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IFAD
Investing in rural people

President's report

Proposed grants to the Republic of the Sudan for the

Livestock Marketing and Resilience Programme

Note to Executive Board representatives

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For: **Approval**

Contents

Abbreviations and acronyms

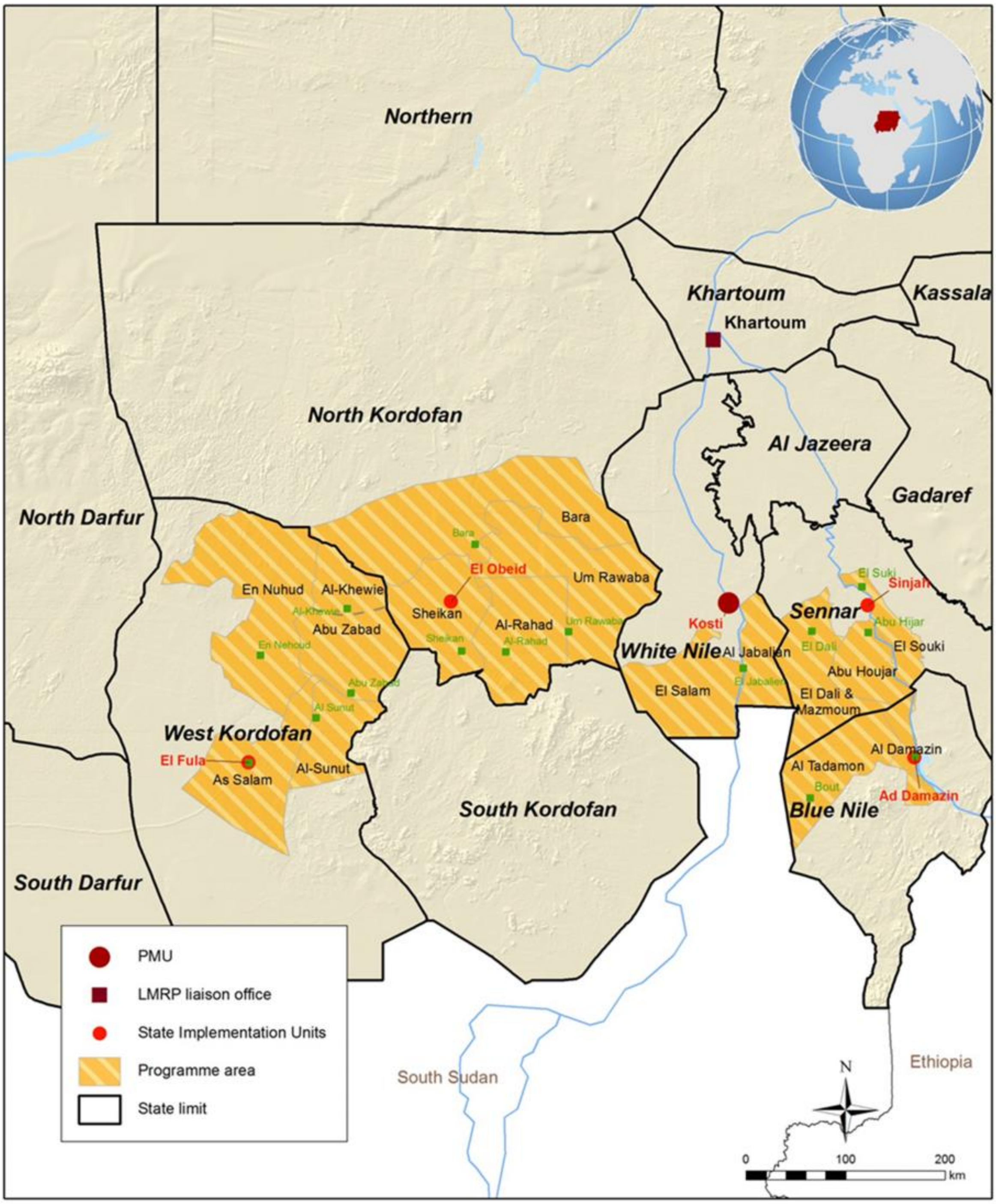
ASAP	Adaptation for Smallholder Agriculture Programme
LDCF	Least Developed Countries Fund
M&E	monitoring and evaluation
NRM	natural resources management
PMU	programme management unit
PPP	public-private partnership
PSC	programme steering committee
SIU	state implementation unit

Map of the programme area

Republic of the Sudan

Livestock Marketing and Resilience Programme (LMRP)

President's report



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 27-10-2014

Republic of the Sudan

Livestock Marketing and Resilience Programme

Financing summary

Initiating institution:	IFAD
Recipient:	Republic of the Sudan
Executing agency:	Ministry of Livestock, Fisheries and Rangelands
Total programme cost:	US$119.2 million
Amount of IFAD grant:	SDR 16.55 million (equivalent to approximately US$24.5 million)
Amount of Adaptation for Smallholder Agriculture Programme (ASAP) grant:	SDR 4.73 million (equivalent to approximately US$7.0 million)
Cofinancier(s):	Least Developed Countries Fund - Global Environment Facility) (LDCF-GEF) Central Bank of Sudan Local banks Public-private partnership (PPP) partners
Amount of cofinancing:	LDCF-GEF: US$8.5 million Central Bank of Sudan: US$3.0 million Local banks: US$20.8 million PPP partners: US$36.9 million
Contribution of recipient:	US$9.5 million
Contribution of beneficiaries:	US$9.0 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grants to the Republic of the Sudan for the Livestock Marketing and Resilience Programme, as contained in paragraph 45.

Proposed grants to the Republic of the Sudan for the Livestock Marketing and Resilience Programme

I. Strategic context and rationale

A. Country and rural development and poverty context

1. The Sudan's population is approximately 35.1 million, of which 67 per cent is rural. Substantial changes have occurred as a result of the secession of South Sudan including the loss of human and land resources and three quarters of the oil wealth. This has reduced government revenues, and caused a payments' balance shock, a fall in GDP and an increase in annual inflation. The country faces the challenge of balancing deep reductions in public expenditures with the need for continued public investments for development and refocusing the economy to the agriculture, livestock and industry sectors.

2. The Sudan has a long history of economic reliance on livestock. The agricultural sector's contribution to GDP was 30.4 per cent in 2012, the largest share of which was derived from livestock. The export of live animals, mainly to neighbouring countries, is substantial. Livestock productivity is low. Demand for high-quality animals with specific carcase weight and age is rising, but can currently not be met because of the lack of structured supply lines and adapted services.

3. The natural resource base is in steep decline. Rainfed agriculture is competing increasingly with pastoralism for land and water. Climate change is affecting rainfall patterns and available natural resources adversely, and is also contributing to the decreased availability of ecologically healthy and climate- resilient rangelands. Traditional coping mechanisms are becoming increasingly inadequate, and the vulnerability is magnified by social and political conflict and the encroachment of mechanized farming.

4. The Country Programme Paper on Drought Emergencies in the Horn of Africa, prepared by the Government as its contribution to a regional initiative led by the Intergovernmental Authority on Development, recognizes that the livestock sector constitutes the region's main rural livelihood driver and, therefore, should be the focus for natural resources interventions.

5. Average rural poverty rates in the Sudan are estimated at 58 per cent, much higher than the urban rate. Small-scale farmers and livestock herders in the traditional rainfed sector, the landless and internally displaced people, households without assets and people in areas affected by drought and conflict are the most vulnerable rural groups. The main constraints on rural livelihoods are access to markets, access to financial services, unpredictability of rainfall, water shortages, barriers on livestock migratory routes, pest and disease outbreaks, and conflicts. Unemployment is higher in rural than in urban areas, and higher for women than for men. Food and nutrition security is fragile and undernourishment is widespread.

B. Rationale and alignment with government priorities and RB-COSOP

6. The rationale for the proposed Livestock Marketing and Resilience Programme is to provide a framework for increased food security, incomes and climate resilience for poor households through improved natural resource management and private-sector-led, pro-poor livestock value chain development. The programme will address three major and complementary challenges: (i) improving the underperforming livestock value chains characterized by suboptimal use of resources, low revenues and limited opportunities for youth and the rural poor; (ii) improving community-based adaptive management of the overexploited natural resources, as well as preparedness for climate-related risks through the efficient planning and use of natural resources; and (iii) developing and diversifying the rural economy, enabling poor households to invest in viable enterprises by mobilizing communal resources.

7. Building on the successes of other projects with similar initiatives, the programme will tackle poverty by raising the incomes of poor households through the transformation of the rural economy from subsistence to an increasingly efficient market-based system founded on the small-scale livestock sector that promotes livelihoods.

