khartoum I am visiting London and Bonn specifically for the purpose of inquiring further as to the prospects. I hope to make some progress with the British but frankly I doubt that we can get any kind of a commitment out of the Germans until after the elections, the formation of a new Government and a probable reorganization of responsibilities for German official aid. This will take us into January or February. John Malone is similarly making inquiries in Rome.

To get really started on the project during the current dry season requires awarding the contract for the pumps in January. To do this requires getting firm commitments for the full \$55 million (including our own IDA money) before Christmas. I am sure we can get the Kuwait Fund committed for about \$5 million, and I am reasonably confident of getting the American contribution. I am less confident of getting the British committed as soon as that, and I think it would be very difficult to get the Germans. The Italians, whose terms would be harder than anyone else's, are not a very attractive source.

To be in a position to award the pump contract in January requires at a minimum that we shall have by then completed negotiations with the Sudanese and the co-lenders and be ready to send the matter to the Executive Directors. To avoid losing a year I would like to try to do this. To have any chance of success probably requires your personal intervention with the British and the Germans. When I meet you in Khartoum I will be able to give you my latest estimate. I would like to suggest that meanwhile you might keep in mind that if as a result of your visit to the Sudan you conclude that we should press ahead with the Rahad, I would hope that you would be willing personally to urge the British and the Germans and (if they are not by then committed) the Americans to participate.



November 1, 1972

Should we be unable to raise the necessary \$25 to \$30 million from co-lenders, we shall have to consider whether to raise our own contribution above the \$30 million already sanctioned, either at the expense of other projects in the Sudan or by increasing the amounts contemplated in the approved lending program, which as it stands shows only the \$25 million figure for Rahad.

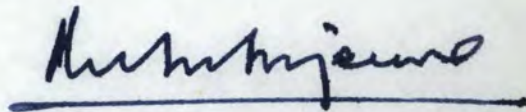
As you will see in the brief, we had previously assumed that the final stages of processing the Rahad Project would provide us with a good opportunity to obtain assurance from the Sudanese Government that it would adopt measures to improve financial performance, particularly increased generation of public savings.

The resolution of the long-standing conflict with the southern dissident elements, and the Addis Ababa Agreement which followed, have, however, imposed entirely new financial obligations on the Government which preclude any significant financial improvement in the period immediately ahead. It is, therefore, obviously unrealistic to base our decision to proceed with Rahad in January on any proven improvement in the budgetary field. For this we shall at best have to wait for the next Sudanese budget. All we could get at this juncture are statements of intention, which past experience shows are not reliable. Nevertheless, considering the economic importance of the project and even more the psychological importance of supporting it - and given that despite its overall problems the Government is capable of providing the domestic resources for the project - I recommend that we go forward provided we can line up the necessary external finance.

If we cannot raise the external finance on time, this year's season will be lost - which would be unfortunate - but we would then have more time to assess the impact of the South's needs on the budget and to estimate the prospects of the Government's being able to improve its savings effort. During the same period of assessment we could line up the co-lenders.

An issue you will wish to consider, therefore, is whether to work to a January/February deadline, knowing that no reliable commitments about improved financial performance can be achieved by then, or to work to a later deadline which would give more time to assess the impact of the South and the Government's future performance and obtain the other external finance without having to exercise unusual pressure. Vis-a-vis the Sudanese, we can preserve the option to follow either course by emphasizing that our financial help for the project is entirely contingent on forming the syndicate and that this is proving difficult to do in short order.

cc: Mr. Knapp  
Mr. Bell  
Mr. Malone  
Mr. Krishna



MLLejeune:neb



STATEMENT OF BANK LOANS AND IDA CREDITS (as at Sept. 30, 1972)

Credit No.	Year	Borrower	Purpose	(US\$ million)		
				Bank	IDA	Undisbursed
Loan 202	1958	Sudan	Railways	39.0		
Loan 258	1960	Sudan	Managil Irrigation	15.5		
Loan 284	1961	Sudan	Roseires Irrigation	19.5		
Credit 2	1961	Sudan	Roseires Irrigation		13.00	
Loan 440	1965	Sudan	Railways	31.0		
Loan 522	1968	Central Electricity and Water Corporation	Power	19.0		1.56
Credit 122	1968	Sudan	Education		8.50	8.20
Loan 556	1968	Sudan	Mechanized Farming	5.0		1.67
Credit 311	1972	Sudan	Mechanized Farming II		11.25	11.25
Credit 331	FY 1972	Sudan	Highway		7.00	7.00
Total - Less Cancellations - of which has been repaid to Bank and others				* 170m 129.0	39.75	29.68
				30.0	.10	
Total now outstanding				99.0	39.65	
Amount sold:						
of which has been repaid				5.7		
				5.7		
Total now held by Bank and IDA				99.0	39.65	
Total Undisbursed				3.23	26.45	29.68

