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Enabling poor rural people
to overcome poverty

President's report

Proposed grant to the Republic of The Sudan for the

Southern Sudan Livelihoods Development Project

Executive Board — Ninety-fourth Session
Rome, 10-11 September 2008

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Abbreviations and acronyms

BDC	<i>boma</i> development committee
PMU	project management unit
SSLDP	Southern Sudan Livelihoods Development Project

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed grant to the Republic of The Sudan for the Southern Sudan Livelihoods Development Project, as contained in paragraph 37.

Map of the project area

Sudan

Southern Sudan Livelihoods Development Project

(Project Id n°1453)



Source: IFAD

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.

Republic of The Sudan

Southern Sudan Livelihoods Development Project

Grant summary

Initiating institution:	IFAD
Recipient:	Republic of The Sudan
Executing agency:	Ministry of Agriculture and Forestry of the Government of Southern Sudan
Total project cost:	US\$25.9 million
Amount of IFAD grant:	SDR 8.6 million (equivalent to approximately US\$13.5 million)
Cofinancier(s):	Embassy of the Kingdom of the Netherlands
Amount of cofinancing:	US\$9.0 million
Terms of cofinancing:	Grant
Contribution of recipient:	US\$2.8 million
Contribution of beneficiaries:	US\$0.6 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Proposed grant to the Republic of The Sudan for the Southern Sudan Livelihoods Development Project

I. The project

A. Main development opportunity addressed by the project

1. Rural poverty in Southern Sudan is linked to the prolonged conflict situation, population displacement, poor service coverage, inaccessibility, low labour availability and low productivity. In such circumstances, there is limited room for asset accumulation and for social and economic mobility. Agriculture has been identified as the main engine of economic and rural development. In the absence of a functional service delivery mechanism for agriculture inputs and technology, the Southern Sudan Livelihoods Development Project (SSLDP) will adopt a community outreach approach that consists of mobilizing community organizations, developing their productive capacity in agriculture, and building the capacity of county offices.
2. The project will be IFAD's first operation in Southern Sudan following the Comprehensive Peace Agreement signed in January 2005. Its aim is to increase food security and incomes in six counties through improved agricultural productivity and marketing. The planned project duration is six years divided into two phases. A first phase of two years will serve to launch the project and test its implementation arrangements. During this phase, the project will be implemented in three counties: Terekeka in Central Equatoria State; Magwi in Eastern Equatoria State; and Bor in Jonglei State. At the end of the first phase, a project review will be conducted to assess the project's relevance, efficiency and effectiveness. This review will inform the project expansion to the other three counties.

B. Proposed financing

Terms and conditions

3. It is proposed that IFAD provide a grant under the Debt Sustainability Framework to the Republic of The Sudan in the amount of SDR 8.6 million (equivalent to approximately US\$13.5 million) to help finance the Southern Sudan Livelihoods Development Project.

Relationship to the IFAD performance-based allocation system (PBAS)

4. The allocation defined for The Sudan under the PBAS is US\$25.6 million over the 2007-2009 allocation cycle. This is the first project approved within the PBAS cycle.

Relationship to national medium-term expenditure framework criteria

5. The Government of Southern Sudan will budget for this project within its annual planning and budgeting exercise.

Country debt burden and absorptive capacity of the State

6. Under IFAD's Debt Sustainability Framework, approved at the April 2007 session of the Executive Board, The Sudan is categorized as a "red light" country, making it eligible for 100 per cent grant financing over the period 2007-2009.

Flow of funds

7. Project funds will flow through a United States dollar special account in the Central Bank of Southern Sudan to local currency project accounts. Signatories to the special account will be the project director and the financial controller.

Supervision arrangements

8. The project will be directly supervised by IFAD on a twice yearly basis.

Exceptions to IFAD General Conditions for Agricultural Development Financing and operational policies

9. No exceptions.

Governance

10. The following planned measures are intended to enhance the governance aspects of the IFAD grant: (i) the project will apply, to the extent consistent with IFAD's procurement guidelines, Government of Southern Sudan rules for procurement, which were developed with World Bank support and are in line with international best practices; (ii) the project management unit (PMU) will be staffed with experienced financial and procurement professional staff; (iii) a yearly audit of project accounts is planned, for which funds have been earmarked; (iv) the project steering committee will meet quarterly to ensure that project progress is satisfactory; and (v) IFAD and the Embassy of the Kingdom of the Netherlands will undertake supervision missions twice yearly.

