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Investing in rural people

President's report

Proposed grant to the Republic of the Sudan for the Integrated Agricultural and Marketing Development Project

Note to Executive Board representatives

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For: Approval

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Abbreviations and acronyms

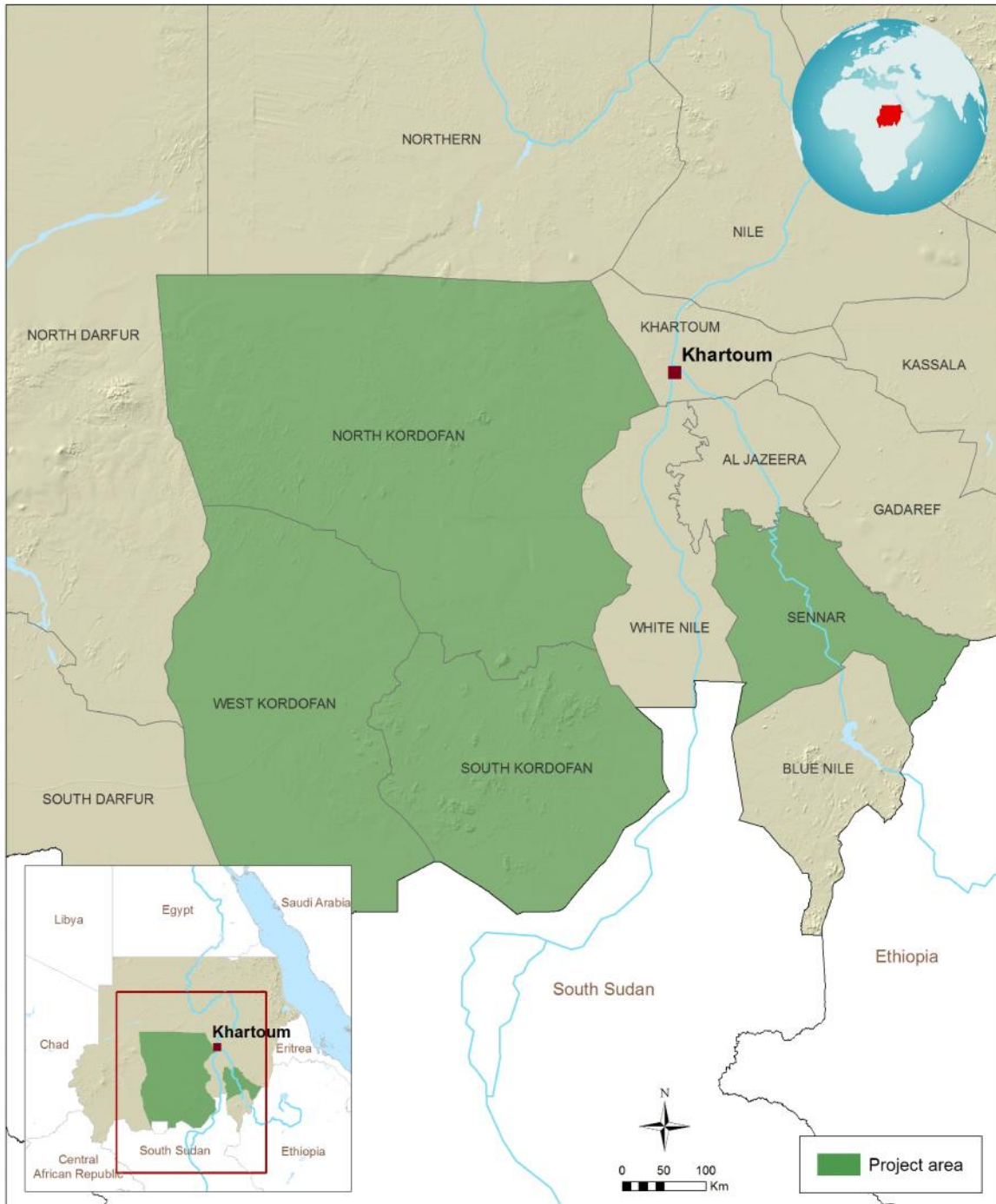
COSOP	country strategic opportunities programme
EIRR	economic internal rate of return
FAO	Food and Agriculture Organization of the United Nations
IAMDP	Integrated Agricultural and Marketing Development Project
LET	locality extension team
M&E	monitoring and evaluation
MoAF	Federal Ministry of Agriculture and Forestry
MoFEP	Federal Ministry of Finance and Economic Planning
NK	North Kordofan
PCU	project coordination unit
PFI	Partnering Financial Institution
SDP	Seed Development Project
SK	South Kordofan
SPIU	state project implementation unit
SUSTAIN	Supporting Small-scale Traditional Rainfed Producers in Sinnar State
WK	West Kordofan

Map of the project area

Sudan

Integrated Agricultural and Marketing Development Project - IAMDP

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 | 23-10-2017

Republic of the Sudan

Integrated Agricultural and Marketing Development Project (IAMDP)

