

No. 10595

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
SUDAN**

**Loan Agreement—*Mechanized Farming Project* (with
annexed Loan Regulations No. 3, as amended). Signed
at Washington on 6 September 1968**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
22 July 1970.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
SOUDAN**

**Contrat d'emprunt — *Projet de mécanisation agricole* (avec,
en annexe, le Règlement n° 3 sur les emprunts, tel que
modifié). Signé à Washington le 6 septembre 1968**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 22 juillet 1970.*

LOAN AGREEMENT¹

AGREEMENT, dated September 6, 1968, between THE REPUBLIC OF THE SUDAN (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961, as amended February 9, 1967,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations):

- (a) The second sentence of Section 3.02 of the Loan Regulations shall apply only to withdrawals in respect of expenditures in currencies other than the currency of the Borrower.
- (b) Section 4.01 of the Loan Regulations is deleted.

Section 1.02. Wherever used in the Loan Agreement, unless the context otherwise requires, the term "Corporation" means the Mechanized Farming Corporation established by The Mechanized Farming Corporation Act, 1968.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to five million dollars (\$5,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

¹ Came into force on 8 January 1969, upon notification by the Bank to the Government of Sudan.

² See p. 24 of this volume.

Section 2.03. (a) Except as the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Loan Account:

- (i) such amounts as shall have been paid (other than for local currency expenditures) for the reasonable cost of equipment and machinery and of services of the Corporation's staff required for the Project and to be financed out of the proceeds of the Loan and, if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods; and
- (ii) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Bank of such amounts as shall have been paid for the reasonable cost of all other goods to be financed out of the proceeds of the Loan and not included in the foregoing;

provided, however, that no withdrawals shall be made on account of (i) expenditures prior to the date of this Agreement, or (ii) expenditures made in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

As used in this Section, the term "local currency expenditures" means expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

(b) Withdrawals from the Loan Account pursuant to subsection 2.03 (a) (ii) above shall be in such currency or currencies, other than the currency of the Borrower, as the Bank shall from time to time reasonably select.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of six and one-fourth per cent ($6\frac{1}{4}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Article III

USE AND PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific allocation of the proceeds of the Loan and the methods and procedures for procurement of the goods to be financed out of such proceeds shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The Minister of Finance and Economics of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The Minister of Finance and Economics of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be carried out and operated by the Corporation with due diligence and efficiency and in conformity with sound agricultural and financial practices and with policies and procedures approved by the Bank, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purposes of the Project.

(b) The Borrower shall cause those of its agencies responsible for providing technical, administrative and agricultural services to cooperate with each other and with the Corporation and other appropriate agencies of the Borrower in such manner and to such extent as shall be necessary for the diligent and efficient carrying out and operation of the Project.

(c) The Borrower shall cause the Corporation to employ at all times qualified and experienced staff. During the carrying out of the Project such staff will include a scheme manager, a land planning officer, a land development officer, an agricultural superintendent and an accountant. The appointment of the managing director of the Corporation and of any of the Corporation's staff specified herein above shall be subject to the prior agreement of the Bank. During the operation of the Project appointment of the managing director of the Corporation shall be made after consultations with the Bank.

(d) Except as otherwise agreed between the Bank and the Corporation, contractors employed by the Corporation for building construction and land clearing for the Project shall be acceptable to the Bank and shall be employed on terms and conditions satisfactory to the Bank.

(e) The terms and conditions of the initial leases of farms included in the Project to selected lessees and of farm machinery loans granted by the Corporation to such lessees out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

(f) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and work and procurement schedules for the Project and any modification subsequently made therein, in such detail as the Bank shall reasonably request.

(g) The Borrower shall maintain or cause the Corporation to maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting practices, the operations and financial condition of the Corporation; shall cause the accounts of the Corporation to be audited annually by an independent auditor acceptable to the Bank and shall promptly and not later than four months after the close of the Corporation's fiscal year transmit or cause to be transmitted to the Bank copies of a statement of the Corporation's accounts duly certified by the auditor together with the auditor's report thereon; shall enable the Bank's representatives to inspect the Project, the Corporation's facilities, the goods and any records and documents relevant thereto; and shall furnish or cause the Corporation to furnish to the Bank all such information as the Bank shall reasonably request concerning the expend-

iture of the 'proceeds of the Loan, the Project, the goods and the operations, administration and financial condition of the Corporation and of any other agency of the Borrower responsible for the carrying out and operation of the Project or any part thereof.

Section 5.02. The Borrower shall cause all imported goods financed out of the proceeds of the Loan pursuant to sub-paragraph (a) (i) of Section 2.03 to be insured against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.03. (a) The Borrower and the Bank shall cooperate fully with each other to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as either shall reasonably request with regard to the general status of the Loan and the progress of the Project. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan, the maintenance of the service thereof and the administration, operations and financial condition of the Corporation. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.04. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any statutory authority established by the Borrower or of any agency of the foregoing, including, without limitation, the Bank of The Sudan or any other institution performing the functions of a central bank.

