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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

**Executive Board – Eighty-Sixth Session**

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**REPUBLIC OF THE SUDAN**

**IMPLEMENTATION OF THE FIRST CYCLE  
OF THE**

**SOUTH KORDOFAN RURAL DEVELOPMENT PROGRAMME  
FINANCED UNDER THE FLEXIBLE LENDING MECHANISM**

1. The purpose of this information note is to comply with paragraph 13 of the Flexible Lending Mechanism (FLM) guidelines (document EB 98/64/R.9/Rev.1), which stipulates that "... for each FLM loan and prior to the end of each cycle, IFAD management will decide whether to proceed to, cancel or delay subsequent cycles. Management will inform the Board accordingly."
2. This information note reports on the progress of the South Kordofan Rural Development Programme in achieving its first-cycle triggers. The note's contents are based on several sources: the supervision reports of the United Nations Office for Project Services; a first-cycle review undertaken by a team of international and national consultants and fielded by the lead implementing agency; and an IFAD interdepartmental assessment. The interdepartmental assessment mission included IFAD staff members from the Near East and North Africa Division, the Programme Management Department, and the Loans and Grants Administration Unit, together with a team of resource persons. The reports of the two missions are available upon request.

## Background

3. The Executive Board approved financing for the South Kordofan Rural Development Programme (SKRDP) in September 2000 (document EB 2000/70/R.19) with a loan of SDR 13.3 million and a grant of SDR 115 000. Cofinancing was estimated at USD 16.10 million and the Government's contribution at USD 4.20 million. Financial assistance was made under IFAD's FLM, split into two cycles of five years each, thus bringing total programme duration to ten years. As per FLM requirements, the programme is to satisfactorily fulfil a set of trigger indicators by the fourth programme year (PY), in order for the second cycle to be approved for financing and the programme to proceed.

4. For decades, the South Kordofan state was subjected to civil strife that disrupted local livelihoods, caused population displacement and resulted in increased poverty and vulnerability. By the year 2000, the conflict had significantly abated, paving the way for a ceasefire agreement between the Government and the Sudan People's Liberation Movement (SPLM) in 2001, cumulating in the peace protocols on wealth- and power-sharing in 2004, and the signature of a comprehensive peace agreement in January 2005.

5. The programme's implementation approach stems from the recognition that addressing poverty in conflict-affected areas, where competition over natural resources is high, requires development strategies that give priority to agriculture and the natural resource management sectors, promote rational land reform policies, establish mechanisms for equitable resource allocation and include communities in decision-making processes. The programme's overall goal is therefore to improve and sustain the living standards of smallholder farm and pastoralist households, including those headed by women, by assuring their food security and providing them with social services in a secure environment where they can manage their own community affairs.

6. In its first cycle, the programme has aimed to establish cost-efficient productive and social services through the decentralization of local government, and to assist in regenerating the productive capacity of local communities. In its second cycle, it will address the medium- to long-term requirements for sustainable development, i.e. an operational and equitable natural resource management strategy, access to rural finance services and consolidation of community organizations into economic and social agents of change and development.

7. The SKRDP has five main components:

- (i) **Agricultural extension and smallholder services**, which were to: establish a community-based participatory extension service at village level; supply improved crop seed and agricultural inputs; and provide appropriate technical packages and implements.
- (ii) **Livestock production and range management**, which was to: improve animal health services on a cost-recovery basis; provide animal restocking; rehabilitate and construct community stock water facilities; and develop an equitable range management strategy.
- (iii) **Community support services**, which were to: enhance potable water supply and sanitation; reconstruct community health clinics, train community health workers and equip them with basic kits; and establish the mechanisms for maintaining rural feeder roads and improving access for communities in areas of insecurity. Cofinancing was expected for this component.
- (iv) **Rural financial services**, which were to: provide formal credit and establish community savings and credit associations in the form of *sandug* (savings and credit group); and

provide technical assistance in community financial services planning, organization and management.

(v) **Institutional strengthening**, which was to encompass:

- **Community and women's groups**, including community awareness and mobilization to instil the principles of participatory development; formation of community and women's groups, and training in social development, project identification, planning and execution; and funding for community and women's centres.
- **Localities**, by fund extension facilities, vehicles and equipment, training, staff salaries and allowances and operations.
- **Programme management**, by funding the facilities, vehicles and equipment, operational management and technical assistance and training of a programme management unit (PMU).

### **Programme Achievements during the First Cycle**

8. The SKRDP became effective in February 2001. The planned outputs of the first cycle consisted of the following: (i) 20 locality councils established with resources and cost-effective systems to assist rural communities in improving their livelihoods; (ii) enhanced productivity and incomes of individuals and groups from crop and livestock enterprises through the provision of community-based extension services, technical and input support; (iii) reduced incidence of disease and mortality, by establishing 220 community-owned and -managed potable water supply and 200 basic health facilities; and (iv) improvement and maintenance of 484 kilometres of rural roads giving communities access to markets and public services. Additional outputs envisaged to support the programme's second-cycle objectives consisted of: (i) carrying out a natural resource management strategy study that would constitute the basis for the devolution of natural resource management to users' groups; and (ii) developing a manual for the implementation of financial services.