Financing summary

Initiating institution:	IFAD
Recipient:	Republic of the Sudan
Executing agency:	<ul style="list-style-type: none"> • Federal Ministry of Agriculture and Forestry • State Ministries of Agriculture, Animal Wealth and Irrigation of Sinnar, North Kordofan, South Kordofan and West Kordofan
Total project cost:	US\$47.5 million
Amount of DSF grant:	EUR 22.4 million (equivalent to approximately US\$26.01 million)
Contribution of recipient:	US\$8.8 million
Contribution of beneficiaries:	US\$2.5 million
Contribution of private sector:	US\$10.2 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 grant to the Republic of the Sudan for the Integrated Agricultural and Marketing Development Project (IAMDP), as contained in paragraph 43.

Proposed grant to the Republic of the Sudan for the Integrated Agricultural and Marketing Development Project (IAMDP)

I. Strategic context and rationale

A. Country and rural development and poverty context

1. In 2016, the Sudan gross national income per capita was estimated at US\$1,920. The country is endowed with 61 million hectares of arable land, of which 17.4 million hectares are cultivated. Two thirds of the total Sudanese population live in rural areas; the national poverty rate is 47 per cent, with 58 per cent of the population classified as rural poor; and 3.9 million people are food insecure. Agriculture and agro processing in the Sudan account for nearly one third of national GDP and half of the national workforce. The rainfed production system is an important agricultural subsector, contributing three quarters of foreign exchange earnings from agricultural exports.

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

2. Rationale. Intervening in rainfed areas of Sinnar, North, South and West Kordofan, the two ongoing and about-to-close projects – the Seed Development Project (SDP) and Supporting Small-scale Traditional Rainfed Producers in Sinnar State (SUSTAIN) - succeeded in improving food security, incomes and resilience to shocks for smallholder producers. They also managed to test the model of public/private partnership between farming households and the private-sector suppliers of inputs (e.g. certified seed, fertilizer) and services (e.g. chisel-ploughing, spraying). The IAMDP will consolidate the investment activities supported by the closing projects and will move from demonstration to scaling up where smallholder farmers face challenges of low crop productivity, limited access to markets and finance, and vulnerability to climate change.
3. Alignment with COSOP. The IAMDP is in line with the Sudan country strategic opportunities programme (COSOP), which reflects government priorities for the period 2013-2018 and which has been extended to 2021. In particular, the IAMDP supports the COSOP's two strategic objectives:
 - (i) The productivity of crops, livestock and forestry in rainfed farming systems is enhanced and made more resilient; and
 - (ii) Access of poor rural households to sustainable rural finance services, markets and profitable value chains is increased.

II. Project description

A. Project area and target group

4. The IAMDP will be implemented in the four States of Sinnar, North Kordofan (NK), South Kordofan (SK) and West Kordofan (WK). It will intervene in 129 villages, targeting 27,000 smallholder households. Target groups include small-scale producers, including rural women and youth, with farm sizes of less than 15 feddans (6.3 hectares).
5. Targeted households include new IAMDP households and old households from the SDP and SUSTAIN projects that have not yet matured into fully adopting the technologies promoted by the SDP and SUSTAIN. A comprehensive targeting strategy will be conducted during project inception, and selection of participating villages will use the following criteria:
 - (i) Percentage of poor households in villages;
 - (ii) Number of households headed by women;
 - (iii) Reliance on rainfed farming and herding as the main sources of livelihoods; and
 - (iv) Quality of the agricultural land and degree of land erosion. The main criteria for household beneficiary selection are poverty level, farm size, potential for higher production, willingness to adopt new technologies and willingness to establish producers' associations.

B. Project development objective

6. The project development objective and central strategy is to improve household incomes and resilience to climate change of the smallholder producers, rural women and youth in rainfed areas of Sinnar, NK, SK and WK States. Project objectives will be met through better access to improved agricultural inputs and services, enhanced business skills, access to rural finance and appropriate marketing support, and better organization of producers' associations.

C. Components/outcomes

7. The IAMDP has three technical components and a project implementation component.
8. Component 1. Enhanced crop productivity and production. The expected outcome is enhanced smallholder productivity, quality and production of the main cash crops (sesame, groundnuts and gum arabic) and sorghum as the main staple crop.
9. Component 2. Market linkage and value addition. The expected outcome is higher income for smallholder producers through improved market access, introduction and strengthening of village-based post-harvest crop storage, and introduction of value addition/market linkage activities to increase the net returns from cash crops.
10. Component 3. Enabling environment. The expected outcome is improved smallholder access to finance, a higher level of smallholder business competency, and strong, active producers' associations that will go beyond receiving project support.
11. Component 4. Project implementation. The lead project agency is the Federal Ministry of Agriculture and Forestry (MoAF). A project coordination unit (PCU) will be established in El Obeid, NK, to provide oversight of implementation activities. Implementation will be conducted by the four state project implementation units (SPIUs).

