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Investing in rural people

Republic of the Sudan

Sustainable Natural Resources and  
Livelihoods Programme

Negotiated financing agreement

Executive Board — 127<sup>th</sup> Session  
Rome, 10-12 September 2019

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For: Information

# Negotiated financing agreement: "Sustainable Natural Resources and Livelihoods Programme"

(Negotiations concluded on 20 August 2019)

Loan No: \_\_\_\_\_  
DSF Grant No: \_\_\_\_\_

Project name: Sustainable Natural Resources and Livelihoods Programme (the "Programme")

Republic of the Sudan (the "Borrower/Recipient")

and

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

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

WHEREAS, the Borrower/Recipient has requested a loan and a grant from the Fund for the purpose of financing the Programme described in Schedule 1 to this Agreement;

WHEREAS, the Fund has agreed to provide financing for the Programme;

WHEREAS, the Programme will be implemented in several regions in Sudan, including: (i) the Butana region, where the IFAD-financed Butana Integrated Rural Development Project (BIRD) and the Integrated Carbon Sequestration Project (ICSP) will phase out in September 2019; (ii) the Sennar region, where the IFAD-financed Supporting the Small-scale Traditional Rainfed Producers Project in Sennar State (SUSTAIN) phased out in December 2018; and (iii) the Kordofan region, where the IFAD-financed Integrated Agricultural and Marketing Development Project (IAMDP) and Livestock Marketing and Resilience Programme (LMRP) are currently operating; and

WHEREAS, the Programme will scale-up some of the natural resources related activities of the closing projects and as well complementing those of IAMDP and LMRP.

NOW THEREFORE, the Parties 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, amended as of December 2018, 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, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide a Loan and a Debt Sustainability Framework (DSF) Grant (together the "Financing") to the Borrower/Recipient, which the Borrower/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 Loan is eleven million three hundred thousand euro (EUR 11 300 000).

B. The amount of the DSF Grant is forty five million two hundred thousand euro (EUR 45 200 000).

2. The Loan is granted on highly concessional terms, and shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the Loan by the Fund's Executive Board, payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.

3. The principal of the Loan will be repaid at four and half per cent (4.5%) of the total principal per annum for years eleven (11) to thirty (30), and one per cent (1%) of the total principal per annum for years thirty-first (31) to forty (40).

4. The Loan Service Payment Currency shall be in euro (EUR).

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

6. Payments of principal and service charge shall be payable on each 15 May and 15 November.

7. There shall be a pool Designated Account in euro (EUR) for both the Loan and DSF Grant resources for the exclusive use of the Programme opened in the Central Bank of Sudan or any other bank acceptable to the Fund.

8. The Borrower/Recipient shall provide counterpart financing for the Programme approximately in the amount of eleven million seven hundred thirty thousand euro (EUR 11 730 000) equivalent in the form of in kind contributions, taxes and custom exemptions. The beneficiaries shall provide a contribution to the Programme for the approximate equivalent of four million four hundred fifty thousand euro (EUR 4 450 000) in the form of in-kind and cash. The private sector shall provide a contribution to the Programme for the approximate equivalent of three million three hundred thousand euro (EUR 3 300 000) in the form of credit support to Microfinance Institutions (MFIs).

#### Section C

1. The Lead Programme Agency shall be the Federal Ministry of Agriculture and Forestry (MoAF).

2. The following are designated as additional Programme Parties: Ministries of Production and Economic Resources in the state of River Nile, Khartoum, Gezira, Gedaref, Kassala, Sennar, North Kordofan, South Kordofan and West Kordofan.

3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Programme.

4. The Programme Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement. The Financing Closing Date will be established as specified in the General Conditions.

5. Procurement of goods, works and services financed by the Financing shall be carried out in accordance with procurement methods and any other measures identified by IFAD.

#### Section D

1. The Fund will administer the Financing and supervise the Programme, and the Borrower/Recipient will implement and conduct its own administration and supervision of the Financing and the Programme.