C. Target group and participation

Target group

11. The project's main target group will be defined on the basis of predominant livelihood activities – i.e. farming, herding and fishing. Within these livelihood groups, three vulnerable groups have been identified on the basis of gender and displacement: women, woman-headed households and returnee households. It is estimated that, in the three counties included in the project's first phase, 38,000 households¹ will benefit from the project, representing 80 per cent of the rural population in these counties.

Targeting approach

12. In accordance with the IFAD Policy on Targeting, the project will adopt an inclusive and comprehensive targeting approach. Infrastructure activities are likely to benefit all households in a given community. Safeguards have been developed to ensure that project resource allocations for productive microprojects are channelled to the most vulnerable groups, particularly woman-headed households and returnee households.

Participation

13. The *boma* (cluster of villages) development committees (BDCs) will be trained to facilitate a participatory process to identify community needs and the relevant productive activities in which interest groups can engage. BDCs are viewed by communities as legitimate structures, and they are well positioned to mobilize community groups and identify community needs and resources. Assistance to BDCs and interest groups will be provided by qualified national and international NGOs contracted by the project.

D. Development objectives

Key project objectives

14. The overall goal of the project is to reduce poverty and hunger in the project area. The objective is to increase food security and incomes from farm and off-farm activities. This will be achieved by (i) supporting community-based development of productive activities with the full participation of vulnerable community members, including women; and (ii) promoting infrastructure that supports improved food security and higher incomes derived from agricultural activities.

¹ According to The Sudan Transition and Recovery Database (STARBASE) maintained by the United Nations Office for the Coordination of Humanitarian Affairs in The Sudan (integrated with estimates for returnees made by the South Sudan Relief and Rehabilitation Commission, the Office of the United Nations High Commissioner for Refugees and the International Organization for Migration), the three targeted counties have an estimated population of 380,000, or around 60,000 households of which 48,000 are rural.

Policy and institutional objectives

15. The project's main institutional outputs will be: (i) communities in the targeted counties are organized and empowered with equal participation of women and vulnerable people; and (ii) the capacity of county offices is strengthened so that they can assume a supervision/regulatory, planning and budgeting role. The project director will be a member of the Government's Natural Resources Budget Sector Group and will contribute to seed supply policies and local budgetary planning for agriculture development using evidence-based knowledge.

IFAD policy and strategy alignment

16. The project is in line with IFAD's country programme strategy,² which is to support the livelihood strategies of targeted groups in order to improve their productive capacity, and to promote an enabling institutional environment and better local governance practices.

E. Harmonization and alignment

Alignment with national priorities

17. The project supports two of the key targets set by the Government of Southern Sudan for 2011:³ (i) reduce food insecurity in rural households by 20 per cent; and (ii) assist at least 20 per cent of producers in accessing markets. The project steering committee is the same as the committee already established for agriculture-sector projects financed by the Multi-Donor Trust Fund and the European Commission.

Harmonization with development partners

18. In terms of alignment with the cofinancier, the project objectives are in line with the Dutch cooperation policy for support to The Sudan, which prioritizes higher agricultural productivity. Coordination mechanisms are foreseen in the project design with nine projects, including the sector-related Support to Agriculture and Forestry Development Project and the Livestock and Fisheries Development Project, both financed by the Multi-Donor Trust Fund and covering the three states in which the SSLDP will be active; and the Sudan Institutional Capacity Programme: Food Security Information for Action (SIFSIA), the Sudan Post-conflict Community Based Recovery and Rehabilitation Programme and the forthcoming Phase II, all supported by the European Union.

F. Components and expenditure categories

Main components

19. The project will have three components: (i) community development, which includes technical and financial support to agricultural microprojects (55 per cent of base costs); (ii) rural infrastructure and market facilities (36 per cent); and (iii) project management and coordination (9 per cent).

Expenditure categories

20. There are six expenditure categories: (i) civil works (13 per cent of base costs); (ii) vehicles, equipment and materials (9 per cent); (iii) training and studies (17 per cent); (iv) contractual services (29 per cent); (v) grant and beneficiary contribution (17 per cent); and (vi) recurrent costs (15 per cent).

² As defined in The Sudan country strategic opportunities paper, 2002.

³ In Government of Southern Sudan, "Expenditure Priorities and Funding Needs", paper presented at the third Sudan Consortium, held in Oslo, Norway, in May 2008.

G. Management, implementation responsibilities and partnerships

Key implementing partners

21. The key implementing partners are the BDCs, the county offices supported by the PMU, the county coordination units, and contracted national and international NGOs.