III. Project implementation

A. Approach

12. The project approach is to develop the competence and confidence of communities to engage in common marketing through their associations, and to strengthen private-sector commercial linkages, at the same time building the capacity and institutional know-how of government services to interact with villagers as partners.

B. Organizational framework

13. The PCU in NK will include the following key staff: principal project coordinator, a technical team led by a private-sector engagement/marketing specialist, production specialist and rural finance specialist, as well as the finance manager, senior monitoring and evaluation (M&E) and knowledge management officer, community and gender development officer, procurement officer and accountant.
14. Implementation activities will be conducted by the four SPIUs, one in each state. In each SPIU, key project staff will consist of a state project coordinator, M&E and knowledge management officer, private-sector coordinator, marketing coordinator, crop protection specialist, mechanization specialist, community and gender development officer, accountant, and rural finance officer.
15. At the field level, 13 multidisciplinary locality extension teams (LETs) (4 in SK and 3 each in NK, WK and Sinnar) will play a key role in project implementation at the village level. Each LET consists of the following staff: locality private-sector officer/team leader, locality crop protection officer, locality mechanization officer, locality agroforestry officer, locality marketing officer, locality rural finance and community gender development officer.

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

16. Planning. An annual workplan and budget describing activities in detail will be prepared annually by the PCU through a consultative process that includes all stakeholders.
17. Reporting. Reports on progress and results will be produced periodically. A comprehensive midterm review will be conducted in project year 3 to assess and validate the project design in light of implementation experiences. Towards the end of the project, a project completion report will be prepared.
18. M&E. Project M&E will provide timely information on implementation progress to determine deviations to be addressed and to ensure consistent project performance. Data will be disaggregated to reflect gender, age and locality. Key indicators will take into account IFAD's Results and Impact Management System.
19. Knowledge management. IAMDP's learning processes will analyse the effectiveness of implementation, highlighting the roles of women and youth, and extending access to lessons learned and best practices. Annual project review workshops will review implementation, knowledge generation and identification of needs, successes and constraints, in addition to fostering collaboration with research institutions, civil society organizations, local/regional networks and specialized service providers.

D. Financial management, procurement and governance

20. Financial management. A financial management capacity and risk assessment for this operation was conducted as part of the project design mission. Overall, financial management risk has been rated high. However, the residual risk rating after implementation of the necessary mitigation measures is medium. The 2016 Transparency International score of 14 implies a high risk of corruption. The project design involves inherent risks: it proposes implementation over four states and in 117 villages, in addition to the high Sudanese inflation rate. The identified control

risks will be mitigated through a number of measures, including: recruitment of key project staff from the open market or through retention of well-performing staff from the ongoing projects SUSTAIN and SDP; installation of a reliable, well-tested accounting software system; and the internal and external audit arrangements.

21. The quality of the financial management of the SUSTAIN and SDP has been rated moderately satisfactory, and disbursement performance rated satisfactory, in the last two supervision missions. Areas for improvement recommended during those missions were taken into account in the risk assessment and financial management arrangements during the project design mission.
22. Flow of funds. The project will maintain one designated account in euro to receive funds from the grant account. One operating account will be opened and managed by the PCU to receive funds in local currency from the designated account. The project will also maintain one operating sub-account at each SPIU to receive funds from the operating account to meet expenditures incurred at the SPIU level.
23. Counterpart funding. Rigorous follow-up is needed with the Federal Ministry of Finance and Economic Planning (MoFEP) to ensure an adequate annual budget allocation for this operation and timely flow of funds, in advance, to the project bank accounts.
24. Audit. Annual external audit of the project will be carried out by the National Audit Chamber of Sudan, in accordance with International Standards on Auditing. Audit coverage will include the revolving fund managed by partnering financial institutions (PFIs). Audit reports of the last two financial years for the SUSTAIN and SDP were delivered within the prescribed period. Audit terms of reference will be prepared by the PCU annually, in accordance with the IFAD Guidelines on Project Audits, and will be submitted to IFAD for prior "no objection". In addition, a full-time qualified internal auditor is to be assigned to the project by MoFEP's General Directorate of Internal Audit, which will submit reports to the project steering committee and MoFEP.
25. Procurement. IAMDP procurement functions will be in line with government procurement regulations and with IFAD's project procurement guidelines. Most project procurement is expected to be under national competitive bidding and national shopping methods. The project will follow procurement methods and review requirement thresholds as set out in the letter to the recipient and in the approved procurement plan. Procurement functions/activities will be carried out by dedicated staff to ensure segregation of duties.
26. Governance. Good governance measures are built into project design. To this end, the Government will ensure that: (i) It is actively engaged in allowing potential beneficiaries and other stakeholders to channel and address any complaints they may have on implementation of the IAMDP; and (ii) after conducting the necessary investigations, the Government will report immediately to IFAD any malfeasance or maladministration that has occurred.