II. Programme description

A. Programme area and target group

8. The geographical coverage of the programme is defined as national with respect to livestock value chains and the policy aspects of livestock sector development and natural resource management, and area-specific for community-level interventions, initially in selected localities in the five states of West Kordofan, North Kordofan, White Nile, Sennar and Blue Nile. The flexibility of the programme's approach will permit expansion to other localities and/or states if additional resources become available.

9. The programme's primary target population comprises economically marginalized and poor households living in pastoralist and agropastoralist communities. The programme will target (i) rural poor women and young men responding to income-generating opportunities, (ii) common interest groups, and (iii) village development structures. Poor households in 1,000 villages in five states will be eligible to participate in programme communal activities, with a target direct outreach of 100,000 households. Secondary target groups will include private-sector value-adders, service providers and operators in the principal livestock value chains.

B. Programme development objective

10. The overall goal of the programme is increased food security, incomes and climate resilience for poor households in pastoralist communities. The development objective is increased earning opportunities and improved living conditions in livestock-based communities.

C. Components/outcomes

11. In addition to programme management, monitoring and evaluation (M&E), the programme will have the following three components:

12. **Component 1 - Livestock business development.** The programme will improve value addition and market access for small-scale pastoralists and agropastoralists by addressing constraints on live animal, skins and hides, and red meat value chains:

    (a) Subcomponent 1.1, community livestock productivity and marketing, will promote pro-poor livestock business development for at least 40,320 households through the delivery of services to households involved in the fattening of livestock in the following areas: (i) business management, business plans, loan applications, technology transfer, and skills improvements for productive improvement; (ii) access to appropriate inputs through establishment linkages to suppliers; (iii) access to markets and market information; (iv) establishment of contractual linkages among value chain stakeholders using forward contracts and contract farming; and (v) access to microfinance services (component 3) and to financial institutions providing small and medium enterprise services to individuals and producers' groups who have graduated from microfinance.

(b) Subcomponent 1.2, livestock value chain expansion using pro-poor public-private partnership (PPP) business models, is designed to enhance the efficiency and inclusiveness of value chains from primary producers to final customers of live animals, meat, and hides and skins, to widen the possibilities for programme target groups to enter on the supply side. The programme will contribute technical assistance and "match-making" services for potential investors, including: (i) identification of viable investment areas along the value chains to be presented to potential domestic and foreign private investors; (ii) domestic and export market analysis and support; (iii) identification and facilitation of domestic and regional sources of investment finance for enterprises along the value chains; (iv) feasibility studies for potential investments; and (v) engagement with the Government to obtain the best possible incentives.

13. **Component 2 - Community-led natural resources management (NRM) and enhanced adaptive capacities.** The programme will support a community-led visioning process to prioritize NRM investments for building the sustainability of the livestock system:

(a) Subcomponent 2.1, community-led NRM, will support measures to install response systems and innovative solutions for climate risk mitigation. The programme will promote community-based NRM to reduce the vulnerability of settled and nomadic pastoralists (i) by establishing 300 community adaptive plans incorporating the needs and priorities of poor women and men in all target villages; and (ii) by investing in more productive/improved rangelands and reduced resource-based conflict, through rainwater harvesting, rangeland rehabilitation, the eradication of invasive species, water points, stock route restoration and dispute mediation.

(b) Subcomponent 2.2, climate change resilience and policy facilitation, will support, for the benefit of pastoralists and decision makers, the establishment of information and response systems to increase the resilience of natural resource users to shocks. The programme will also support the development of a national sectoral adaptation strategy for the livestock sector and will facilitate activities for discussing policies and arrangements that can reduce conflicts.

14. **Component 3 - Rural enterprise and social development**. The programme will promote the scaling up of viable business plans through further technical support and access to affordable loans from microfinance institutions:

(a) Subcomponent 3.1, livelihood diversification, will provide mobilization and support to savings and credit groups, which will accumulate capital and invest in individual and group value addition and service microenterprises. These groups will be established and capacitated with intensive advice and support. Demonstrations and technical training will encourage diversification away from traditional livestock keeping and the unsustainable use of natural resources.

(b) Subcomponent 3.2, sustainable access to external finance, will strengthen the rural finance delivery structure by developing and expanding the successful models. In addition to formal microfinance services, the component will support larger private and community-owned productive and service enterprises. Expected outcomes will be (i) diversification of livelihoods based on community-level income-generating activities and businesses; and (ii) access to sustainable formal financial services.

III. Programme implementation

A. Approach

15. Programme implementation will be coordinated and supported by an independent minimal management structure under the auspices of the federal government and the five concerned state Ministries of Agriculture, Animal Resources and Irrigation or Livestock, Fisheries and Rangelands. The programme will be led by a programme management unit (PMU) in Kosti or any other place within the programme area, in the centre of the programme operational area, with a small annex office in Khartoum under the PMU during the early stages of implementation. Five state implementation units (SIUs) will be set up, one in each state. A PPP unit will be established to implement PPP activities. The programme management will report to a programme steering committee (PSC).

16. The subcomponents of the programme are strongly interlinked. Subcomponent 1.1 will start with organizing fattening activities with clusters of groups that will be linked with input suppliers, traders and exporters, based on demand from local and export markets. Meanwhile, possible pro-poor PPPs will be identified (subcomponent 1.2), analysed and developed with potential pro-poor PPP partners for the development of slaughterhouses, tanneries, feed mills, etc. Component 1 will benefit strongly from component 3, which will support livelihood diversification, including improved fattening of animals. Component 2 will benefit from PPP arrangements under component 1.

B. Organizational framework

17. The Ministry of Finance and National Economy is the recipient of the IFAD, Adaptation for Smallholder Agriculture Programme (ASAP) and the Least Developed Countries Fund (LDCF) grants. The Ministry of Livestock, Fisheries and Rangelands is the lead technical agency and chair of the PSC. Both ministries are members of the Inter-Ministerial Steering Committee for IFAD Cofinanced Projects, a standing committee that oversees all IFAD-cofinanced operations in the country. The PSC will meet at least twice a year, and will orient the programme’s strategy, oversee planning, review progress and impact, and ensure linkages with related projects, government services and relevant value chain stakeholders. The PMU will be staffed by core personnel recruited competitively on performance-based contracts. The five SIUs will be established within the state agriculture and livestock ministries at Ad Damazin (Blue Nile), El Obeid (North Kordofan), Sinjah (Sennar State), El Fula (West Kordofan) and Kosti (White Nile).

C. Planning, monitoring and evaluation, and learning and knowledge management

18. At inception, the overall workplan and budget and first annual workplan and budget (AWP/B) will be prepared. Thereafter, an AWP/B will be prepared each year for approval by the PSC. Programme decision-making will be founded on a unified management information system. The priorities of beneficiaries will be determined in community action plans and through interaction with economic interest groups and communities. Beneficiaries will be drawn into participatory planning and M&E processes. Studies will investigate topics selected by stakeholders, concentrating on problem-solving and on evidence-gathering for policy dialogue.

19. A programme M&E framework benchmarked on a baseline survey will provide constant feedback into the management information system for decision-making. All M&E data will be disaggregated by gender, age and locality.

20. Knowledge services will meet the needs of beneficiaries through "learning-by-doing" and rigorous analysis of operational experiences. The programme will share lessons learned through knowledge networking, learning events and publications. South-South learning and sharing opportunities will provide beneficiaries with up-to-date knowledge and experience.

D. Financial management, procurement and governance

21. A comprehensive financial management risk assessment was completed. Overall the financial management risk is rated "high" improving to "medium" after conditions for disbursement and mitigation measures have been met.

22. The PMU will have overall responsibility for financial management of the programme and will be supported by an SIU in each state. The PMU and SIUs will be ring-fenced, although the SIUs will be housed within existing ministerial bodies. The programme will adopt accounting procedures and policies consistent with international accounting standards (cash basis) and government requirements. Accounts and financial reporting will be consolidated at the PMU, which will also be responsible for assuring that funds have been used for the purposes intended. SIUs will be responsible for their respective expenditures and report on a monthly basis to the PMU, with consolidated quarterly financial statements furnished to the recipient and IFAD. An internal audit will be carried out in the third and fifth programme years by an independent auditing firm. Additionally, at mid-term a comprehensive financial and performance audit will be conducted by an independent firm. The National Audit Chamber of the Government of the Sudan will audit programme accounts annually.

23. A designated account in euro will be opened by the recipient at the Central Bank of Sudan or a commercial bank acceptable to the Fund with an authorized allocation of approximately nine months of programme expenditure from IFAD, ASAP and LDCF grants. Withdrawals from the IFAD financing in respect of expenditures for start-up costs will not exceed US$325,000 or equivalent. These funds are intended to ensure that the programme is able to meet the disbursement conditions and other crucial early activities.