9. The overall assessment of the first programme cycle indicates that the SKRDP is bringing tangible benefits to the rural population, thus contributing to the improvement of their productive capacity, continued settlement, and participation in social and economic initiatives. Furthermore, the programme is helping develop the capacity of government agencies, private service providers and community associations to be more responsive to community priorities and assets.

10. To date, a total of 14 locality extension teams operate in 14 rural administrative units in five localities. They are composed of 56 extension officers (43% women). Team salaries are fully financed by the Government. Allowances, however, have to date been financed by the SKRDP but will gradually be transferred to the government budget. The target of 20 locality extension teams established in the first cycle is no longer relevant as the new structure of local government amalgamated the administrative structure into five localities and 16 rural administrative units in 2001 and then in 2004. The two remaining rural administrative units will enter the SKRDP in 2006.

11. Improvement of agricultural production is supported by farmer training and on-farm demonstrations that are broadly based on the farmer school approach, distribution of starter packs to assist the poorest households in resuming production, the establishment of a cotton prefinancing fund to provide fair and early payment to cotton growers, the rehabilitation and construction of stock water points, and the provision of animal health services. Crop and livestock production data are available for the 2001/2002 and 2003/2004 seasons, and show that the average ploughed area in beneficiary villages is increasing, yields are growing and a shift from subsistence to cash crops is occurring as

food self-sufficiency improves. In terms of livestock data, there is a trend of increased numbers in the state's western region, which was particularly affected by the civil strife.

12. The programme is working with 99 registered community development committees (CDCs) in 151 villages, with a total membership of about 25 000 households by end 2004. Each participating community has a CDC of 10-15 members (a third of whom are women). Members of the CDCs are leaders of the different interest groups formed in association with the programme (farmers, women, services, pastoralists, microenterprises).

13. In the absence of cofinancing for the social services sector, the programme responded to communities' pressing needs in this area by establishing a community initiative fund to contribute towards social infrastructure identified as a priority by the local population. To date, the SKRDP has helped communities construct 35 education facilities, 10 health centres and 15 community centres. Furthermore, it was active in establishing collaborative relationships with the United Nations Children's Fund (UNICEF) and international NGOs to bridge gaps in social service provision.

14. With respect to credit facilities, the programme has been cautious in implementing the component: no disbursement took place from either formal or informal credit lines except for cotton prefinancing during the 2002/2003 and 2003/2004 crop seasons, for a total amount of USD 152 000. However, the Agricultural Bank of Sudan has provided seasonal crop credit from its own resources to registered CDCs in the 2003/2004 and 2004/2005 farming seasons totalling USD 185 000 (equivalent to 78% of the seasonal crop credit budget planned under IFAD financing for the first cycle). Out of some 4 300 farmers who took loans, 19% were women. The repayment rates were generally poor due mainly to delays in credit delivery and poor supervision from the Agricultural Bank of Sudan. This experience led the SKRDP to tie second-cycle assistance to the improvement of lending procedures within the Agricultural Bank of Sudan.

15. Of the total loan amount of SDR 13.3 million, SDR 7.05 million was allocated to the first cycle. The disbursement rate had reached 97% of first-cycle allocation at the time of writing. The programme has strived to deliver services to beneficiaries in the most cost-efficient manner: by 2004, 68% of annual project expenditures were directed to beneficiaries. The Government's cash contribution amounted to USD 1.12 million, fully covering budgeted amounts and the community contribution had reached USD 323 200 to the community initiatives fund only, compared with USD 872 000 estimated at appraisal for the total project duration.

### **Lessons Learned**

16. The security situation has consistently improved in South Kordofan since the signing of the ceasefire agreement. The SKRDP has demonstrated that a participatory approach can be introduced at the community level even in areas that have been heavily affected by civil strife and influenced by humanitarian aid. Key features enabling the participatory approach are autonomous programme management (including mediators facilitating access to the various areas) and effective coverage of different socio-economic, ethnic and institutional groups of stakeholders. Programme management also kept up an active communication strategy, informing communities and decision-makers about the approach and objectives.

17. Outreach to areas under the control of the SPLM has been possible for two main activities: (i) the distribution of starter packs to improve food production and self-sufficiency; and (ii) the natural resource management strategy study and ensuing negotiations with pastoral and farmer groups. This has been possible thanks to the targeting of border villages and collaboration with NGOs that are active on both sides.

18. The SKRDP has actively involved women in the mainstream of project activities through a combination of tools – such as awareness raising, training and quota setting. Legislation regulating CDCs clearly stipulates that women should be represented in the committee’s membership and its executive group. Women’s participation is considered appropriate, but more efforts are still needed to bridge inequities in assets (education, information, rural finance and access to land).