E. Supervision

27. IFAD will directly supervise the project at least once a year. Close technical supervision and implementation support missions will be jointly conducted by IFAD and the representatives of MoAF and the four State Ministries of Agriculture, Animal Wealth and Irrigation at least once a year, but also on demand. The supervision plan for the project's first year will be devised and validated at start-up. The first implementation support mission will take place soon after effectiveness and first disbursement, and will include an M&E specialist to help improve M&E at central and state levels.

IV. Project costs, financing and benefits

A. Project costs

28. Total project costs for a period of six years are estimated at US\$47.5 million.

Table 1

Project costs by component and financier
(Thousands of United States dollars)

Component	IFAD grant		Private sector		Beneficiaries		Recipient/ counterpart		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount
1. Enhanced crop productivity and production	12 564	81.8	93	0.6	4	-	2 701	17.6	15 363
2. Market linkage and value addition	5 962	74.5	215	2.7	465	5.8	1 360	17.0	8 002
3. Enabling environment	3 277	17.9	9 894	54.0	2 045	11.2	3 116	17.0	18 332
4. Project implementation	4 214	72.5	-	-	-	-	1 602	27.5	5 815
Total	26 017	54.8	10 202	21.5	2 514	5.3	8 779	18.5	47 514

B. Project financing

29. Project costs will be financed as follows: (i) IFAD grant of US\$26 million; (ii) government contribution of US\$8.8 million, in the form of salaries of seconded staff at state levels and foregone taxes and customs duties; (iii) private sector contribution (including agro-dealers, mechanized service providers, banks) US\$10.2 million; and (iv) beneficiary contribution of US\$2.5 million. The recurrent cost category represents 17 per cent of total project financing, of which 7 per cent is allocated to the project implementation component and the remainder to the other three components.

Table 2

Project costs by expenditure category and financier
(Thousands of United States dollars)

Expenditure category	IFAD grant		Private sector		Beneficiaries		Recipient/ counterpart		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount
1. Civil works	3 407	27.8	5 462	44.5	1 321	10.8	2 087	17.0	12 279
2. Goods and services	3 130	81.8	45	1.1	-	-	650	17.0	3 826
3. Consultancies	4 180	82.7	16	0.3	-	-	859	17.0	5 055
4. Training and workshops	2 881	82.7	9	0.3	-	-	592	17.0	3 483
5. Equipment and materials	4 349	33.5	4 620	35.6	1 193	9.2	2 820	21.7	12 984
6. Salaries and allowances	6 330	81.8	-	-	-	-	1 404	18.2	7 735
7. Operating costs	464	83.0	-	-	-	-	95	17.0	559
8. Grants	1 271	80.0	48	3.0	-	-	270	17.0	1 590
Total project costs	26 017	54.8	10 202	21.5	2 514	5.3	8 779	18.5	47 514

C. Summary benefit and economic analysis

30. The economic internal rate of return (EIRR) on investments in the IAMDP area over 20 years is estimated at 21 per cent. The economic analysis suggests that the project is feasible and the EIRR is robust for an increase in cost, reduction of revenues or delay in benefits.

D. Sustainability

31. The project has built-in aspects that secure its sustainability. These include:
- (i) Enabling business linkages between producers and agricultural machinery operators;
 - (ii) Encouraging smallholder farmers to produce for the market at a profitable price;
 - (iii) Managing marketing and storage facilities;
 - (iv) Promoting revolving grants to PFIs for crop loan portfolio start-up;
 - (v) Making use of the capacity of the extension agents developed by the SUSTAIN and SDP;
 - (vi) Promoting sustainable farm operations (chisel-ploughing, minimum tillage, etc.), which leads to better water retention and, hence, spreading the risk of rainfall shortage; and
 - (vii) Supporting plantation of gum arabic trees, which will modify the microclimate and reduce evapotranspiration.

E. Risk identification and mitigation

32. The main risks associated with project activities are the following:
- (i) Climate-change-related risks. Severe drought, crop failure and desertification will negatively affect the livelihoods of the target group if agricultural practices are not handled properly, taking into consideration the fragility of the environment. Technical packages to store water in the root zone; introduction of leguminous crops in rotation and compost in home gardens; introduction of drought-resistant varieties and gum arabic trees, etc. and climate risk insurance promoted by the project should enhance producers' resilience to climate change;
 - (ii) Limited capacity of the State Ministries of Agriculture, Animal Wealth and Irrigation to coordinate, manage and promote project sustainability. The project will build on and take advantage of the experience gained by extension staff in the implementation of the SUSTAIN and SDP, and will train LET staff for further improvement of performance;
 - (iii) The social capital and capabilities of communities in new villages are limited. The project will invest in building the capacity of savings and credit groups and producers' associations;
 - (iv) Reluctance of private partners and PFIs to invest in demand or lend to the private sector and value chain actors. The IAMDP will build the capacity of small producers as rural entrepreneurs, thus facilitating linkages with value adders/processors and finance institutions at state and national levels; and
 - (v) Risk of takeover by men if women's economic activities increase in value and/or become more profitable. The IAMDP will build the capacity of women's associations for better gender equity and advocacy, making use of the Gender Action Learning System.