24. Procurement functions for the programme will be in line with the Sudan's 2010 Public Procurement, Contracting and Disposal of Public Assets Act. Under the act, investment projects financed by an international agency are not required to follow the national procurement procedures. Based on this assessment and given that the act is not yet fully operational, IFAD procurement procedures will be followed for all types of procurement. Any changes that may occur during implementation will be agreed with IFAD. The programme will follow the procurement thresholds as set out in the letter to the borrower and in the approved procurement plan.

25. The Sudan was rated 11 out of 100 in Transparency International's Global Corruption Perception Index for 2013. The programme built in good governance measures to mitigate such associated risks.

E. Supervision

26. The programme will be directly supervised by IFAD. There will be at least one full supervision mission and one follow-up mission every year. The presence of the IFAD Country Office in Khartoum will allow implementation support to be a continuous process.

IV. Programme costs, financing, benefits

A. Programme costs

27. In the cost calculations for programme financing, a yearly domestic inflation rate of 15 per cent and a foreign inflation rate of 1.7 per cent for the entire programme life, and an exchange rate of 5.7 Sudanese pounds (SDG) per United States dollar, were applied. Price contingency allowances have been applied to all expenditures. Based on current prices, total base costs are estimated at approximately US$114.3 million.

28. A constant purchasing parity rate has been used to estimate exchange rates over the programme duration. On this basis, the total programme costs including physical and price contingencies are estimated at US$119.2 million or SDG 900.9 million over the seven years of implementation. Physical and price contingencies account for about 5 per cent of total programme costs. The investment costs amount to US$105.19 million, representing 88.2 per cent of base costs. Recurrent costs amount to US$14.01 million, representing 11.2 per cent of the total. The unit costs estimates are drawn from available data of May 2014.

29. About 63 per cent of the budget is allocated to component 1, 16 per cent to component 2, 15 per cent to component 3 and 6 per cent to programme management, including M&E.

B. Programme financing

30. The programme will be financed by: (i) an IFAD grant of about US$24.5 million (20.5 per cent of the total cost); (ii) financing from the Government of the Sudan of US$9.5 million (8.0 per cent); (iii) an LDCF grant of US$8.5 million (7.1 per cent); (iv) an ASAP grant of US$7.0 million (5.9 per cent); (v) portfolio credit from the Central Bank of Sudan of US$3.0 million (2.5 per cent); (vi) support from local commercial banks and microfinance institutions totalling US$20.8 million (17.4 per cent); (vii) a contribution of US$9.0 million from grass-roots beneficiaries at the enterprise level (7.6 per cent); and (viii) a contribution of US$36.9 million from pro-poor PPP partners, including equity funds and private-sector entities (30.9 per cent) (see tables 1 and 2).

31. The Sudan is classified as a "red" country under the Debt Sustainability Framework (DSF) and is therefore eligible for 100 per cent grant financing. The Sudan is fully in compliance with the terms of the debt rescheduling programme approved by the Executive Board in September 2012.

32. The Arab Authority for Agricultural Investment and Development and the Islamic Cooperation for the Development of the Private Sector have both expressed keen interest in participating in equity and credit financing of livestock-related PPP investments. Both organizations will be able to participate with equity finance of up to 33-40 per cent of capital investments per single PPP investment. The rest would be from private-sector equity or debt financing. The Bank of Khartoum and the Industrial Development Bank have expressed a strong interest in providing debt financing of up to 12 per cent of the total investment capital, preferably for working capital. Private-sector entities have also expressed their capability and willingness to finance the remaining PPP investments.

Table 1
Programme costs by component and financier
(Thousands of United States dollars)

Component	Government		IFAD grant		ASAP grant		LDCF grant		Central Bank of Sudan		Local banks		PPP partners		Beneficiaries		Total		Foreign exchange	Local (excl. taxes)	Duties and taxes
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%			
1. Livestock business development																					
1.1 Community livestock productivity and marketing	2 832	9.5	5 011	16.7	-	-	-	-	-	-	14 200	47.4	672	2.2	7 216	24.1	29 931	25.1	5 339	22 218	2 374
1.2 Livestock value chain expansion	179	0.4	3 916	8.9	-	-	-	-	-	-	3 960	9.0	36 180	81.8	-	-	44 235	37.1	3 159	40 896	179
Subtotal	3 012	4.1	8 927	12.0	-	-	-	-	-	-	18 160	24.5	36 851	49.7	7 216	9.7	74 166	62.2	8 498	63 114	2 553
2. Community-led natural resources management and enhanced adaptive capacities																					
2.1 Community-led natural resources management	2 805	14.8	185	1.0	7 000	36.9	7 660	40.4	-	-	-	-	-	-	1 304	6.9	18 953	15.9	3 635	12 923	2 394
2.2 Climate change resilience and policy facilitation	6	0.7	-	-	-	-	840	99.3	-	-	-	-	-	-	-	-	846	0.7	615	225	6
Subtotal	2 811	14.2	185	0.9	7 000	35.4	8 500	42.9	-	-	-	-	-	-	1 304	6.6	19 799	16.6	4 250	13 149	2 400
3. Rural enterprise and social development																					
3.1 Livelihood diversification	1 904	24.0	5 952	75.1	-	-	-	-	-	-	-	-	-	-	70	0.9	7 926	6.6	2 266	4 441	1 219
3.2 Sustainable access to external finance	708	7.3	2 948	30.3	-	-	-	-	3 000	30.8	2 633	27.0	-	-	450	4.6	9 739	8.2	1 843	7 188	708
Subtotal	2 612	14.8	8 900	50.4	-	-	-	-	3 000	17.0	2 633	14.9	-	-	520	2.9	17 665	14.8	4 109	11 629	1 927
4. Programme management, monitoring and evaluation	1 107	14.6	6 459	85.4	-	-	-	-	-	-	-	-	-	-	-	-	7 566	6.3	1 711	5 017	838
Total	**9 542**	**8.0**	**24 470**	**20.5**	**7 000**	**5.9**	**8 500**	**7.1**	**3 000**	**2.5**	**20 793**	**17.4**	**36 851**	**30.9**	**9 041**	**7.6**	**119 196**	**100.0**	**18 568**	**92 909**	**7 719**

Table 2
Programme costs by expenditure category and financier
(Thousands of United States dollars)

	Government		*IFAD grant*		*ASAP grant*		*LDCF*		*Central Bank of Sudan*		*Local banks*		*PPP partners*		*Beneficiaries*		*Total*				
Component	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Foreign. Exchange*	*Local (excl. taxes)*	*Duties and taxes*
I. Investment costs																					
A. Works	24	14.5	139	85.5	-	-	-	-	-	-	-	-	-	-	-	-	162	0.1	28	111	24
B. Vehicles	1 656	43.2	2 179	56.8	-	-	-	-	-	-	-	-	-	-	-	-	3 834	3.2	1 852	327	1 656
C. Equipment and materials	839	20.0	2 202	52.5	20	0.5	-	-	-	-	1 133	27.0	-	-	3	0.1	4 197	3.5	1 679	1 679	839
D. Goods, services and inputs	2 408	20.0	2 262	18.8	22	0.2	58	0.5	-	-	-	-	-	-	7 290	60.5	12 040	10.1	4 816	4 816	2 408
E. Consultancies	0	-	3 967	64.7	192	3.1	1 427	23.3	-	-	-	-	540	8.8	6	0.1	6 131	5.1	4 905	1 226	-
F. Credit and equity																					
Credit	-	-	-	-	-	-	-	-	3 000	13.2	19 660	86.8	-	-	-	-	22 660	19.0	-	22 660	-
Equity	-	-	-	-	-	-	-	-	-	-	-	-	35 640	98.8	450	1.2	36 090	30.3	-	36 090	-
Subtotal	-	-	-	-	-	-	-	-	3 000	5.1	19 660	33.5	35 640	60.7	450	0.8	58 750	49.3	-		
G. Grants	2 187	14.5	-	-	4 696	31.2	6 884	45.7	-	-	-	-	-	-	1 287	8.5	15 054	12.6	2 573	58 750	-
H. Workshops and meetings	0	-	105	29.5	115	32.2	131	36.7	-	-	-	-	-	-	5	1.5	356	0.3	107	10 293	2 187
I. Training	41	0.9	3 952	84.7	-	-	-	-	-	-	-	-	672	14.4	-	-	4 665	3.9	1 399	250	-
Total investment costs	7 155	6.8	14 805	14.1	5 045	4.8	8 500	8.1	3 000	2.9	20 793	19.8	36 851	35.0	9 041	8.6	105 190	88.2	17 359	3 265	-
II. Recurrent costs																					
A. Salaries and allowances	1 782	16.2	7 430	67.7	1 771	16.1	-	-	-	-	-	-	-	-	-	-	10 983	9.2	-		
B. Operating costs	605	20.0	2 235	73.9	184	6.1	-	-	-	-	-	-	-	-	-	-	3 024	2.5	1 209	10 983	-
Total recurrent costs	2 386	17.0	9 665	69.0	1 955	14.0	-	-	-	-	-	-	-	-	-	-	14 007	11.8	1 209	1 209	605
Total	**9 542**	**8.0**	**24 470**	**20.5**	**7 000**	**5.9**	**8 500**	**7.1**	**3 000**	**2.5**	**20 793**	**17.4**	**36 851**	**30.9**	**9 041**	**7.6**	**119 196**	**100.0**	**18 568**	**12 192**	**605**

C. Summary benefit and economic analysis

33. The programme benefits will comprise: increased incomes from improved livestock productivity, new enterprises in livestock, agriculture and diversified economic activities; enhanced productive natural resource assets; improved resilience of poor rural communities to future climate variability and/or financial shocks; and increased net trade surplus in hides and skins, red meat, live animals and related products. The programme's economic internal rate of return (EIRR) is projected to be 20.4 per cent and the net present value is projected to amount to US$48.8 million. The EIRR was estimated per component, with sensitivity analysis conducted showing the robustness of the programme.

