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**E**



Enabling poor rural people  
to overcome poverty

## **President's report**

## **Proposed grant to the Republic of The Sudan for the**

## **Rural Access Project**

Executive Board — Ninety-eighth Session  
Rome, 15-17 December 2009

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For: **Approval**

## **Note to Executive Board Directors**

This document is submitted for approval by the Executive Board.

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## **Abbreviations and acronyms**

ARP	Agricultural Revival Programme
BDA	Butana Development Agency
BIRDP	Butana Integrated Rural Development Project
MPPPU	State Ministry of Physical Planning and Public Utilities
NHBA	National Highways and Bridges Authority

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of The Sudan for the Rural Access Project, as contained in paragraph 37.

## Map of the project area

### The Republic of The Sudan Rural Access Project



**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**

## **Rural Access Project**

### **Financing summary**

<b>Initiating institution:</b>	Ministry of Finance and National Economy
<b>Recipient:</b>	Republic of The Sudan
<b>Executing agency:</b>	Ministry of Agriculture and Forestry
<b>Total project cost:</b>	US\$14.96 million
<b>Amount of IFAD grant:</b>	SDR 8.20 million (equivalent to approximately US\$12.95 million)
<b>Contribution of recipient:</b>	US\$1.92 million
<b>Contribution of beneficiaries:</b>	US\$0.09 million
<b>Appraising institution:</b>	IFAD
<b>Cooperating institution:</b>	Direct supervision





# Proposed grant to the Republic of The Sudan for the Rural Access Project

## I. The project

### A. Main development opportunity addressed by the project

1. In the dry season, about 78 per cent of the communities in central Butana sell their produce and buy their household needs at town markets. The four main markets – Gedaref, New Halfa, Tamboul and Um Al Gora – are located 60 to 200 kilometres from Butana. Small livestock producers reach these markets by truck or pick-up. In the rainy season, due to road impassability and the high cost of transportation, producers are forced to sell their livestock at lower-than-market prices at the seasonal market of Es Soubagh. The Rural Access Project will rehabilitate and construct rural feeder roads to facilitate access to the four markets during the rainy season. Expected benefits to agropastoralists and nomads, who collectively own about 1.7 million head of livestock, will be 25 per cent higher prices for their livestock and a 50 per cent savings in transportation time and costs. The project will complement the interventions of two other programmes active in the Butana area: (i) the Agriculture Revival Programme (ARP) funded by the Government of National Unity; and (ii) the IFAD-financed Butana Integrated Rural Development Project (BIRD).

### B. Proposed financing

#### Terms and conditions

2. It is proposed that IFAD provide a grant under the Debt Sustainability Framework to the Republic of The Sudan in the amount of SDR 8.20 million (equivalent to approximately US\$12.95 million) to help finance the Rural Access Project.

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

3. The allocation defined for The Sudan under the PBAS is US\$30.5 million over the 2007-2009 allocation cycle. This project is the last to be funded under the PBAS cycle and will be financed with the funds remaining from the current allocation.

#### Relationship to national medium-term expenditure framework criteria

4. The Agriculture Revival Programme articulates the Government's vision for agriculture development as the engine of growth and the key catalyst for rural poverty alleviation. Within its total budget, rainfed agriculture is allocated 25 per cent and rural infrastructure (including roads) 7.5 per cent. Such investments are in line with the project's objective of removing barriers to mobility and marketing in rainfed areas. The project will extend roads planned under ARP to the traditional rainfed areas of Butana.

#### Relationship to national sector-wide approaches or other joint funding instruments

5. The Multi-Donor Trust Fund is supporting the construction of state and national roads in conflict-affected areas. Moreover, the European Union is funding rural access roads in the "Three Areas" given special status under the 2005 Comprehensive Peace Agreement: Abyei, Southern Kordofan State and Blue Nile State. IFAD is currently collaborating with the European Union to build knowledge and capacity in the design and construction of rural roads in The Sudan.

#### Country debt burden and absorptive capacity of the State

6. Under IFAD's Debt Sustainability Framework, approved by the Executive Board at its April 2007 session, The Sudan is eligible for 100 per cent grant financing over the period 2007-2009.

**Flow of funds**

7. Advance withdrawals will be maintained in a designated account in euros for project use. A project account in local currency will also be opened. Both the designated account and the project account will be controlled by the Butana Development Agency (BDA) in accordance with its standard financial procedures.