V. Corporate considerations

A. Compliance with IFAD policies

33. The IAMDP is in line with the IFAD Strategic Framework 2016-2025 and relevant IFAD policies. It is in compliance with the IFAD Targeting Policy, IFAD Policy on Gender Equality and Women's Empowerment and with the approaches outlined in the Framework for Gender Mainstreaming in IFAD's Operations. The project is also consistent with IFAD's Private-Sector Strategy, the IFAD Rural Finance Policy and the associated Decision Tools for Rural Finance. The preliminary environmental and social category is B, considering that the project approach will promote use of climate resilient technologies of particular relevance to the Sudan. The IAMDP is also fully in line with the IFAD strategy for engagement in countries with fragile situations.

B. Alignment and harmonization

34. Alignment. The IAMDP is aligned with the Sudan Twenty-Five Year National Strategy (2007-2031) and the Sudan National Agriculture Investment Plan 2016-2020, which maps the investments needed to achieve the Sudan's targets for the Comprehensive Africa Agriculture Development Programme. The IAMDP is also aligned with the MoAF study, supported by IFAD, on value chain assessment: sorghum, millet, sesame and groundnut, with a focus on NK and SK.
35. Harmonization. The IAMDP has benefited from the Plan of Action (2015-2019) to contribute to improving food security and nutrition supported by the Food and Agriculture Organization of the United Nations (FAO); the World Food Programme's study on Food Security and Climate Change Assessment: Sudan; and the IFAD/World Bank and Agence Française de Développement-financed studies on the gum arabic sector in the Sudan. The IAMDP will build synergies with the African Development Bank ENABLE Youth Sudan programme, which aims to create business opportunities and decent employment for young women and men along priority agricultural value chains.
36. Potential synergies and partnership. There is a complementarity between the IAMDP and the IFAD-funded Livestock Marketing and Resilience Programme, which would enable IAMDP's target group to further enhance their livelihoods and resilience in relation to their livestock development aspects. Another opportunity for synergy is the United Nations Development Programme/Global Environment Facility initiative for promoting smallholder solar pumping irrigation systems. This initiative pilots the use of photovoltaic irrigation pumps by smallholder farmers in Sudan's Northern State, to be scaled up to other states, including IAMDP states. Finally, within the context of Rome-based agency cooperation, an important partnership is promoted with FAO through South-South cooperation involving FAO, IFAD and China. Under this programme, decision-makers from the Government and smallholder producers in rainfed areas would profit from study tours to China and on-the-job training by Chinese experts in IAMDP areas. In addition, the Government of China would promote transfer of appropriate technologies to smallholder producers through on-farm demonstrations of suitable machinery.

C. Innovations and scaling up

37. Innovations. The IAMDP will introduce the Innovation Scale-up Challenge Grant Facility (ISCGF), based on SDP and SUSTAIN experiences with the private sector. The ISCGF will support private-sector proposals that have a transformative impact on smallholder access to inputs, tools, equipment and services. The IAMDP will also use innovation demonstrations to showcase crop varieties, crop protection chemicals, fertilization and equipment that are not in common use in the locality. In the experience of the SDP and SUSTAIN, demonstrations of technologies selected by farmers, and managed and cost-shared by farmers on their own fields, are more likely to lead to adoption and scaling up.

38. Scaling up. Given the outcomes of demonstrations, the IAMDP will be scaled up in areas where smallholder farmers face challenges of low crop productivity, quality, limited access to markets and finance, and vulnerability to climate change. The IAMDP will rely on the following success factors:
- (i) Building on the experience of previous projects in the area;
 - (ii) Involving well-capacitated communities with adequate organizational structures, working with already-existing extension teams at the locality level;
 - (iii) Capacitating and encouraging emerging village-based private-sector operators in remote areas; and
 - (iv) Building on the project management experience and staff dedication of the PCUs of the SUSTAIN and SDP.

D. Policy engagement

39. The project will provide support to building the capacity of policy and decision-makers and implementers from relevant government institutions (e.g. MoAF; the Ministry of Environment, Forestry and Physical Development; the Agricultural Research Corporation, etc.). In addition, the project will provide support to analyse and synthesize existing strategies, policies, programmes, reports, etc. in climate change adaptation and actualize them by bridging the gaps in developing vulnerability assessment reports for the four states (NK, SK, WK and Sinnar). Also, the IAMDP's overall learning and knowledge management strategy to capture and disseminate knowledge at various levels will focus, among other things, on conducting analysis that can provide the evidence base for policy dialogue.