D. Sustainability

34. The sustainability of the flow of programme benefits, assuming technically appropriate investments, depends on: the capacity and willingness of (non-poor) private-sector operators to invest in livestock value chains, thereby increasing the demand for animals; a supply side response by livestock producers to improved NRM and to increased demand in domestic trade; and the robustness of enterprises built largely on local resources. The programme approach is intended to develop the competence of communities to co-manage their natural resource assets; strengthen private-sector commercial linkages; and build up the capacity of government services.

E. Risk identification and mitigation

35. At the programme level, the main potential risks threatening the programme are: a policy environment not amenable to enhancement, which would hinder private-sector willingness to embed on value chains value-adding processes; a retreat of the Government from its pro-poor policies focused on reducing income disparities; macroeconomic instability; significant civil unrest in the programme area; scaling back of the ambitious NRM programme in the face of budgetary stringencies; and fiduciary risks.

36. While the policy-related risks are considered low/medium, the concerns on the macroeconomy, security situation and enforced austerity are medium/high. The programme entails a robust approach to address the natural resources issues and support rural poor people using sound business principles. The main policy-related risks stem from poor business environment policies, which could affect private-sector involvement and/or meaningful public-sector risk taking or concessions as part of individual PPP contracts. Individual PPPs will have built-in measures that will address these two risks. Risks stemming from social norms and existing behaviours will be addressed by thorough awareness-raising, working closely with target communities to build their capacity and ensuring that economic incentives are well developed. Fiduciary risks are substantial and special measures will be put in place to address them from financial management and procurement angles.

V. Corporate considerations

A. Compliance with IFAD policies

37. The programme design is fully in line with all relevant IFAD strategies and policies, including the IFAD Strategic Framework 2011-2015; its climate change strategy; its environmental and social assessment procedures; and its policies on targeting, on gender, on supervision and implementation support, and on the environment and NRM. Furthermore, the programme is fully compliant with the objectives of the ASAP.

B. Alignment and harmonization

38. The programme is fully aligned with the Economic Recovery Programme 2012-2014 and the Agriculture Revival Programme 2012-2016. It is consistent with the pillars of the Comprehensive Africa Agriculture Development Programme, with the ASAP

and with IFAD's results-based country strategic opportunities programme for the Sudan, 2013-2018. The programme is also coordinated with ongoing rural development programmes and aligned with relevant initiatives in the region, such as the Intergovernmental Authority on Development-coordinated Drought Resilience and Sustainable Livelihoods Programme supported by the African Development Bank, the World Bank and the Food and Agriculture Organization of the United Nations.

C. Innovations and scaling up

39. In departing from the public-sector/production-oriented approach of the past, the programme is introducing a number of innovations: private investments in the value chain using a pro-poor PPP approach at a scale commensurate with the target group; the use of savings and credit groups to generate productive enterprises; the management of pastures by community structures; and the extension of affordable banking and insurance services to target producers.

40. The programme design incorporates and scales up activities that have been developed under the World Bank-funded Improving Livestock Production and Marketing Project and under IFAD-funded projects such as the Western Sudan Resources Management Programme, the Butana Integrated Rural Development Project and the Supporting Small-scale Traditional Rainfed Producers in Sennar State Project. These activities include the establishment of private veterinarian practices; the demarcation of stock routes with the participation of stakeholders; the development of a framework for the management of stock routes; the introduction of the fattening of young animals; the community management of rangelands; savings and credit groups; rural financial services; and microenterprise promotion emphasizing non-livestock opportunities.

D. Policy engagement

41. The programme is seeking to assist in the transformation of the rural economy led by market development. In general, this translates into deregulation and the transfer of business decision-making from central to community and commercial bodies. The programme will prepare policy dialogue papers on: (i) simplification of livestock taxation; (ii) introduction of compartmentalization of animals, shifting quarantine to the village level; (iii) preparation of clear modalities for pro-poor PPP models ensuring transparency; and (iv) privatization of vaccine production. On the NRM side, it will contribute to addressing the issues of NRM, water ownership by communities, stock route regulation and conflict resolution, and water and grazing fees. The programme will also support the preparation of the national sectoral adaptation strategy for the livestock sector.

VI. Legal instruments and authority

42. A programme financing agreement between the Republic of the Sudan and IFAD will constitute the legal instrument for extending the proposed financing to the recipient. A copy of the negotiated financing agreement is attached as an annex.

43. The Republic of the Sudan is empowered under its laws to receive financing from IFAD and from the IFAD Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund acting through IFAD in its capacity of trustee of the ASAP Trust Fund.

44. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD, with the policies and criteria for IFAD financing, and with the rules governing the ASAP Trust Fund.

VII. Recommendation

45. I recommend that the Executive Board approve the proposed financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a grant under the Debt Sustainability Framework to the Republic of the Sudan in an amount equivalent to sixteen million five hundred and fifty thousand special drawing rights (SDR 16,550,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant under the Adaptation for Smallholder Agriculture Programme to the Republic of the Sudan in an amount equal to four million seven hundred and thirty thousand special drawing rights (SDR 4,730,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Livestock Marketing and Resilience Programme"

(Negotiations concluded on 25 November 2014)

IFAD Grant Number:__________

ASAP Trust Grant Number: ___________

Programme Title: Livestock Marketing and Resilience Programme ("the Programme")

The Republic of the Sudan (the "Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

and

The Adaptation for Smallholder Agriculture Programme Trust Fund ("the ASAP Trust")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

Preamble

WHEREAS the Executive Board of the International Fund for Agricultural Development (the "Fund" or "IFAD"), at its 105^{th} Session approved the establishment of an Adaptation for Smallholder Agriculture Programme Trust Fund ("the ASAP Trust");

WHEREAS IFAD has agreed to extend a grant to the Recipient for the purpose of financing the Programme, on the terms and conditions set forth in this Agreement;

WHEREAS, on the basis of the above and other considerations, the ASAP Trust has agreed to extend an ASAP Trust Grant to the Recipient for the purpose of increasing the financing in respect of the above referred Programme, on the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Grant and the ASAP Trust shall provide a Trust Grant to the Recipient (collectively referred to as “the Financing”), which the Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1. A. The amount of the IFAD Grant is SDR 16 550 000.
   B. The amount of the ASAP Trust Grant is SDR 4 730 000.

2. The first day of the applicable Fiscal Year shall be 1 January.

3. There shall be a Programme Account for the benefit of the Programme Management Unit in the Central Bank of Sudan or a bank acceptable to the Fund.

4. The Recipient shall provide counterpart financing for the Programme in the amount equivalent to approximately USD 9.5 million to finance salaries of government staff implementing Programme activities, and taxes and customs.

Section C

1. The Lead Programme Agency shall be the Federal Ministry of Livestock, Fisheries and Rangelands.

2. The following are designated as additional Programme Parties: the participating State and Federal Ministries listed in Schedule 1.

3. The Programme Completion Date shall be the seventh anniversary of the date of entry into force of this Agreement.

Section D

The Financing will be administered and the Programme supervised by the Fund.

Section E

1. The following is designated as an additional ground for suspension of this Agreement: The Programme Implementation Manual (PIM) referred to in paragraph 17, Section II of Schedule 1 hereto or any provision thereof has been waived, suspended, terminated, amended or materially modified without the prior agreement of the Fund.

2. The following is designated as an additional general condition precedent to withdrawal: the key staff members of the Programme Management Unit; including the programme director; the financial controller and the accountant shall have been recruited.

2. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Recipient:

Minister of Finance and National Economy
P.O. Box 298
Khartoum, Sudan

For the Fund:

The President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome, Italy

For the ASAP Trust Fund

President of the International Fund
for Agricultural Development in its capacity as Trustee
of the Adaptation for Smallholder Agriculture Programme Trust Fund
Via Paolo di Dono 44
00142 Rome, Italy

This Agreement, dated _______, has been prepared in the (English) language in six (6) original copies, three (3) for the Fund and the Trust Fund and three (3) for the Recipient.