**Supervision arrangements**

8. The project will be directly supervised by IFAD.

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

9. An amount of up to the equivalent US\$120,000 will be made available from the grant account under retroactive financing with respect to eligible expenditures incurred as from 1 June 2009 for the cost of the road survey and design, and for the prequalification of consultancy firms and contractors under the expenditure category of training, technical assistance and studies. These expenditures will be procured in accordance with procedures acceptable to IFAD. This constitutes an exception to section 4.08(a)(ii) of the revised General Conditions for Agricultural Development Financing (document EB 2009/96/R.3/Rev.1).

**Governance**

10. The following measures are intended to enhance the governance aspects of the IFAD grant: (i) the procurement regulations of BDA will be consistent with IFAD procurement guidelines (ii) contractors and consultancy firms will undergo prequalification; (iii) for supervision purposes, IFAD will retain the services of an international road engineer to verify the progress of works and the compliance with technical specifications; (iv) IFAD, the Government of National Unity and other development partners (potentially the European Union) will jointly develop a governance framework for the road works with the aim of increasing competitiveness, transparency and value for money in this sector; and (v) an administrative decree on road tolls will be passed in 2010 by the localities of Butana and River Atbara.

**C. Target group and participation****Target group**

11. Some 130,000 people living in the Butana area, or about 15,000 producer households, are expected to benefit from the project. Poor households constitute about 80 per cent of the rural population of Butana.

**Targeting approach**

12. In line with IFAD targeting policy, the project will adopt the following targeting measures: (i) promoting labour-intensive soil and water conservation and road maintenance works in the dry season to generate income for poor households; and (ii) monitoring the profiles of women and men employed on soil and water conservation works or on road maintenance works in order to ensure that training and job opportunities are equitably distributed by age and gender.

**Participation**

13. The 21 communities situated along the road alignment will establish road committees and will elect representatives who will be responsible for financing road maintenance. The road committees will participate in: (i) validating the design and road maintenance works; (ii) supervising road construction, reporting any mishandling to the localities and BDA; (iii) reporting road breaches during the rainy season; (iv) applying for labour-based contracts for the maintenance of the road; (v) supervising maintenance works; and (vi) monitoring the number, gender, age and socio-economic profile of community members.

## **D. Development objectives**

### **Key project objectives**

14. The main project objective is improved access of the rural population in central Butana to markets and social services. Three key results are expected: (i) 144 km of rural roads in central Butana are upgraded and regularly maintained; (ii) communities are trained to manage road tolls and to engage in labour-based maintenance contracts; and (iii) state capacity is strengthened to plan, design, supervise, manage and maintain rural feeder roads using the spot improvement approach (i.e. improving only trouble spots that make the road impassable or dangerous).

### **Policy and institutional objectives**

15. Two project results relate to institutional outcomes: (i) communities are trained to manage road tolls and to engage in labour-based maintenance contracts; and (ii) state capacity is strengthened to plan, design, supervise, manage and maintain rural feeder roads using the spot improvement approach. These results constitute the pillars of project sustainability.

### **IFAD policy and strategy alignment**

16. Access of the rural poor to markets is a key strategic objective under the IFAD Strategic Framework 2007-2010.

## **E. Harmonization and alignment**

### **Alignment with national priorities**

17. The project is in line with ARP's focus on rural infrastructure for productive and marketing purposes. However, although ARP has an indicative programme of rural road construction, it has three gap areas that the project plans to fill: it does not consider spot improvement as an alternative approach to improving rural access; it makes no provision for much-needed capacity-building of state Ministries of Physical Planning and Public Utilities (MPPUs); and it does not address preventative maintenance.

### **Harmonization with development partners**

18. Plans are under way to establish joint activities with the European Union-funded road project in order to build capacity on road design, procurement, supervision and maintenance, and to develop a governance framework for the procurement and supervision of road contracts.

## **F. Components and expenditure categories**

### **Main components**

19. The project has three components: (i) physical rehabilitation and construction of rural feeder roads; (ii) capacity-building and institutional development; and (iii) project management.

### **Expenditure categories**

20. There are five expenditure categories: (i) civil works (78.4 per cent); (ii) vehicles and equipment (1.7 per cent); (iii) training, technical assistance and studies (15.3 per cent); (iv) recurrent costs (2.7 per cent); and (v) road maintenance costs (1.9 per cent).

## **G. Management, implementation responsibilities and partnerships**

### **Key implementing partners**

21. These will be the Butana Development Agency (a federal entity, established in 2007 by Presidential decree, that coordinates interstate efforts to promote sustainable development in the Butana area); the MPPUs of Gedaref and Kassala States; the National Highways and Bridges Authority (NHBA); and localities in Butana and River Atbara and communities located along the road alignment.