VI. Legal instruments and authority

40. A project 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 in appendix I.
41. The Republic of the Sudan is empowered under its laws to receive financing from IFAD.
42. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

43. 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 twenty-two million four hundred thousand euros (EUR 22,400,000) (equivalent to approximately US\$26.01 million) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Negotiated financing agreement

Integrated Agricultural and Marketing Development Project

(Negotiations concluded on 22 November 2017)

DSF Grant No.: _____

Project Title: Integrated Agricultural and Marketing Development Project ("IAMDP" or "the Project")

The Republic of the Sudan (the "Recipient")

and

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

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

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project 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, amended as of April 2014, and as may be amended hereafter 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 Debt Sustainability Framework (DSF) Grant to the Recipient (the "Financing"), which the Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the DSF Grant is twenty two million four hundred thousand Euro (EUR 22 400 000).
2. The first day of the applicable Fiscal Year shall be 1 January.
3. There shall be a Designated Account opened by the Recipient in the Central Bank of Sudan or a commercial bank in order to receive the proceeds of the Grant.
4. The Recipient shall provide counterpart financing for the Project in an amount equivalent to seven million five hundred fifty thousand Euro (EUR 7 550 000).

Section C

1. The Lead Project Agency shall be the Federal Ministry of Agriculture and Forestry (MoAF).
2. The following are designated as additional Project Parties: the State Ministries of Agriculture and Livestock of Sinnar, South Kordofan, North Kordofan and West Kordofan.
3. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

Section D

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

Section E

1. The following are designated as additional general conditions precedent to withdrawal:
 - (a) A Financial Manager shall have been appointed at the Project Coordination Unit (PCU) subject to no objection by the Fund.
 - (b) The draft PIM referred to in paragraph 13 of Schedule 1 to this Agreement shall have been submitted and approved by the Fund.
 - (c) A fully functional accounting software, subject to no objection by the Fund, shall have been installed at Project Coordination Unit (PCU) and State Project Implementation Units (SPIU).
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 Economic Planning
Ministry of Finance and Economic Planning
P.O. Box 2092
Khartoum
Sudan

For the Fund:

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

This Agreement, dated _____, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Recipient.

REPUBLIC OF SUDAN

Authorized Representative
(name and title)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Hougbo
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Project Area.** The IAMDP will be implemented in the four states of Sinnar, North Kordofan (NK), South Kordofan (SK) and West Kordofan (WK). The main source of livelihood among rural populations in Project area is traditional rainfed agriculture (crop production, animal husbandry (mainly of small ruminants) and forest-based activities (mainly gum Arabic). The IAMPD will intervene in rural villages targeting 27,000 smallholder households.

2. **Target Population.** The target population will be (i) the rural poor living in extreme poverty; (ii) subsistence and semi-subsistence farmers willing to move to more commercial farming; and (iii) service providers, input suppliers or off takers of agricultural produce with actual or potential strong backward linkages to poor rural communities. Particular attention will be given to the participation women and youth. A comprehensive targeting strategy, selection of localities and village selection criteria will be documented in the Project Implementation Manual (PIM), subject to IFAD no objection.

3. **Goal.** The goal of the Project is to enhance food security and reduce poverty in poor rural households, through investment in crop production, marketing and capacity building of public and private service providers.

4. **Objective.** The development objective of the Project shall be to improve household incomes and resilience to climate change of the smallholder producers, rural women and youth in rainfed areas of Sinnar, NK, SK and WK states.

5. **Components.** The Project shall have three technical components as follows:

5.1 **Component 1: Enhanced crop productivity and production.** The expected outcome is enhanced smallholder productivity, quality, and production of the main cash crops (sesame, groundnuts and gum Arabic) and sorghum as the main staple crop.

5.2 **Component 2: Market linkage and value addition.** The expected outcome is higher income for the smallholder producers through improved market access, introduction and strengthening of village-based post-harvest crop storage, and introduction of value addition/market linkage activities to increase the net returns from cash crops.

5.3 **Component 3: Enabling environment.** The expected outcome is improved access to finance for smallholders and producer associations through microfinance and other finance institutions, a higher level of smallholder business competency, and strong, active farmer producer associations that will go beyond receiving Project support.

II. Implementation Arrangements

6. **The Lead Project Agency:** The Lead Project Agency shall be the Federal Ministry of Agriculture and Forestry (MoAF).

7. **Steering Committee:** The Inter-Ministerial Steering Committee for the IFAD co-financed projects is a standing committee that oversees all IFAD co-financed projects in the country. Specifically, for the Project, its role and functions are primarily to review and approve policy recommendations emanating from the Project Coordination Unit (PCU) pertaining to the Project, and steer the replication of the activities in other states.

8. **Project Steering Committee (PSC).** The PSC shall orient the strategy of the Project, oversee planning, review progress and impact, and ensure linkages with related

projects, government services and relevant VC stakeholders. The PSC shall be chaired by Ministry of Agriculture and Forestry and shall meet at least twice a year.