19. **Relevance of the FLM approach.** Both the Government and the PMU found that the FLM was suited to the situation of post conflict and peace consolidation, and that it allowed them to make an informed decision on continuing the programme based on an assessment of the potentialities of the peace situation. They particularly appreciated the FLM’s iterative approach to design and implementation, and the quick turnaround time for authorizing corrective actions when needed. It was also noted that the triggers provided a focus for the PMU, the Government and IFAD, and that they obliged the PMU to manage for impact and results from the outset. The lump sum for the second cycle allows the Government and IFAD to define activities that are both relevant and proven, leading to greater impact.

### **Achievement of the First-Cycle Triggers**

20. The specific indicators used as triggers for the confirmation of funding for the second cycle of the SKRDP have been selected in accordance with the programme outputs for the first cycle and the enabling environment necessary to achieve the programme’s overall goal.

**A. The status of the security situation in which the programme can proceed with successful implementation during the second cycle encompassing all members of the rural community within the state:**

The security situation has systematically improved during the implementation period of the programme.

**B. The degree to which the federal and state government and the localities have applied the programme’s rationale and approach to the implementation of the programme with respect to the following:**

- Disbursement of government counterpart funds and the flow of loan and grant funds:

Disbursement of the government counterpart funds has been irregular in terms of timing and amounts. However, over the period 2001-2004, the total disbursed amount was over 100% of the allocated budget. Loan and grant funds were disbursed and flowing smoothly, and audited annually in a timely fashion.

- Staffing and its support at locality – and state – levels:

Extension teams are fully staffed by the locality administrations, and the local administrations have adopted the programme approach.

- Participation of women:

Overall, participation of women in programme activities has been good. However, mobility and illiteracy constraints still impede their effective contribution to community management and to technology transfer and adoption.

- Establishment of the modalities for financial services, disbursement of the credit line and rate of loan recoveries:

A longer time has been spent developing the modalities for rural financial services to allow the Agricultural Band of Sudan to develop its management procedures and deploy the competent staff to undertake the implementation of the rural finance component. At community level, and given the history of relief operations, the first cycle was used to build capacity of local people to invest and save through the community initiative funds.

- The degree of privatization of facilities:

The feasibility studies concerning the re-establishment of the Appropriate Technology Centre and the establishment of a food processing company to process horticultural surplus found that both proposals had financial merit. The United Nations Industrial Development Organization is now starting an intervention in support of both. With respect to food processing, the capital requirements are larger than available under programme financing, and the programme estimates that this investment is best left entirely to the private sector.

**C. The relevance of the programme's strategy and the achievement of critical physical targets:**

The relevance of the programme's strategy is demonstrated by the interest of communities in participating in, and in particular in contributing to, the different investments, even in areas with a history of heavy dependence on humanitarian aid.

**D. Progress on key policy issues and feasibility studies such as:**

**Land reform to improve access by the target groups.** Agricultural and Pastoral Law No. 3 of 2000 of the South Kordofan state is intended to regulate relations between pastoralists and farmers, and provide a means to redistribute land more equitably. Its implementation is dependent on the outcome of various studies, including the natural resource management strategy study mentioned earlier and the study funded by the United States Agency for International Development on "Nuba, Funj and Abyei Land Tenure", which is expected to be completed in late 2005 and which is addressing the issue of tribal and public land tenure. Similarly, activities related to land reform will be initiated following the formal establishment of the State Land Commission as stipulated in the comprehensive peace agreement.

**Development of a sustainable natural resource management strategy.** The natural resource management strategy study has been completed and the proposed strategy has been validated by representatives of pastoralists, farmers and concerned state institutions.

**Commercialization of the South Kordofan seed multiplication unit, and the appropriate technology centre of the Ministry of Agriculture, Animal Resources and Irrigation, or a food processing facility.** Feasibility studies carried out for the commercialization of the seed multiplication unit predicted an economic internal rate of return of 20% overall. It is proposed to establish a company with farmers contracted to produce certified seeds as shareholders. The company is expected to be incorporated by end 2005.

**E. An effective monitoring and evaluation system with a set of verifiable indicators as set out in the logical framework for determining whether or not the programme is likely to achieve its long-term objectives:**

The monitoring and evaluation system is functioning and is helping the programme take corrective actions to ensure the adequacy of services delivered. In its current form, the system is well adapted to the first-level indicators of the Results and Impact Management System (RIMS)

but needs further upgrading to be fully streamlined with the second-level and impact indicators of RIMS.

## **Conclusions**

21. The programme has largely achieved its objectives. Its design remains relevant and will focus in the second cycle on the objectives identified at appraisal: (i) foster equitable communal range and farmland management, which reduces conflict, through changes in government land-use policy and agreements between all groups involved and the locality councils; (ii) develop sustainable rural credit services with participatory informal financial institutions for savings and credit, linked with the formal financial system; and (iii) impart to the men and women in rural communities, the capabilities for planning, implementing and managing their own development activities and resolving group conflicts. The same components have been retained. The mechanisms introduced by the peace agreement for power- and wealth-sharing constitute an enabling framework for the implementation of the second cycle.

22. The President has approved the second cycle of the South Kordofan Rural Development Programme with effect from 1 September 2005 and the amendment to the financing agreement.