Implementation responsibilities

22. Oversight responsibilities for the project will rest with the Ministry of Agriculture and Forestry of the Government of Southern Sudan (which is the lead project agency). Project coordination and financial management will be the responsibility of the PMU, to be housed in the Ministry of Agriculture and Forestry. The technical backstopping functions will be the responsibility of the State Ministries of Agriculture, Animal Resources and Forestry, and the State Ministries of Physical Infrastructure. Day-to-day project implementation will be the responsibility of the BDCs (supported by NGOs) and the county offices (supported by the county coordination units).⁴

Role of technical assistance

23. Technical assistance will be provided by international and national NGOs to support the implementation of activities under the community development and the rural infrastructure and market facilities components. In addition, IFAD is allocating funds to recruit an international start-up facilitator to train the PMU on project management and assist in the development of the project implementation manual. The Embassy of the Kingdom of the Netherlands will also make available to IFAD an amount ranging from US\$100,000 to US\$200,000 each year to finance technical assistance activities of direct relevance to project performance and to the broader context of agriculture in Southern Sudan.

Status of key implementation agreements

24. The cofinancing agreement with the Embassy of the Kingdom of the Netherlands will be finalized by December 2008.

Key financing partners and amounts committed

25. The total project cost is US\$25.9 million over six years divided into two phases. The sources of external financing are: (i) an IFAD grant of US\$13.5 million (52 per cent); and (ii) a grant from the Embassy of the Kingdom of the Netherlands of US\$9.0 million (35 per cent). Government and beneficiaries will contribute US\$2.8 million and US\$0.6 million, respectively.

H. Benefits and economic and financial justification

Main categories of benefits generated

26. The households will derive the following benefits: (i) increased agricultural production, food security and incomes at farm level; (ii) greater empowerment for women and men; (iii) enhanced managerial capacity and accountability at the county level; and (iv) reduced security risks related to resource-based conflicts.

Economic and financial viability

27. The financial analysis projects an increase in the average income of beneficiary households of US\$170 per year from the sale of crops, livestock and fisheries. A simulation of taxes levied on the incremental agricultural production indicates that the tax proceeds could provide significant resources to the county to finance its development needs.

I. Knowledge management, innovation and scaling up

Knowledge management arrangements

28. The project will be a member of the following networks funded by IFAD: (i) KariaNet, the knowledge management network of IFAD operations in the Near East and North Africa; (ii) a programme building monitoring and evaluation capacity in the Near East

⁴ Further detail on implementation responsibilities is available in the design completion report, section IV.B.

and North Africa Division; (iii) the Programme for Improved Management of Agricultural Water in Eastern and Southern Africa; and (iv) the International Network on Family Poultry Development.

Development innovations that the project will promote

29. The project will draw on successful NGO experiences in community-driven development in the region and elsewhere in The Sudan, adapting them to the challenging circumstances in Southern Sudan. Project implementation that is mainly led by community organizations and lower tiers of the local government will be innovative in the project area.

Scaling-up approach

30. The cost for replicating the SSLDP implementation approach in each county will be met by higher block grants from the Government of Southern Sudan to the states, increased proceeds from fiscal resources at county level, and contributions from donors interested in supporting community-driven development.

J. Main risks

Main risks and mitigation measures

31. The project faces four main risks: (i) fragile stability and peace in Southern Sudan; (ii) weak management capability; (iii) absence of policies on infrastructure operation and maintenance; and (iv) limited fund transfers from the Government of Southern Sudan to states, which would hinder project expansion and replication. The planned mitigation measures include (i) earmarking resources for the establishment of a conflict resolution platform; (ii) building country office capacity through training on financial management, procurement, planning, monitoring and budgeting; (iii) securing the Government of Southern Sudan's commitment to finance the road maintenance of the sections repaired by the project; (iv) strengthening the states' position to lobby for more funds from the Government of Southern Sudan as they gain capacity.

Environmental classification

32. Pursuant to IFAD's environmental assessment procedures, the project has been classified as a Category B operation in that it is not likely to have any significant negative environmental impact.

K. Sustainability

33. A graduation strategy is envisaged for the interest groups benefiting from the project's technical and financial support. The BDCs will benefit from capacity-building enabling them to plan and mobilize support for agricultural and business development benefiting their communities. Sustainability will also be ensured by the replication of the project approach at county level.