STATEMENT OF IFC INVESTMENTS (as at Sept. 30, 1972)

Year	Obligor	Type of Business	(Amount in US\$ Million)		
			Loan	Equity	Total
1964 and 1972	Khartoum Spinning & Weaving Co.	Textiles	1.87	0.34	2.21
Total gross commitments					
Less cancellations, terminations, repay- ments and sales			1.61	0.07	1.68
Total commitments now held by IFC			0.26	0.27	0.53
Total Undisbursed			-	-	-



## EXISTING PROJECTS

The Bank and IDA have so far made six loans and four credits to the Sudan. Disbursements are either in progress or expected to commence shortly for five projects, brief particulars of which are as follows:-

### 1. Power Project (Loan 522-SU)

In January 1968 The Bank made a loan of \$24.0 million to the Central Electricity and Water Corporation (CEWC) for power development. The project comprises the superstructure of a powerhouse at Roseires Dam and the installation of three 30 MW generating units; a transmission system including a 200 KV transmission line of 483 KM from Roseires to Kilo X; a 110 KV line of 15 KW from Kilo X to Khartoum, and related sub-stations and switching station; a 15 MW gas turbine plant at Kilo X and management consultant services. As actual tendering showed a lower than estimated cost for transmission lines, the loan amount was reduced in 1970 to \$19 million at the borrower's request. The project is now physically completed but accounting and administrative inadequacies of CEWC continue to require special attention. A quick feasibility study by consultants on the next stage of power development in the Sudan has been financed from savings and the Closing Date of the loan has been postponed from December 31, 1972 to December 31, 1973.

### 2. Education Project (Credit 122-SU)

The \$8.5 million credit approved on June 24, 1968 was to help finance a project costing about \$15.4 million designed to meet the urgent needs of the Sudan's educational system - the training of more agricultural technicians, an upgrading of teaching standards in intermediate and secondary schools and the reorientation of secondary school education toward scientific and commercial training more suited to the country's manpower requirements. The project includes the construction and equipping of two new agricultural institutes at Abu Haraz and Abu Hugar, an expansion of the Higher Teacher Training Institute in Omdurman, a new Intermediate Teacher Training College in Omdurman and 13 new secondary schools. Changes in the original school sites, modifications to the general educational system and delays in commencing construction have resulted in very slow progress with this project. However, the Ministry of Education is now devoting more attention to the project and the rate of disbursements is expected to increase rapidly after the award of civil works contracts within the next few months.

### 3 and 4 Mechanized Farming Projects (First and Second, Loan 556-SU and Credit 311-SU)

A \$5.0 million loan was approved on September 6, 1968 to help finance a systematic plan for the development of mechanized farming on rainfed land. Under the project the Government of Sudan established a semi-autonomous agency, the Mechanized Farming Corporation, to carry out the project as the first stage of an 8 to 10 year program to more than double the area under mechanized cultivation. The Bank loan was to finance the foreign exchange costs of the first four-year phase of this program, and established about 142 farms of 1500 feddans each and included land planning, construction of roads, provision of water supplies and simple conservation works. The Corporation undertook land clearing, provided technical services and supervised credit to farmers as well as began preparatory work for a second phase of the project. The farms produce sorghum, the country's staple food, sesame for export and some cotton for local textile mills.



The first Mechanized Farming project was completed a year ahead of schedule and with substantial savings. Encouraged by this success the original area was extended by 75,000 feddans and a Second Mechanized Farming Project covering a further 42,000 feddans was approved for which a \$11.25 million credit 311-SU was signed on June 12, 1972.

5. Highway Project (Credit 331-SU)

A \$7.0 million credit was approved on August 1, 1972 for a highway maintenance and improvement project. Realizing that depending solely on the railways to meet the country's transport requirements was undesirable, the Government has recently begun to devote more attention to the road system, hitherto largely neglected. The highway project will help the Department of Roads (DOR) in the Ministry of Transport (MOT) to improve its operating efficiency and to carry out an effective highway betterment and maintenance program. It will also help DOR and MOT to prepare preinvestment studies for roads suitable for further lending by external agencies and to improve planning and coordination among all transport modes. Also included are studies to identify about 500 Km and to engineer about 350 Km of high priority roads as well as substantial purchases of badly needed equipment and spares. The project also provides technical assistance to MOT in transport planning and coordination and in staff training. The important feature of the project is that it is expected to benefit Southern Sudan by providing for the betterment and maintenance of some of the roads in that region.