Section 5.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.06. This Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.07. Within a period of 12 months after the date of the Loan Agreement, the Borrower shall define and gazette the remaining portion (amounting to about 120,000 *feddans*) of the area included in the scheme referred to in Schedule 2 to this Agreement.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. Pursuant to paragraph (i) of Section 5.02 of the Loan Regulations, the following event is specified as an additional event for the purposes of said Section:

the Mechanized Farming Corporation Act, 1968, establishing the Corporation, shall have been abrogated, rejected, suspended or materially modified without the agreement of the Bank.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations:

- (A) That the Mechanized Farming Corporation Act, 1968 shall have come into full force and effect in the territories of the Borrower.
- (B) That the Statement of Policies and Procedures approved pursuant to Section 5.01 (a) of this Agreement shall have been validly adopted by the Board of Directors of the Corporation as regulations under Section 33 of the Mechanized Farming Corporation Act, 1968.
- (C) That, in respect of the Simsim area, amounting to some 140,000 *feddans*, included in the area defined by Notice No. 1967 SN 245 published in *Gazette* No. 1043 of July 15, 1967:
 - (i) claims to rights of cultivation, grazing or other uses of natural resources shall have been registered;
 - (ii) adjudication of these claims shall have been completed in accordance with The Land Settlement and Registration Ordinance of 1925;
 - (iii) procedures shall have been adopted to ensure that all proven claims will be extinguished either by payment of compensation (which will not be reimbursable from the Loan Account) or by the allocation of land for cultivation;
 - (iv) in said case of extinction of claims by allocation of land for cultivation, procedures shall have been adopted to ensure that land will not be allocated for hand cultivation within the areas designated as "villagers' plots" in the land use plan, and, where mechanized farming units will be allocated as compensation for proven claims, the policies and the procedures of the Corporation approved by the Bank pursuant to Section 5.01 (a) of this Agreement will be followed;
 - (v) all land within the scheme referred to in Schedule 2 to this Agreement shall have been allotted by the Borrower to the Mechanized Farming Corporation pursuant to the Mechanized Farming Corporation Act, 1968.
- (D) That a land development officer and an accountant shall have been appointed by the Corporation in accordance with Section 5.01 (c) of this Agreement.

Section 7.02. The following are specified as other matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank:

- (A) That the Mechanized Farming Corporation Act, 1968 has come into full force and effect in the territories of the Borrower.
- (B) That the Statement of Policies and Procedures approved pursuant to Section 5.01 (a) of this Agreement has been validly adopted by the Board of Directors of the Corporation as regulations under Section 33 of the Mechanized Farming Corporation Act, 1968.
- (C) That the claims referred to in Section 7.01 of this Agreement have been duly registered and adjudicated in accordance with The Land Settlement and Registration Ordinance of 1925.

Section 7.03. The date of December 31, 1968, is specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1972, or such other date as shall be agreed between the Borrower and the Bank.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Borrower:

Ministry of Finance and Economics
Government of The Sudan
Khartoum, P.O.B. 298
Sudan

Alternative address for cables

Malisudan
Khartoum, Sudan

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D. C. 20433
United States of America

Alternative address for cables

Intbafrad
Washington, D. C.

Section 8.03. The Minister of Finance and Economics of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

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

The Republic of the Sudan:

By H. EL MISBAH
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP
Vice-President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
August 1, 1973	\$ 60,000	February 1, 1984	\$120,000
February 1, 1974	65,000	August 1, 1984	120,000
August 1, 1974	65,000	February 1, 1985	125,000
February 1, 1975	70,000	August 1, 1985	130,000
August 1, 1975	70,000	February 1, 1986	135,000
February 1, 1976	70,000	August 1, 1986	135,000
August 1, 1976	75,000	February 1, 1987	140,000
February 1, 1977	75,000	August 1, 1987	145,000
August 1, 1977	80,000	February 1, 1988	150,000
February 1, 1978	80,000	August 1, 1988	155,000
August 1, 1978	85,000	February 1, 1989	160,000
February 1, 1979	85,000	August 1, 1989	165,000
August 1, 1979	90,000	February 1, 1990	170,000
February 1, 1980	90,000	August 1, 1990	175,000
August 1, 1980	95,000	February 1, 1991	180,000
February 1, 1981	100,000	August 1, 1991	185,000
August 1, 1981	100,000	February 1, 1992	195,000
February 1, 1982	105,000	August 1, 1992	200,000
August 1, 1982	105,000	February 1, 1993	205,000
February 1, 1983	110,000	August 1, 1993	220,000
August 1, 1983	115,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1/2%
More than three years but not more than six years before maturity	1%
More than six years but not more than eleven years before maturity	2%
More than eleven years but not more than sixteen years before maturity	3%
More than sixteen years but not more than twenty-one years before maturity	4%
More than twenty-one years but not more than twenty-three years before maturity	5%
More than twenty-three years before maturity	6 1/4%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is the first stage of a scheme for the establishment of permanent mechanized farms in the areas south of Gedaref known as Simsim, Umm Seinat, Saraf Sa'id and Abu Sabika, aggregating about 600,000 *feddans*.

The Project includes :

- (a) preparation of a land use plan for the whole scheme, making provision for roads, water supplies and village sites—including villagers' farms—and for all appropriate measures—including exclusion of land from cultivation—required to prevent soil erosion and to protect natural drainage courses;
- (b) preparation of detailed farm plans, including specific limitations on cultivation methods and cropping patterns, for farm units of about 1,000 *feddans* each in an area of about 140,000 *feddans* of cultivable land in the Simsim area, in accordance with the general land use plan;
- (c) subsequent construction of roads, water supplies and other works necessary for the development, in accordance with the abovementioned plans, of the farm units specified under (b) above and of an adjoining area of about 60,000 *feddans*;
- (d) clearing and allocation of the farms specified under (b) above to suitably qualified lessees;
- (e) provisions of credit to the lessees for acquisition of farm machinery and equipment;
- (f) provision of advisory agricultural services including the establishment, equipping and operation of a demonstration farm of about 1,000 *feddans* and of an experimental farm of about 1,000 *feddans* to evaluate farming methods to be adopted in the future;

- (g) construction of headquarters for the Corporation, including staff housing, offices, stores, workshops and utilities.

The Project is expected to be completely carried out by April 30, 1972.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3. DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 615, p. 98.*]