9. Project Coordination Unit (PCU). A PCU shall be established in El Obeid in North Kordofan State to provide overall leadership and oversight of implementation activities. The PCU may include the following key personnel: principal Project coordinator, private sector engagement/marketing specialist, agricultural production specialist, rural finance specialist, finance manager, M&E and Knowledge Management (KM) specialist, community and gender development specialist, procurement officer, and an accountant. The composition of the PCU personnel will be documented in the PIM, subject to IFAD no objection. Appointment and removal of key personnel shall be subject to IFAD no objection. Selection procedures of the personnel shall follow IFAD procurement guidelines, provided that personnel with a highly satisfactory performance proven by their contributions to other IFAD projects may be nominated by the Recipient for direct appointment for similar positions in IAMDP, subject to IFAD no objection.

10. State Project Implementation Units (SPIU). The implementation activities shall be conducted by four SPIUs, to be established one in each of the following states: Sinnar, NK, SK and WK. In each State SPIU, the key Project personnel may include a State Project coordinator, M&E and KM officer, private sector coordinator, marketing coordinator, crop protection specialist, mechanization specialist, community and gender development officer, accountant, and rural finance officer. The composition of the SPIU personnel will be documented in the PIM, subject to IFAD no objection.

11. Field level. At the field level, thirteen multidisciplinary Local Extension Teams (LET), i.e. four in SK, three in NK, three in WK and three in Sinnar, shall be responsible for Project implementation at the village level. Each LET may be composed of the following staff: locality private sector officer/team leader, locality crop protection officer, locality mechanization officer, locality agroforestry officer, locality marketing officer, locality rural finance and community gender development officer. The composition of the LET staff, and their working methods will be documented in the PIM, subject to IFAD no objection.

12. Monitoring and Evaluation (M&E). M&E shall timely provide information on implementation progress to determine deviations to be addressed and ensure consistent Project performance. Data will be disaggregated to reflect gender, age and locality. Key indicators will take into account IFAD's Results and Impact Management System (RIMS).

13. Project Implementation Manual (PIM). The PMU shall prepare a draft PIM acceptable to the Fund and submit it for approval to the PSC. When so approved, a copy of the PIM shall be provided by the PMU to the Fund. The PIM may be amended when necessary with the approval of the Fund in order to introduce clarification in procedures, and eliminate constraints for Project implementation.

Schedule 2

Allocation Table

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

Category	Grant Amount Allocated (expressed in EUR)
I. Works	2 640 000
II. Goods and services and equipment and materials	5 800 000
III. Consultancies, training and workshops	5 470 000
IV. Grants	990 000
V. Salaries and allowances	4 900 000
VI. Operating costs	360 000
Unallocated	2 240 000
TOTAL	22 400 000

(b) The terms used in the Table above are defined as follows:

Category I "Works" means eligible expenditures to be financed 100% net of taxes; private sector and beneficiaries' contributions.

Category II "Goods and services and equipment and materials" includes: (i) eligible expenditures for goods and services to be financed 100% net of taxes and private sector contribution; and (ii) eligible expenditures for equipment and materials to be financed 100% net of taxes, custom duties and private sector and beneficiaries' contributions.

Category III "Consultancies and training and workshops" includes: (i) eligible expenditures for consultancies to be financed 100% net of taxes and private sector contribution; and (ii) eligible expenditures for training and workshops to be financed 100% net of taxes and private sector contribution.

Category IV "Grants" shall mean eligible expenditures incurred under component 1 to be financed 100% net of taxes and private sector contribution.

Category V "Salaries and allowances" to be financed 100% net of taxes and government contribution.

Category VI "Operating costs" to be financed 100% net of taxes.

Government counterpart contribution referred to in Section B.4 will cover taxes, customs and duties and its share towards salaries and allowances.

2. Start-up Costs. Withdrawals in respect of eligible expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall be permitted up to an overall amount of EUR 200 000. These funds are intended for the project start-up activities (i) the purchase and installation of an accounting software system, (EUR 70 000) under Category II; (ii) the recruitment of PCU key personnel and their salaries and allowances for six months (EUR 90 000) under Category V; (iii) operating cost (EUR 15 000) under Category VI; and (iv) preparation of the Project Implementation Manual (EUR 25 000) under Category III.

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 Grant Account if the Recipient has defaulted in the performance of any 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 Project:

1. Counterpart Funds. The Recipient shall ensure that counterpart funds are transferred timely and sufficiently to the Project Bank account in accordance with approved Annual Work-Plan and Budget.

Article I.

2. Revolving Matching Equity. The Recipient shall ensure that Partnering Financial Institutions involved in the Revolving Matching Equity (RME) are audited by the external auditor (Auditor General / private audit firm approved by the Auditor General) as part of their annual audit work and that all necessary related financial information and supporting document to the use of the fund including financial reports, bank account information and supporting documents are made available for audit and supervision missions. In addition, the unused funds under RME will be transferred to the Central Bank of Sudan – Micro Finance Unit for possible later topping-up by the Recipient and replication across the country.

3. Project Assets. The Recipient shall ensure that the remaining assets of the SUSTAIN and SDP projects will be transferred to the IAMDP as appropriate.