## PROSPECTIVE OPERATIONS

The Lending Program approved at the time of the CPP Review in September 1972 was the first full program for the Sudan. Previously we had had only a holding program. Consequently project preparation for the later years had not been put in hand. Now it will be; but meantime the projects in the later years are tentative.

1. The Rahad Irrigation Project - This is proposed for FY73. It envisages our helping the Sudanese Government to augment IDA financing by seeking additional external financing from potential donors. The total cost of the project is estimated at about \$84 million with a foreign exchange component of about \$55 million. As IDA financing of only about \$25 million is contemplated the balance of about \$30 million to meet the foreign exchange costs have to be sought from other donors. So far, Germany, Italy, Kuwait Fund, U.K. and U.S.A. have expressed interest in the project but only the Kuwait Fund has made a firm commitment. Budget problems in the U.S. and Germany and, in the case of the U.K., negotiations on compensation for nationalized property, make it likely that it will be several months before commitments will be forthcoming. We plan to commence negotiations as soon as commitments sufficient to complete the financing can be obtained. Continued efforts to remedy the difficult economic situation and specific evidence of Government's intentions to take unpopular but necessary policy measures to mobilize more internal resources, would be preconditions to our recommending a credit for this project to the Executive Directors.

2. Third Railway Project - This is also planned for FY73. It is expected to progress fairly smoothly. Essential technical assistance for the Sudan Railways (SR) is being arranged with UNDP help followed by an appraisal mission scheduled for December 1972. The Government and SR have agreed that there is scope for improving the management and operations of the railways, first to utilize their existing capacity more fully and then to plan and implement an expansion program. (A factual note on Sudan Railways is attached for reference).

3. Industrial Bank of Sudan - As reactivation of the private sector is essential for increasing the momentum of development in the country, we have planned a DFC project for FY73 to be implemented by the Industrial Bank of Sudan (IBS). The findings of our June preappraisal mission have been conveyed to the Government and IBS and were the subject of some discussions during the Annual Meeting. Some points remain to be resolved during appraisal planned for January 1973. (A factual note on IBS is attached for reference).

Future Projects - For FY74 we have tentatively provided for a Rural Development Project in the Southern Region, a Livestock Development Project, a Second Power Project and a Port Development Project. Identification of these projects is not yet advanced enough to permit much useful discussion of them. After our November economic mission, project preparation work in the Sudan will be stepped up with the active assistance of the Nairobi Office.



The Government has expressed interest in a project involving improvement of the airports at Juba, Wau and Malakkal, the three provincial capitals in the South. A favorable preliminary report has been made by a Bank reconnaissance mission which visited the Sudan in early October. The matter will be discussed further with the Government by the special Bank mission in November.



## OFFICE MEMORANDUM

*You may wish to  
include in Sudan brief.**4 1/2*

TO: Mr. Michael L. Lejeune

DATE: October 31, 1972

FROM: Cherif Hassan *CF*SUBJECT: SUDAN - Brief on IFC's investments and potential projects in Sudan

The following brief on IFC's activities in Sudan is prepared in view of Mr. McNamara's visit to that country.

I. Existing Investments

To date IFC has made two investments in Sudan, both in Khartoum Spinning and Weaving Co. Ltd., one of the most widely owned private corporations in the country.

- a. The first investment approved by the Board in 1964 consisted of an equity participation of £S 120,000 and a loan in the principal amount of \$247,000 and Sterling £ 35,000. The project formed part of a supplementary financing of £S 453,000 required to cover additional equipment costs and pre-operating expenses of the company, and to provide working capital for the mill.

Participating in the investments were IFC, the Kuwait Investment Company and Handelsfinanz Zürich.

IFC's equity participation in KSW is now £S 95,000, equivalent to 8% of the company's share capital. The loan was entirely repaid in April 1972.

- b. A second loan of US\$ 1,520,000 was approved by the Board in May 1972. It was a part of US\$ 1.9 million expansion project to increase the existing capacity from 37 million yards of grey sheeting to 42.5 million yards per year.