REPUBLIC OF THE SUDAN

____
Authorized Representative

DATE:_________________________

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

____
Authorized Representative

DATE:_______________________

FOR THE ADAPTATION FOR SMALLHOLDER AGRICULTURE
PROGRAMME TRUST FUND
PRESIDENT OF THE INTERNATIONAL FUND
FOR AGRICULTURE DEVELOPMENT IN ITS CAPACITY AS TRUSTEE
OF THE ADAPTATION FOR SMALLHOLDER AGRICULTURE PROGRAMME
TRUST FUND

____
Authorized Representative
DATE:_______________________

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. **Programme Area** The Programme Area shall be concentrated on the heartland of the semi-arid livestock producing areas in five States, namely Blue Nile (Al-Damazin and Al-Tadamon), North Kordafan (Shaikan, Bara, Al-Rahad and Um-Rawaba), Sennar: (Abu Hugar, Al-Dali & Al-Mazmoum and Al-Suki), and West Kordofan (En-Nuhood, Al-Khewei, Abu Zabad, Al-Salam and Al-Sunut) and White Nile (Al-Gabalein and Al-Salaam). The portability and flexibility of the Programme approach and activities will permit a broadened mandate to other Localities and/or States if additional resources become available to the Programme.

2. **Target Population** The primary target group shall be composed of smallholder pastoral and agro-pastoral communities and households, women, including women headed households, rural youth, particularly unemployed youth, and young women, Small traders/agro-dealers/entrepreneurs as well as private sector for value chain and pro-poor public private partnership activities

3. **Programme Goal and Objective**. The overall goal of the Programme is increased food security, incomes and climate resilience for poor households in pastoralist communities. The development objective is increased earning opportunities and improved living conditions in livestock-based communities. The LMRP aims to lift 60,000 rural people sustainably out of poverty, improve asset ownership index to 100,000 households compared to baseline and increase climate resilience for 60,000 households.

4. **Programme Components and Outcomes**: The Programme shall have four main components, as follows.

   (a) Component 1 - Livestock business development. This component shall improve value addition and market access for small-scale pastoralists and agropastoralists by addressing constraints on live animal, skins and hides, and red meat value chains:

      (i) *Subcomponent 1.1 Community Livestock Productivity and Marketing.* The main expected outcome of this subcomponent is improved accessibility of services and technologies necessary to engage effectively in fattening young livestock. The sub-component will promote pro-poor livestock business development for at least 40,000 households through the delivery of services to households involved in the fattening of livestock in the following areas: (i) business management, business plans, loan applications, technology transfer, and skills improvements for productive improvement; (ii) access to appropriate inputs through establishment linkages to suppliers; (iii) access to markets and market information; (iv) establishment of contractual linkages among value chain stakeholders using forward contracts and contract farming; and (v) access to microfinance services (component 3) and to financial institutions providing small and medium enterprise services to individuals and producers' groups who have graduated from microfinance.

(ii) *Subcomponent 1.2 Livestock Value Chain Expansion using Pro-poor Public-Private Partnership (PPP) Business Models*, The main expected outcome of this subcomponent is enhanced efficiency and inclusiveness of value chains from primary producers to final customers of live animals, meat, and hides and skins. The sub-component will enhance the efficiency and inclusiveness of value chains from primary producers to final customers of live animals, meat, and hides and skins, to widen the possibilities for programme target groups to enter on the supply side. It will contribute technical assistance and "match-making" services for potential investors, including: (i) identification of viable investment areas along the value chains to be presented to potential domestic and foreign private investors; (ii) domestic and export market analysis and support; (iii) identification and facilitation of domestic and regional sources of investment finance for enterprises along the value chains; (iv) feasibility studies for potential investments; and (v) engagement with the Government to obtain the best possible incentives. The sub-component will result in signing of PPP deals, satisfactory to the fund, between the government, potential investors, and potential PPP partners.

(b) Component 2 - Community-led natural resources management (NRM) and enhanced adaptive capacities. The Programme will support a community-led visioning process to prioritize NRM investments for building the sustainability of the livestock system:

(i) *Subcomponent 2.1 Community-led NRM*, The main expected outcome of this subcomponent is community-based natural resource management and remediation to reduce the vulnerability of settled and nomadic pastoralists. The sub-component will support measures to install response systems and innovative solutions for climate risk mitigation, benefiting about 50,000 direct beneficiaries. It will promote community-based NRM to reduce the vulnerability of settled and nomadic pastoralists (i) by establishing 300 community adaptive plans incorporating the needs and priorities of poor women and men in all target villages; and (ii) by investing in more productive/improved rangelands and reduced resource-based conflict, through rainwater harvesting, rangeland rehabilitation, the eradication of invasive species, water points, stock route restoration and dispute mediation.

(ii) *Subcomponent 2.2 Climate Change Resilience and Policy Facilitation*, The main expected outcome of this subcomponent is response systems and innovative solutions for climate risk mitigation. The sub-component will support, for the benefit of pastoralists, agro-pastoralists and decision makers, the establishment of information and response systems to increase the resilience of natural resource users to shocks, benefiting about 10,000 direct beneficiaries. It will also support the development of a national sectoral adaptation strategy for the livestock sector and will facilitate activities for discussing policies and arrangements that can reduce conflicts.

(c) Component 3 - Rural enterprise and social development. The Programme will promote the scaling up of viable business plans through further technical support and access to affordable loans from microfinance institutions:

(i) *Subcomponent 3.1, Livelihood Diversification*, The main expected outcome of this subcomponent is diversification of livelihoods achieved through community level income generation activities and businesses, benefiting about 100,000 direct beneficiaries. It will provide mobilization and support to savings and credit groups, which will accumulate capital and invest in individual and group value addition and service microenterprises. These groups will be established and capacitated with intensive advice and support. Demonstrations and technical training will encourage diversification away from traditional livestock keeping and the unsustainable use of natural resources.

(ii) *Subcomponent 3.2, Sustainable Access to External Finance*, The main expected outcome of this subcomponent is access to sustainable formal financial services by target group, benefiting about 60,000 direct beneficiaries. The subcomponent will strengthen the rural finance delivery structure by developing and expanding the successful models. In addition to formal microfinance services, the component will support larger private and community-owned productive and service enterprises. Expected outcomes will be (i) diversification of livelihoods based on community-level income-generating activities and businesses; and (ii) access to sustainable formal financial services.

(d) Component 4: *Program Management, Monitoring and Evaluation*. The outcome of this Component shall be that the Programme is efficiently and effectively managed to achieve Programme results with knowledge management in the areas relevant to the programme interventions; such as pro-poor public private interventions, climate change, natural resources management and conflict resolution. The Component will have three outputs namely: (i) establish Programme management and coordination structure and mechanisms; e.g. Programme Management Unit (PMU), five State Implementation Units (SIU's), Programme Steering Committee (PSC), etc; (ii) systematise the financial management, audit and procurement procedures; and (iii) establish Monitoring and Evaluation (M&E) and Knowledge Management (KM) systems.

II. Implementation arrangements

1. **Governance of the Programme.** The membership of the Programme governing bodies will be right sized to reflect the participation of the key stakeholders in its implementation. The composition and operation of the governing bodies will be detailed in the Programme Implementation Manual (PIM).

2. **Inter-Ministerial Committee (IMC).** Its role and functions will primarily be to review and approve policy recommendations emanating from the Programme Steering Committee pertaining to Programme activities, especially those related to PPP, climate change, natural resources management, land use and to policy issues inhibiting involvement of private sector in value chain development and investment in the livestock related value chains addressed by the Programme. The Federal Minister of Agriculture and Irrigation or his representative will chair this committee; the membership in this committee will include the representative of the Ministry of Finance and National Economy (MoFNE), Ministry of Livestock, Fisheries and Rangelands (MoLFR), Ministry of Environment, Forests and Physical Development, Ministry of Electricity and Water

Resources, the State Ministries responsible for livestock and agriculture and, where IFAD co-financed Projects/Programmes are on-going, the Central Coordination Unit (CCU) for IFAD co-financed Projects/Programmes. The chairperson of the committee may invite any other party in function of the policy issue under discussion. The committee will meet at least twice a year.