#### Section E

1. The following are designated as additional grounds for suspension of this Agreement:

- a) The Programme Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower/Recipient, has determined that it has had, or is likely to have, a material adverse effect on the Programme; and
- b) Any transfer of key Programme staff of the bodies described in paragraph 7 of Schedule 1 of this Agreement has not been communicated to IFAD.

2. The following are designated as additional conditions precedent to withdrawal:

- a) Key Programme staff of the bodies described in paragraph 7 of Schedule 1 of this Agreement have been appointed.
- b) A fully functional accounting software to satisfy International Accounting Standards and IFAD's requirements, subject to no objection by the Fund, shall have been installed at Central Programme Coordination Unit (CPCU) and State Programme Coordination Units (SPCUs).

3. This Agreement is subject to ratification by the Borrower/Recipient.

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

For the Borrower/Recipient:

Minister of Finance and Economic Planning  
Ministry of Finance and Economic Planning  
P.O. Box 298  
Khartoum  
The Republic of 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 Borrower/Recipient and shall enter into force on the date the Fund receives an instrument of ratification from the Borrower/Recipient. .

REPUBLIC OF THE SUDAN

\_\_\_\_\_  
Authorised Representative name  
Authorised Representative title

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Gilbert F. Houngbo  
President

## Schedule 1

### Programme Description and Implementation Arrangements

#### I. Programme Description

1. Target Population. The Programme shall benefit food insecure people, especially women, youth and children. The targeted outreach is approximately 120 000 households (HH), with 720 000 HH members.
2. Programme area. The Programme will be operated in nine States across the Butana region in the East, the Sennar Region in the South-East and the Kordofan Region in the West of Sudan. The nine States are the River Nile, Khartoum, Gezira, Gedaref and Kassala States in the Butana region; the Sennar State in the Sennar region and; the North, South and West Kordofan States in the Kordofan region (the "Programme Area").
3. Goal. The goal of the Programme is to increase food security, incomes and resilience of pastoralist, agro-pastoralist and smallholder crop farmers engaging in joint natural resources (NR) governance and management and development of related businesses in targeted landscapes.
4. Objective. The objective of the Programme is to increase production, secure access to NRs for vulnerable users and improve the sustainability of NR related livelihoods through scaling up community based NR governance and management practices, technologies and business models.
5. Components. The Programme shall consist of the following Components and respective Subcomponents:
  - Component One (C1) – Scaling-up community-based NR management and business. C1 will focus at consolidating and upscaling existing good practices in Sudan for empowering communities and networks or clusters of communities and build their capacities in land-use planning and NR governance and management, that takes into account climate change risks.
  - Component Two (C2) – Improving the institutional framework for upscaling community based natural resources management (NRM). C2 will support institutional capacity strengthening and policy engagement from local to State and Federal levels in order to institutionalise and scale up proven community and inter-community land and NR governance and management models.

#### II. Implementation Arrangements

6. Lead Programme Agency. The MoAF will be the Lead Programme Agency.
7. Central Programme Coordination Unit (CPCU). The CPCU will be responsible for overall oversight of the Programme's activities implementation. The CPCU shall include the following key Programme staff: Programme Director, Senior Natural Resources Management Expert, Senior M&E Expert, Finance Manager, Senior Central Procurement Expert, and Central Programme Accountant.
8. State Programme Coordination Units (SPCUs) and other bodies. The Programme will establish SPCUs in the different States of the Programme Area. The Programme will also establish Regional NRM Policy Coordination Centres (RPCCs) in the different regions of the Programme Area. The overall composition of the SPCUs and RPCCs and their key staff will be indicated in the PIM.

9. Implementing partners. Implementation partners will comprise: the Ministries of Production and Economic Resources of the nine (9) states comprising the Programme Area; the community organisations acting in the Programme Area; and the NGOs contributing to the Programme implementation.