Both KIC and the Arab-African Bank were interested and their participation in the new loan amounted to US\$ 1.26 million.

II. Projects under considerationa. Nile Chromium Corporation

This company is presently exploiting for export to Europe a ferrochromite ore near Roseires with estimated reserves of 250,000 T of ore. The sponsor, Mr. Abdelmoneim, holds two other mining concessions in the same area which are estimated to contain large deposits of ferrochromite. A preinvestment study has been carried out and has concluded that reserves and composition of deposits in those areas may justify a ferrochromium plant.



IFC has been solicited to help the sponsor finance geological survey and feasibility study before considering financing the processing plant in a later stage. IFC's forthcoming mission early this month will discuss with the sponsor the conditions of a possible IFC participation in financing part of the prefeasibility study if acceptable technical partners commit themselves to participate in it. The sponsor is presently in contact with Granges International (Sweden) and Erinam (Switzerland), a subsidiary of Philips Bros. Railway transportation bottlenecks to Port Sudan may however affect the development of the project.

b. Other projects

Following conversations with the Sudanese delegation at the Annual Meeting, an IFC mission will discuss early this month with Industrial Bank of Sudan, the Sudanese officials and private investors the following projects:

1. Fertilizer project

IFC has received from UNIDO a report on a possible \$50 million ammonia/urea project in Sudan for exports to Ethiopia with a capacity of 400 T of ammonia per day and 670 T of urea per day. Operating cost of urea exworks Port Sudan, excluding depreciation, would be about \$41/T. On the basis of export selling price exworks of \$74/T, equivalent to current price of urea under the Kuwait Agreement, the project would imply protection slightly over 20%, and result in a 11% financial rate of return.

IFC is asking the views of the Sudanese Government and private local and foreign investors regarding this project.

2. Tourism project

IFC has been asked by Sudan Safari Tours, Co., whether it might consider financing a tourism development scheme in Southern Sudan.

No feasibility study for such a project has been made. IFC's mission will discuss the project concept in detail with Industrial Bank of Sudan which is aware of it.

3. Industrial projects

IFC's mission will also discuss with Industrial Bank of Sudan, the private industrialists and the business community of the Sudan the following projects:

- a) A US\$3.5 million project to produce medium and fine cotton yarns (1.000 T of yarns per year).
- b) A cotton blanket project (US\$2.0 million equivalent).



- c) A US\$6.0 million tires project to produce 250,000 tires and 425,000 inner tubes per year.
- d) A US\$4.0 million cottonseed oil soap project to produce fatty acids, glycerine and pitch.