Logical framework

Results Hierarchy	Indicators						Means of Verification			Assumptions (A) / Risks (R)
	Name	Unit	Multiplier	Baseline	Midterm	End Target	Source	Frequency	Responsibility	
Outreach	Estimated corresponding total number of households members (CI 1.b)	Number	Household member	0	78,000	162,000				Macro-economic stability (A) US sanctions lifted (A)
	Number of households reached (CI 1.a)	Number	Household	0	13,000	27,000				
	Number of persons receiving project services promoted or supported by the project (CI 1)	Number	Person	0	26,000	54,000				
	Number of villages receiving project services promoted or supported by the project	Number	New villages	0	24	66				
		Number	Old villages	0	23	63				
Goal: Contribution to food and nutrition security and reduction of poverty in poor rural households	Percentage of women reporting improved quality of their diets (CI 1.2.8)	%	Female	0	30%	60%	<ul style="list-style-type: none"> Project baseline study, mid-term review and completion report Specialized thematic studies 	Baseline, Mid-term, Completion	PCU M&E unit	Overall political and economic situation remains stable (A)
	Percentage of targeted households with 30% increases in asset ownership index	%	Household	0	40%	80%				Stability of prices in agricultural commodities (A)
Project Development Objective: Enhanced income for smallholder farmers through access to improved agricultural inputs, climate resilient technologies, services, rural finance and marketing outlets	Number of households reporting 20% increase in income	Number	Household	0	11,000	21,600				Macroeconomic conditions remains stable (A) Climate change effects are contained (R)

Results Hierarchy	Indicators						Means of Verification			Assumptions (A) / Risks (R)
	Name	Unit	Multiplier	Baseline	Midterm	End Target	Source	Frequency	Responsibility	
Outcome 1: Enhanced smallholder climate resilient productivity and production	Households reporting at least a 25 % increase in production (CI 1.2.4)	%	Household	0	40%	80%	<ul style="list-style-type: none"> Project baseline study, mid-term review and completion report 	Baseline, Mid-term, Completion	PCU M&E unit	Stability of project area is not adversely affected Climate change effects are contained
	Number of households reporting adoption of new/improved inputs, technologies and practices (CI 1.2.2)	Number	Household	0	11,000	21,600				
Output 1.1: Private service provider and agro-dealer capacity built	Number of village service providers and agro-dealers supported by the project to improve their service delivery and business skills	Number	Service provider/ agro-dealer	0	20	60	<ul style="list-style-type: none"> Project baseline study, mid-term review and completion report Specialised thematic studies 			
Output 1.2: CC resilient On-Farm and Innovation Demonstrations established	Number of persons trained on CC resilient production practices and/or technologies (CI 1.1.4)	Number	Smallholder farmers	0	15,000	27,000	<ul style="list-style-type: none"> PCU and stakeholder records 	Quarterly basis	PCU M&E unit	
Output 1.3: Higher Engagement of local SMEs with National Private Sector Companies	Number of local SMEs (input suppliers, service providers) with business connections to the private sector	Number	SME	0	40	200				
Outcome 2: Higher income for smallholder producers	Percentage of smallholder farmers reporting at least 20% increase in income (Same as PDO indicator)	%	Smallholder farmers	0	40%	80%	<ul style="list-style-type: none"> Project baseline study, mid-term review and completion report 	Baseline, Mid-term, Completion	PCU M&E unit	Stability of prices in agricultural commodities
Output 2.1: Improved Physical Market Access	Number of climate resilient wadi crossings	Number	Crossing	0	15	24	<ul style="list-style-type: none"> PCU and stakeholder 	Monthly basis		

Results Hierarchy	Indicators						Means of Verification			Assumptions (A) / Risks (R)
	Name	Unit	Multiplier	Baseline	Midterm	End Target	Source	Frequency	Responsibility	
(wadi crossings)	constructed						records			
Output 2.2: Increased value added (village processing) and market linkage.	Number of climate resilient processing or storage facilities established or rehabilitated (CI 3.1.4)	Number	Storage/processing facility	0	30	85				
Outcome 3: Sustainable pro-poor financial and organizational environment established.	Number of producer associations engaged in formal partnerships/contracts with public or private partnerships (CI 2.2.3)	Number	Producer association	0	80	130	<ul style="list-style-type: none"> ▪ Project baseline study, mid-term review and completion report ▪ PFI records 	Baseline, Mid-term, Completion Monthly basis	PCU M&E unit PFIs	Macroeconomic conditions remains stable
Output 3.1: Pro-poor financial institutions fully operational in project area.	Number of local service providers taking loans and/or loan insurance	Number	Service provider	0	30	60				
	Number of households taking crop production loans and/or crop insurance (CI 1.2.5)	Number	Household	0	15,000	25,000				
Output 3.2: Farmers associations strengthened	Number of producer's associations established and registered	Number	Producer association	0	80	130				
Output 3.3: Business oriented production and marketing systems established.	Number of smallholder farmers reporting increase in sales	Number	People	0	11,000	21,600				