3. **Programme Steering Committee (PSC)**. The PSC will orient the strategy of the Programme, oversee planning, review progress and impact and ensure linkages with related projects, government services and relevant value chains stakeholders. The PSC will meet every quarter and will comprise: the Under Secretary of MoLFR as Chairperson; the Under Secretary of Ministry of Agriculture and Irrigation; the Under Secretary of the Ministry of Environment, Forests and Physical Development, the Under Secretary of Ministry of Finance and National Economy or his delegate; a representative of the CCU the Director-Generals of State ministries in charge of livestock in Blue Nile, North Kordofan, Sennar, West Kordafan and White Nile States; a representative of the Sudan Veterinary Council; and the Secretary General of the Pastoralists Union, as well as such other members as the Under Secretary of MoLFR may designate from time to time. Members representing the private value chains stakeholders and partnering financial institutions will also be identified.

4. The main responsibilities of the PSC shall include: (i) overseeing implementation; (ii) setting overall policy guidelines and directions for implementation; (iii) ensuring support from all stakeholders and relevant constituencies; (iv) approving the AWPB; (v) approving amendments to the Programme Implementation Manual (PIM) in consultation with IFAD; (vi) reviewing and approving progress reports prepared by the PMU and supervising the preparation of the mid-term review report and the implementation completion report; (vii) approving and requesting reallocations between, and within, expenditure categories; (viii) approving and endorsing annual audit reports; (ix) closely monitoring progress including procurement and financial management performance, and achievement of Programme development objective; and (x) ensuring the organization of independent evaluations of the Programme’s outcome and impact, including the preparation of the mid-term review report and the Programme implementation completion report.

5. **State Steering Committees (SSCs)**. In each of the States there will be a State Steering Committee (SSC). The SSC will be responsible for facilitating Programme implementation and ensuring that impediments to the implementation of Programme activities are eliminated, as well as reviewing progress. Secretariat services to the SSC will be provided by the corresponding State Implementation Unit (SIU). Each of the SSC will be formed by a decree by the State Minister in charge of livestock in the respective state. The membership of the each of the SSC’s will be open to representatives from the State Ministry in charge of livestock, the Forestry National Corporation, the Livestock Research Corporation, the Agriculture Research Corporation, the Executive Directors of the localities, the Women’s Union, the Pastoralists’ Union, the Farmers’ Union, the State Ministry of Physical Planning and Public Works, the Women State Advisory Commission, the Agriculture Committee in the Legislative Council, the Zakat Fund, the banks, etc. The composition of the SCC’s may be adjusted by agreement between the Fund and the Recipient. The SCC will meet bi-annually. The General Director of the respective State ministry in charge of livestock will chair the SSC. The meeting agenda and minutes will be prepared by the State Coordinators, approved by the Programme director.

6. **Programme Management Unit (PMU)**. The PMU, located at Kosti or any other place within the Programme Area, will report to the PSC and the federal government. It will act as the technical secretariat of the Programme. The PMU will comprise: (i) Programme Director; (ii) Senior Livestock Business Development Manager (SLBDM), responsible for Component 1 and overall field implementation; (iii) Natural Resources & Adaptation Manager (NRAM), responsible for Component 2; (iv) Group & Enterprise Development Manager (GEDM), responsible for Component 3; (v) Financial Controller (FC); (vi) a Senior Accountant; (vii) two Knowledge Management/M&E Officers (East and West, KM/M&Es); (viii) Logistics/Procurement Officer; (ix) Administration Officer; and (x) two Secretaries, all recruited competitively on fixed-term contracts, as well as required support staff. The PMU will rent necessary office space in Kosti and will have financial and administrative autonomy.

7. The PMU shall: (i) facilitate preparation and consolidation of AWPBs and obtain approval from PSC and no objection from IFAD; (ii) manage the Programme Designated Account and counterpart Programme Account, including all related financial transactions and disbursement of funds; (iii) oversee all procurement and financial management activities and ensure that all the procurement and contracting arrangements are executed using appropriate guidelines; (iv) provide timely quarterly progress reports of all Programme activities to the PSC; (v) organize the baseline and reference surveys and other studies; (vi) ensure technical quality of Programme activities; (vii) coordinate and supervise the work of the providers of international TA; (viii) ensure requirements with respect to targeting of the IFAD target group are met; (ix) ensure reporting and Monitoring and Evaluation of Programme performance and RIMS; (x) provide support to SIUs; (xi) maintain Programme accounts and be responsible for Programme financial reporting; (xii) safeguard Programme funds and assets; and (xiii) ensure Programme sensitisation, planning and coordination with relevant implementation partners.

8. The PMU will be supported by the Central Coordination Unit (CCU) for IFAD Funded Projects with procurement under competitive bidding procedures and liaison with MoFNE, MoLFR and IFAD.

9. The composition of the PCU will be detailed in the Programme Implementation Manual.

10. **Component-wise implementation**. The role of each participating agency is summarized below and shall be further detailed in the Programme Implementation Manual.

(a) Component 1.

(i) ***Livestock Advisory Teams*** The mobile advisory services will be developed by Livestock Advisory Teams (LATs). Each LAT will consist of (i) Livestock Husbandry Specialist; (ii) Veterinarian; and (iii) Livestock Business Specialist. The Livestock Husbandry Specialist and the Veterinarian will be seconded from within the structure of the state ministries and the Livestock Business Specialist will be hired from a service provider. The LATs will gradually be trained and based at the SIU. The LAT specialists will be hired on a competitive basis and offered a performance-based contract.

(ii) ***PPP Unit and PPP investment Committee (PPPIC)*** The PPP arrangements shall be managed by a recognised international/regional consulting firm/consortium with solid experience of implementing PPPs in other countries, to be hired through a competitive process and mandated to implement the PPP activities. A special PPP Unit (PPPU) will be established in Khartoum by this firm and reporting to the Programme management structure. The selection of individual investments and PPPs will be done by a PPP Investment Committee (PPPIC) composed of selected stakeholders along the subject VCs (live animals, red meat, and skin and hides) and opted advisors (researchers, university professors, audit firms, representatives from similar enterprises) as required. The details and organizational arrangements of the committee will be clearly spelled out in the PPP Implementation Manual, including: composition of the committee members, governance and administration, frequency of meetings, voting procedures, evaluation and review process of the business plans, record keeping, job descriptions and monitoring of contractual obligations between parties and LMRP impact along the VCs.

The PPPU will include at least a Transaction Manager (TM), Transaction Specialist (TS), and legal specialist and will include other technical expertise as needed. The TM will be responsible for undertaking/coordination of: (i) prepare the promotional material of the PPP possibilities; (ii) call for expression of interest, due diligence of the expression of interest and present these to the PPPIC; (iii) through a competitive process engage service providers to undertake: feasibility studies, business plans, market analysis, implementation of standards, capacity building of workers at the processing facilities and formulation of PPP contractual modalities; (iv) preparation of investment summaries of investment proposal for the subsequent approval/rejection by the PPPIC; and (v) prepare policy papers and through the programme director, engage in policy dialogue with the Government. The TS will be responsible for supporting activities related to small PPPs in a similar fashion as described under the MT responsibilities The PPPU will also provide relevant PPP and business training and support to the LAT.

(b) Component 2.

(i) *Sub-Component 2.1*

For the implementation of Component 2, the five Natural Resources and Adaptation Specialist, based in each of the five State Implementation Units, will lead the NR work at the State-level Development & Adaptation Teams (SDATs), which will include appointed specialists from the State administration in the fields of rangeland/pastures, forestry, agriculture, water, and gender & social welfare. The SDATs will have the following tasks: (i) guide and oversee the production of the Community Action Plans (CAPs); (ii) facilitate the participatory selection of priority investments with the VDCs; and (iii) deliver tailor-made community training and capacity building programmes to enable the beneficiaries to design and implement the planned activities, including facilitating access to financial services for the implementation of the CAP priority investments.

For the preparation of the CAPs, the Programme shall contract technical assistance (TA) to: (i) lead the production of the baseline, including vulnerability assessment at the cluster level; (ii) undertake participatory mapping of the natural resource base of rural communities, identify risk, hot spots and investment gaps to inform the preparation of each CAP; (iii) support the SDATs in the delivery of technical training; (iv) provide backstopping and technical support for the assessment and implementation of the CAPs; and (v) ensure that climate change adaptation and vulnerability reduction are solidly embedded in the plans and priority investments. The TA will be made available through service providers (NGOs, CBOs, partner organisations, etc) who will make sure that the CAPs are produced and finalised within the first 12 months of implementation.

The procurement of these service providers shall be done based on specific terms of reference and include expertise on: (i) climate change modelling; (ii) socio-economic development; (iii) management of land and water resources, including traditional knowledge and innovation; (iv) ecosystem-based NRM and restoration; (v) economic valuation of NR goods and services; and (vi) renewable energy. These service providers will be procured based on the conditions within the different states, and should undertake the development of the CAPs in a participatory manner, including within the exercise the local representatives of the different administrations in an effort to build their capacities and make them able to later support the communities and build their adaptive planning capacity to repeat these exercises whenever necessary.