II. Legal instruments and authority

34. A project grant agreement between the Republic of The Sudan and IFAD will constitute the legal instrument for extending the proposed grant to the recipient. Important assurances included in the negotiated project grant agreement will not be tabled at the session, since the negotiations will take place after the ninety-fourth session of the Executive Board.
35. The Republic of The Sudan is empowered under its laws to receive financing from IFAD. The Republic of The Sudan will make the proceeds of the grant available to the Government of Southern Sudan in order to carry out the project.
36. I am satisfied that the proposed grant will comply with the Agreement Establishing IFAD.

III. Recommendation

37. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund shall provide a grant to the Republic of The Sudan in various currencies in an amount equivalent to eight million six hundred thousand special drawing rights (SDR 8,600,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Lennart Båge
President

Key reference documents

Country reference documents

Comprehensive Peace Agreement between the Government of Sudan and the Sudan People Liberation Movement, 2004

National Food Security Action Plan for Sudan, by GNU and GoSS Task Force, June 2007

IFAD reference documents

Administrative Procedures on Environmental Assessment

COSOP, 2002

IFAD Concept Paper, September 2007

IFAD 2nd Exploratory Mission Back-to-Office Report, October 2007

Livelihoods and Gender Assessment Report, FAO TCIE, November 2007

Southern Sudan Livelihoods Development Project design document (PDD) and key files

Other miscellaneous reference documents

Sudan Joint Assessment Mission Report, by the World Bank, the United Nations, the GoS and SPLM, March 2005

Logical framework

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
<p>GOAL: To reduce poverty and hunger in the project area</p>	<ul style="list-style-type: none"> Reduction in the prevalence of chronic malnutrition in children under 5 from 48%⁵ to 24% (RIMS) Number of households that have improved food security, by type of household from a 1/3 household suffering from food insecurity to nil (RIMS), Households with improvement in household assets ownership index, by type of household (RIMS). Target: 38 000 households. 	<ul style="list-style-type: none"> RIMS baseline and impact surveys MTR and completion survey 	<ul style="list-style-type: none"> Continued stability and economic growth
<p>Specific Objectives Increased food security and incomes, through improved agricultural productivity and marketing.</p>	<ul style="list-style-type: none"> Increase in farm revenue by an average of \$170/HHd/ year from the sale of crop, livestock and fisheries. Increase in revenue achieved by FHH and returnees. Target: increase in revenues of these households is comparable to US\$170/ HHd/year. Increase in yields of 50%. Marketable surplus represents 25% to 50% of production. 	<ul style="list-style-type: none"> SSCCSE reports GoSS/UNICEF Household Health Survey ANLA, CFSAM, VAM reports FIVIMS of FAO Baseline survey, review and completion assessments Annual project assessments 	<ul style="list-style-type: none"> Resilience to droughts and floods
<p>Outputs - The communities in the target counties are organized and empowered with equal participation of women and vulnerable people. - the microprojects undertaken by community interest groups increase farm and off-farm production and sales - The poor and vulnerable groups gain a higher benefit from the project</p>	<ul style="list-style-type: none"> No of community groups formed, operational, have regular book-keeping, registered and self-reliant at project end. BDC have developed capacity to organize, screen award and monitor micro-projects based on poverty and gender related criteria. BDC are able to plan and mobilize support for agriculture and business development in their community Profitability of the micro-projects and likelihood of sustainability (RIMS) About 50-70% of community groups have access to microfinance and linkages with traders/ suppliers. Number of women holding leadership positions in the community groups Number of people ranked as poor in membership of community groups Number of Returnees/IDPs membership in community groups. 	<ul style="list-style-type: none"> Project annual reports Supervision reports The service providers progress reports Annual beneficiary assessment 	<ul style="list-style-type: none"> Effective selection of micro-projects and beneficiary community groups Accountability exists in the community groups and in the Boma Development Committees
<ul style="list-style-type: none"> The communities have improved access to markets The communities have improved access to water Counties have the capacity to plan, budget and supervise. 	<ul style="list-style-type: none"> Time to reach and cost of transportation to market reduced Number of households selling agriculture produce to the market No of HHd served by the boreholes (water supply) No of community groups responsible for water O&M that are operational Timely and quality AWPB developed by the county. Earmarked allocation for O&M in the county development plan. % disbursement of the O&M allocation for the infrastructure supported by the project. 	<ul style="list-style-type: none"> Project annual reports Supervision reports County reports Annual beneficiary assessment 	<ul style="list-style-type: none"> Increase in Government transfers to county Procedures for the cost recovery of O&M of roads and markets established.

⁵ This figure represents the average chronic malnutrition for children under 5 in Southern Sudan (Source: FAO/ WFP crop assessment, 2006)