10. Monitoring and Evaluation (M&E). The M&E will provide timely information on progress of implementation to determine deviations to be addressed and ensure consistent performance. Data will be disaggregated to reflect gender, age and locality. Key indicators will take into account IFAD's Operations Result Management System (ORMS).

11. Programme Implementation Manual (PIM). The CPCU will update the draft PIM provided during Programme design and submit the final version for IFAD's approval within eight (8) months after entry into force. After being so approved, a copy of the PIM shall be provided by CPCU to IFAD. Being a living document, the PIM may be updated as necessary, with approval of the Fund in order to introduce clarifications of procedures and eliminate constraints for Programme implementation.

## Schedule 2

## Allocation Table

1. Allocation of Loan/Grant Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan/Grant and the allocation of the amounts to each category of the Financing:

Category	Loan Amount Allocated (expressed in EUR)	Grant Amount Allocated (expressed in EUR)
I. Works	2 390 000	9 580 000
II. Goods and services and equipment and materials	2 700 000	10 790 000
III. Consultancies, training and workshops	3 650 000	14 600 000
IV. Grants	100 000	390 000
V. Salaries and allowances and operating costs	1 330 000	5 320 000
Unallocated	1 130 000	4 520 000
<b>TOTAL</b>	<b>11 300 000</b>	<b>45 200 000</b>

(b) The terms used in the Table above and the percentages of expenditures to be financed under each Category are defined as follows:

- (i) Category I "Works" means eligible expenditures to be financed 80% from the Grant and 20% from the Loan net of taxes, private sector and beneficiaries' contributions.
- (ii) Category II "Goods and services and equipment and materials" means eligible expenditures for goods and services and equipment and materials to be financed 80% from the Grant and 20% from the Loan net of taxes, custom duties, co-financiers, private sector and beneficiaries contributions.
- (iii) Category III "Consultancies and training and workshops" includes: (a) eligible expenditures for consultancies to be financed 80% from the Grant and 20% from the Loan net of taxes, co-financiers, private sector and beneficiaries contributions; and (b) eligible expenditures for training and workshops to be financed 80% from the Grant and 20% from the Loan net of taxes and beneficiaries contributions.
- (iv) Category IV "Grants" shall mean eligible expenditures incurred under Component 1 related to initial working start-up money for gas stove revolving schemes for poor households to be financed 80% from the Grant and 20% from the Loan.



- (v) Category V "Salaries and allowances and operating costs" shall mean eligible expenditures to be financed 80% from the Grant and 20% from the Loan net of taxes.

2. Start-up Costs. Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of three hundred forty thousand euro (EUR 340 000). The following amounts per category: (i) procurement & installation of accounting system and furniture and fittings costs for CPCU, under category II "Goods & services and equipment and materials" EUR 125 000; (ii) recruitment, salaries and allowances of CPCU staff and operating costs for six (6) months, under category V "Salaries & allowances and operating costs" EUR 185 000; and (iii) Start-up workshop, under category III "Consultancies, training & workshops" EUR 30 000. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible.

## 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 Borrower/Recipient to request withdrawals from the Loan/Grant Account if the Borrower/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 Programme:

1. Accounting software. Within six (6) months from the entry into force of the Financing Agreement, the Programme will procure and install a customize accounting software as mentioned in section E.3 as it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.
2. Planning, Monitoring and Evaluation. The Borrower/Recipient shall ensure that a Planning, Monitoring and Evaluation (PM&E) system shall be established within twelve (12) months from the date of entry into force of this Agreement.
3. Land tenure security. The Borrower/Recipient shall ensure that the land acquisition process has already been completed and that compensation processes were consistent with international best practice and free prior and informed consent principles.
4. Compliance with the Social Environmental and Climate Assessment Procedures (SECAP). The Borrower/Recipient shall ensure that the Programme will be implemented in compliance with IFAD's SECAP.