The beneficiaries in each village cluster shall be in charge of implementing the Programme investments on improved management and restoration of rangelands including fencing, creation/restoration of water points, diversification of cropping systems including tree planting and fodder production, eradication of invasive species and development of local businesses based on non-timber forest products (NTFP), water provision, renewable energy and related activities. The SDATs and TA will provide the necessary assistance and support to ensure effective implementation of the Programme investments at the village cluster level. In order to promote the sustainability of the work undertaken in this Sub-Component, communities will be coached through Component 3 of LMRP to access financial services in order to establish businesses, including through Pro-poor Public Private Partnerships (PPPs) that ensure the return on investment. Some of these investments could include: drinking water filtration, energy provision through alternative sources (such as piloting of the IFAD experience on portable biogas), establishment of Integrated Service Centres for fodder and water along the pasture routes, among others.

With respect to the completion of the stock route network, TA will be provided to support the five states in undertaking GIS mapping and demarcation of the stock routes as well as legalisation. At Programme start-up, criteria will be developed, in coordination with the state authorities, to decide on the exact stock routes to be worked on and building on the outcome and experience of other projects. The SIU will facilitate the organisation of consultation workshops at the state level for state decisions makers and leaders of the main land uses and promoting consensus on the management plans of livestock routes.

(ii) *Sub-Component 2.2*

For Sub-Component 2.2, the Programme shall contract an international provider of TA to develop the Drought Monitoring, Preparedness & Early Response System (DMPERS) and deliver the necessary training for its management and maintenance. The DMPERS will be hosted within the Ministry of Livestock, Fisheries and Rangelands. At inception phase of the Programme, the LMRP will agree with the Ministry on the most appropriate arrangement for the outsourcing of the DMPERS management and hosting to a private operator (through PPP arrangements), which will guarantee the sustainability of the system by taking over its management– including update, maintenance and the transfer of data and information to the final users – upon the payment of a nominal fee.

The DMPERS will also support the Ministry and its various Administrations in terms of monitoring and predicting seasonal trends and changes of resource availability, drought-related risks (for example, risk of livestock diseases) and marketing information to enable the development of preparedness and response strategies and plans at the central and state levels, involving all the concerned branches of the administration and other stakeholders (livestock and farmers associations, representatives of local communities, NGOs). The DMPERS will build on the databases and information networks already available at the Ministry, and will link with the marketing and extension information system to be developed within Component 1.

The Natural Resources & Adaptation Manager (NRAM) will play a pivotal role in supporting Ministry in the production of the National Sectoral Adaptation Strategy for the Livestock Sector, ensuring coordination with the relevant government agencies, both at central and state levels while working closely with the Ministry of Environment. TA will be procured for the preparation of the strategy

The NRAM and NRASs will support the State authorities in the design, organisation and implementation of the State-level workshops for facilitating land dispute settlement, including user and access rights. The Programme will also appoint professional, neutral facilitators to run the workshops.

(c) Component 3.

(i) *Sub-Component 3.1*

Sub-Component 3.1 will be implemented by the Programme team consisting of: (i) Group & Enterprise Development Manager (GEDM) at the PMU; (ii) five Group & Enterprise Development Specialists (GEDSs) based in the five SIUs; and (iii) 32 Group & Enterprise Development Officers (GEDOs) deployed in 16 counterpart Locality Group & Enterprise Development Teams. The GEDM and the GEDS will be trained in SCG concept and implementation methodology through the services of the IFAD-supported Western Sudan Resources Management Programme (WSRMP) which has successfully piloted and implemented the SCG approach. The process will be further supported through the engagement of external service providers, including international advisory services, for development of the community development manual and the management, monitoring and reporting systems. The SCG training manual of the Western Sudan Resources Management Programme (WSRMP) will serve as the foundation of the community development manual which will be updated with WSRMP experiences and additional details to address LMRP requirements. This manual will be the basis of standardised training and capacity building of the locality-level GEDOs by the GEDM, GEDS and service providers. The trained GEDOs will be responsible for community mobilisation, SCG formation and enterprise development according to the guidelines in the manual.

Service providers will be engaged by the Programme for: (i) mapping of various alternative livelihood clusters; (ii) development of the microenterprise guidebook, model business plans, and training materials; and (iii) development of suitable financing products and delivery methodology by partner banks. The GEDM and GEDS will participate closely in the above process. The manuals and training materials thus developed will be used by GEDM, GEDS and the service providers for training the GEDOs and partner bank credit officers on alternative livelihood promotional and adoption strategies, demonstration arrangements and other implementation mechanisms. The demonstrations of alternative livelihood projects will be financed through partner banks/financial institutions.

The trained GEDOs will be responsible for the implementation of this Sub-Component at the locality level. The GEDOs will have access to a Programme vehicle with a driver for spending up to 15 field days per GEDO per month. The State level GEDS will be responsible for full training and guidance of the GEDOs, their technical supervision and oversight of implementation and reporting quality. They will also monitor the GEDO field days.

(ii) ***Sub-Component 3.2***

Sub-Component 3.2 shall be implemented through the partner financial institutions adopting the Agricultural Bank of Sudan Microfinance Initiative (ABSUMI) model. A memorandum of understanding (MoU) will be signed with each of these partner organizations. The ABSUMI branches in the Programme areas will be strengthened and their capacity enhanced to serve the requirements of the Programme. In addition, based on requirements, up to eight new rural units/branches based on the ABSUMI model will be established to increase rural finance outreach in the Programme area. The ABSUMI units will deliver external financial services in the Programme area through their own credit officers following a predominantly women’s group lending approach. This will involve delivering services to groups formed directly by the credit officers or through SCGs formed under the Programme and other programmes in the operating area of the ABSUMI units.

The rural units will be financed through the partner bank, such as the Agricultural Bank of Sudan and other apex financial institutions such as the Sudanese Microfinance Development Company (SMDC) and the Microfinance Unit of the Central Bank of Sudan (CBS-MFU). If needed, the ABSUMI model rural units will serve as conduits for commercial bank financing for upscaling the livestock fattening activities at the community level.

The implementation of the external financing activities under the Programme will be driven through a contract between the Programme, apex financing institutions (including commercial banks where relevant) and the partner bank implementing the ABSUMI model. In this agreement, the LMRP commitment will be mainly to finance the infrastructure, TA and operational cost gaps. The apex financial institutions and the commercial banks commitment will be to portfolio financing and TA, and the partner banks commitment will be to finance portfolio requirements and the cost of operations.

(d) Component 4. The implementation and coordination of the Programme will be led by the PMU and SIUs with the assistance of the different line ministries as mentioned above. The PMU with SIUs support will be responsible as well for the Monitoring and Evaluation and the fiduciary aspects of the Programme.

11. **Programme Planning**. At inception, the PMU shall review and update the Programme's Logical Framework during start-up workshops with the participation of representatives from all stakeholder groups, prepare the Overall Work Plan & Budget and fine-tune the first Annual Work Plan & Budget (AWPB). Thereafter, the PMU will prepare each year a consolidated AWPB incorporating the five State AWPBs generated by SIUs for review and approval by the PSC, to be submitted in advance of the GoS annual budgeting process to ensure that sufficient counterpart funds are made available. In accordance with section 7.01(b) of the General Conditions each AWPB will have to receive IFAD no objection.

Programme decision-making will be founded on a unified PMU/SIU Management Information System (MIS) capturing data, generating reports and informing management decisions. The views and priorities of beneficiaries will be determined in Community Action Plans and through interaction with economic interest groups and community structures. These planning functions will be the responsibility of the Programme Director and five State Coordinators, with the main burden of data analysis, reporting, monitoring and evaluation shared by the two PMU KM/M&E Officers. Beneficiaries will be drawn in to participatory planning and M&E processes. Studies will be commissioned to investigate topics selected by stakeholders, concentrating on problem solving, results and outcomes, and on evidence gathering for policy analysis and dialogue. Existing GoS M&E systems, including the capacity established by ILPMP, form the backbone of the M&E system. The Programme will support the development of the concerned structures to underpin the overall functioning both of LMRP and of future interventions in the rural economic sector.

Each SIU will monitor progress in its intervention zone within the standardised LMRP M&E framework and agreed set of indicators. The PMU will be responsible for consolidating the *Quarterly Summary Progress Reports* generated by each SIU using a standard format preceded by a checklist of outstanding issues, if any, and actions taken. An illustrated full *Annual Progress Report* will be compiled by the KM/M&E Officers. Template will be included in the PIM.

Alongside the AWPB cycle, a comprehensive *Mid-Term Review* will be conducted in PY4 to reassess the LMRP design in the light of implementation experience. The reviewers may propose adjustments to the approach, activities and/or implementation arrangements for the remaining life of LMRP and suggest revisions to Programme scope, objectives, components, Logical Framework, M&E Plan, cost tables and the PIM.