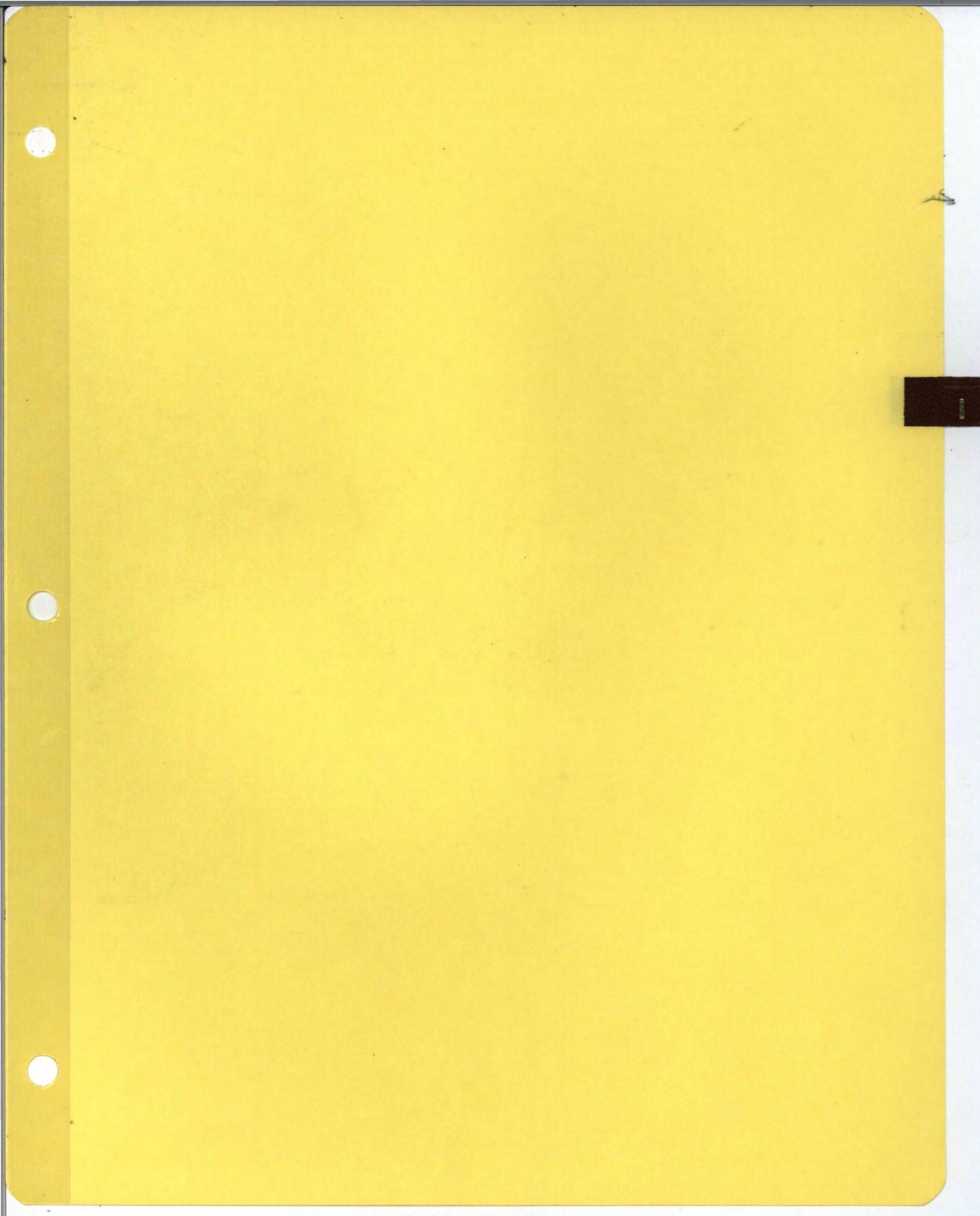
The first step is to focus on those projects which appear to have sufficient economic justification. The presence of private Sudanese groups will be a condition for IFC to consider sharing with local and foreign interested parties the cost of the feasibility study of some of these projects.

JJDeveaud:jfe

cc: Messrs. von Hoffmann  
Malone  
Deveaud

Circ.







## UNDP

UNDP constitutes the largest single source of technical assistance to the Sudan and the level of assistance during the last few years has been around \$2.5 to \$3 million a year. Sector-wise, the largest share has gone to agriculture followed by education, especially technical and vocational education. Industry has received some assistance whereas health and social services, transport and communications and public administration have received less attention. The major activities so far have been an agricultural development project in the Jebel Mara area, a mineral survey in three selected areas and a National Vocational Training Scheme in Wad Medani. Assistance has also been given to the Higher Teachers Training Institute in Omdurman and the Industrial Research Institute at Khartoum. On the whole the program of assistance has been fairly well oriented to the needs of the country but it has suffered from the general weakness of a lack of overall, well-coordinated priorities for the country in the approach of the several specialist agencies concerned which have tended to operate on a piece-meal basis. Project implementation has had only limited success, the main constraint on the UN side having been faulty planning and timing of project activities and recruitment of project personnel. On the Government side the major failing has been in the provision of counterparts. These shortcomings are expected to be remedied in the more coordinated approach afforded by the new programming system for UNDP.

Hitherto UNDP efforts have been almost exclusively concentrated in the northern region. The recent solution of the Southern problem necessitates a more complete national coverage. The UNDP activities are now being reviewed in consultation with the Ministry of Planning, the representatives of the concerned Government departments and various project managers. The additional needs of the Southern region will receive specific attention. Already, as a result of a special UNDP mission to the South in May, the Indicative Planning Figure for the Sudan for the period 1972 to 1976 has been increased from \$15 to \$20 million. The immediate relief and rehabilitation requirements of the Southern Region are being tackled in a program coordinated by the UNHCR. Worldwide appeals have been made by the Secretary-General and the High Commissioner for Refugees for various kinds of urgent relief needed for the South and estimated to total \$20 to \$30 million.

Future UNDP activities covering the entire country including the special needs of the South are expected to provide technical assistance for transport coordination and management, improvement in agricultural research and extension services, development of agro-industrial projects based on some of the natural produce of the South like timber, coffee, tea, fruits and vegetables.

The UNDP Resident Representative in Khartoum has prepared a comprehensive Background Paper on UNDP activities in the Sudan. This is being separately put up for reference.