Towards the end of LMRP implementation, the PMU will prepare a comprehensive *Programme Completion Report* (PCR), to summarise achievements set against design intentions and assess overall impact and prospects for sustainability of gains in the economic and social resilience of the target population. The PCR process will feature a validation workshop to provide an opportunity for stakeholders themselves to evaluate performance, to promote accountability, to identify and elaborate upon factors that will improve sustainability and to lay out key success factors and shortcomings.

12. **Monitoring and evaluation (M&E).** A Programme M&E framework will provide information on implementation progress and constant feedback into the MIS for decision-making, identifying any problem areas, evaluate the performance of implementing agencies and assess achievements at the levels of outcomes and impact. All M&E data will be disaggregated by gender, age and Locality.

A thorough *Baseline Survey* shall be conducted by a qualified service provider in a representative sample of communities within the targeted Localities. The research will concentrate on benchmarking those aspects in which LMRP is intended to make a difference. Interim *Post-Implementation Evaluation* studies will be carried out by a contracted independent body under the overall responsibility of the State cadres on the completion of selected clusters of group and community interventions, concentrated on the satisfaction of beneficiaries and the number of women and youth with increased access to assets, incomes or services resulting from enterprise developments. A substantial *Final Impact Evaluation* will be commissioned from an independent service provider at the end of implementation, mirroring the scope and methodology of the *Baseline Study* to the extent possible, to detect changes in selected indicators and to attempt to attribute observed changes to Programme interventions and/or to other factors.

13. **Programme Implementation Manual (PIM)**.The PMU will develop a draft PIM covering all aspects of implementation, management structure, staff terms of reference, etc., which will be submitted to the PSC for review and approval. Once approved, the PMU will submit the PIM to the Fund for no objection. The PSC will adopt the PIM substantially in the form approved by the Fund.

Schedule 2
Allocation Table

1. *Allocation of Financing Proceeds*. The Table below sets forth the Categories of Eligible Expenditures to be financed by the Financing and the allocation of the amounts of the Financing to each Category and the percentages of expenditures for items to be financed in each Category:

	Category	IFAD Grant Amount Allocated (SDR)	ASAP Grant Amount Allocated (SDR)	Percentage of eligible expenditures to be financed (All amounts net of taxes, government contribution and other cofinanciers)
I.	Works & Vehicles	1 410 000	-	100%
II.	Equipment & Materials	1 340 000	10 000	100%
III.	Goods, Services, & Inputs	1 380 000	10 000	100%
IV.	Consultancies	2 410 000	120 000	100%
V.	Grants	-	2 860 000	100%
VI.	Training, Workshops & Meetings	2 470 000	70 000	100%
VII.	Salaries & Allowances	4 520 000	1 080 000	100%
VIII.	Operating Costs	1 360 000	110 000	100%
	Unallocated	1 660 000	470 000	
Total		**16 550 000**	**4 730 000**	

2. *Start-up Costs*: The Recipient may request an advance withdrawal up to a maximum limit equivalent to USD 325 000 for start-up costs, to cover: (i) the recruitment of key financial personnel, the purchase and installation of appropriate accounting software, preparation of the financial management section of the Programme Implementation Manual and financial management training of the accounting staff

(USD 150 000); (ii) recruitment of a procurement consultant (USD 25 000); and (iii) key staff costs needed ahead of the first disbursement (USD 150 000).

Schedule 3

Special Covenants

In accordance with Section 12.01(a)(xxiii) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Recipient to request withdrawals from the IFAD Grant Account and the ASAP Trust Grant Account if the Recipient has defaulted in the performance of the covenant set forth below, and the Fund has determined that such default has had, or is likely to have, a material adverse effect on the Programme:

1. The Recipient agrees that Programme implementation shall be focused on livestock value chains development, smallholder groups commercial fattening, and development of public private partnership for enhancement of the value chains.

Logical framework

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Programme Goal			
Increased food security, incomes and climate resilience for poor households in pastoralist communities.	• 25% reduction in child malnutrition compared to baseline (RIMS). • 60,000 rural people sustainably moved out of poverty. • 100,000 households have an improved asset ownership index compared to baseline (RIMS). • 60,000 households have increased climate resilience (ASAP).	• RIMS baseline and impact surveys. • UNICEF/WFP periodic surveys. • Government statistics.	
Programme Development Objective			
Increased earning opportunities and improved living conditions in livestock-based communities.	• Average incomes of rural poor households engaged in livestock value chains increase by 50% at Programme completion. • 20% of HH participating actively in commercial farming by PY5.	• RIMS, baseline survey, mid-term and completion assessments. • MoLFR surveys and reports.	• GoS retreat from its pro-poor policies focused on reducing income disparities. (R) • Significant civil unrest in the Programme area. (R)
Component 1: Livestock business development			
Outcome 1.1: Accessibility of services and technologies necessary to engage effectively in fattening young livestock. *Beneficiaries:* *direct 40,320*	• Over 40,320 beneficiary households report more than 50% income increase from livestock sector; • 85% of beneficiary farmers adopt project-recommended livestock technologies. • Livestock groups capacitated with technical and marketing skills (1,345). • Fattened animals produced by schemes (1.3 million animals recurrent from Y6). • 20% of trained private veterinarians and para-veterinarians develop a sustainable business model.	• Trade statistics. • M&E reports. • Contracts and MoUs between enterprises, financiers and GoS. • ICT service provider.	• Availability of commercial credit for fattening schemes. (A)
Outcome 1.2: Enhanced efficiency and inclusiveness of value chains from primary producers to final customers of live animals, meat, and hides and skins. *Beneficiaries:* *direct 1,220* *indirect 103.500*	• Value of PPPP investments mobilized by PPP Unit USD 36.8 million). • Export volume of live animals from direct effect 0.5 million and indirect 0.2 million. • Export of slaughtered animals (direct effect 0.75 million and indirect effect 0.87 million). • 3.6 million improved quality of skins and hides to market specifications. • Volume of tannery products exported and used domestically. Improved policy framework for investment in livestock sector.	• PPPP reports. • Market information. • Throughput of primary marketing channels. • Policy/legislative documents and strategies	• Reluctance of private sector and development partners to invest on demand side. (R)

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Component 2: Community-led NRM and enhanced adaptive capacities.			
Outcome 2.1: Community-based natural resource management and remediation to reduce the vulnerability of settled and nomadic pastoralists. *Beneficiaries:* *direct 50,000* *indirect 80,000*	• 25% increase in rangeland productivity in target areas. (ASAP) • 334,000 ha of rangelands under climate-resilient management practices in five target States.(ASAP) • 300 community groups engaged in climate risk management planning (ASAP) • 100,000 households access pasture and water resources.	• Federal and State level statistics and inventories. • Baseline reports and rangeland productivity records.	• Key concerned stakeholders have the capacity to plan, design and implement required adaptation measures. (A) • Poor maintenance of investments and governance conflicts result in reduced benefits to herders and farmers. (R)
Outcome 2.2: Response systems and innovative solutions for climate risk mitigation. *Beneficiaries:* *direct 10,000* *indirect 40,000*	• Drought Monitoring, Preparedness & Early Response System (DMPERS) is effective and sustainable to increase ability of communities to manage risks (ASAP) • Disputes between nomadic, settled communities and semi-mechanized farming sector regarding access to natural resources reduced. • Project contributes to national dialogue on climate issues (ASAP)	• National and State level statistics and inventories. • Policy documents and strategies. • MoU between federal and State authorities for management of DMPERS.	• All key public and private stakeholders are willing to engage in development and implementation of measures for vulnerability reduction. (A) • DMPERS embedded and budgeted properly in Government services. (A)
Component 3: Rural enterprise and social development.			
Outcome 3.1: Diversification of livelihoods achieved through community level income generation activities and businesses. *Beneficiaries:* *direct 100,000* *indirect 20,000*	• 5,000 SCGs formed and capacitated with technical and business skills. • New income generation activities demonstrated and adopted. • Incremental income of HH from microenterprises. • Investment capital accumulated.	• HH income surveys. • Beneficiary testimony. • Programme reports.	• Lack of support from men and/or local leaders for women groups. (R) • Limited rural business opportunities because of lack of local purchasing power. (R)
Outcome 3.2: Access to sustainable formal financial services by target group. *Beneficiaries:* *direct 60,000* *indirect 10,000*	• 50,000 households linked to formal banking services. • Portfolio and client outreach of ABSUMI to target HH (portfolio USD 8 million; target 40,000). • Sustainability of the rural finance units achieved (half of the rural finance units reporting operational self-sustainability (OSS) of more than 100% by the programme closure).	• ABSUMI model reports generated by ABS/other partner banks. • Supervision reports of the Central Bank MFU. • Monitoring reports of ABSUMI financing partners.	• Willingness of commercial banks to invest in livestock and other rural activities (A)