**Implementation responsibilities**

22. BDA will be the lead agency of the project. It will hire a qualified consultancy firm to carry out the training of both the Road Departments of the MPPPUs and the communities, monitoring project performance and deciding on corrective actions as needed. The MPPPUs of Gedaref and Kassala States will be the contracting authorities for the proposed road. The Road Departments in the MPPPUs will be responsible for adapting the road design to the field realities, certifying contractors' payments, and planning and supervising road maintenance works. The National Highways and Bridges Authority will monitor the project with a view to mainstreaming its approach in the Government policy and programmes for rural roads, and to replicating the approach under ARP's rural roads programme.

**Role of technical assistance**

23. The consultancy firm hired by BDA will provide a technical team responsible for supervising the construction works of the road and providing training and backstopping to the Road Departments and the communities.

**Status of key implementation agreements**

24. No implementation agreement is foreseen.

**Key financing partners and amounts committed**

25. The total project cost is US\$14.96 million over four years. The sources of financing are IFAD (86.6 per cent), the Government of The Sudan (12.9 per cent) and the beneficiaries (0.5 per cent).

**H. Benefits and economic and financial justification****Main categories of benefits generated**

26. By project end, the main benefits will be: (i) accessibility to markets increased for 15,000 producer households in the rainy season; (ii) 1,700 additional women trading in the main markets serviced by the road; and (iii) transportation costs decreased by 50 per cent and road traffic volume increased by 20 per cent.

**Economic and financial viability**

27. The internal rate of return of the road is estimated at 22 per cent. The economic analysis indicates that the financing of the road maintenance through road tolls and market fees is feasible. The analysis also indicates that smallholders will derive an incremental benefit of approximately US\$200 yearly per household thanks to the project's interventions.

**I. Knowledge management, innovation and scaling up****Knowledge management arrangements**

28. The knowledge products of the project consist of: (i) the operation manuals for the design, construction, supervision and maintenance of rural roads; (ii) the progress reports and assessment studies on project effectiveness; and (iii) the comparative analysis between the project spot improvement approach and more conventional approaches to rural road construction and maintenance. The project will also benefit from the efforts of IFAD's Technical Advisory Division to establish best practices in the area of rural transport, and partnerships with the International Forum for Rural Transport and Development and the Sub-Saharan Africa Transport Policy Program.

**Development innovations that the project will promote**

29. The main innovative feature is the spot improvement approach to road construction and the establishment of a community road fund for the maintenance of rural roads. This approach is deemed to be best suited for the environmentally sensitive rainfed areas given their low population density, the seasonal trade activity, impassability of the roads during the relatively short rainy season, and the insufficient financial resources available to meet the great need for road development.

**Scaling-up approach**

30. Provisions are included in the project design to develop the methodology for spot improvement and road maintenance, and for its replication. It is expected that the spot improvement approach will be replicated at state level. The key partners for the mainstreaming and replication are the MPPPUs, NHBA and the rural infrastructure working group of ARP.

**J. Main risks****Main risks and mitigation measures**

31. The project faces four main risks: (i) reduced support to the ARP budget; (ii) BDA's limited implementation record and expertise in road construction and maintenance; (iii) non-synchronized implementation between project road improvement and market rehabilitation under BIRDP; and (iv) mismanagement of procurement, contract award or contract supervision. The planned mitigation measures include: (i) the States of Gedaref and Kassala are committed to providing the required resources for the road network planned under ARP; (ii) a qualified consultancy firm will be recruited to build BDA expertise and provide capacity-building to the Road Departments in the MPPPUs and to the communities; (iii) BIRDP activity planning is being readjusted to ensure synchronization with the project; and (iv) safeguard measures for procurement are put in place as per paragraph 10.

**Environmental classification**

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

**K. Sustainability**

33. The following indicators are taken as milestones for project sustainability: (i) the Road Departments' technical capacity is assessed as satisfactory; (ii) a community road fund is set up and facilitates the implementation of maintenance works; and (iii) monitoring and evaluation data indicate that spot improvement is more adapted for rural roads than the conventional approach to road construction.

**II. Legal instruments and authority**

34. 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 as an annex.
35. The Republic of The Sudan is empowered under its laws to receive financing from IFAD.
36. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

**III. Recommendation**

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

RESOLVED: that the Fund shall provide a grant to the Republic of The Sudan in an amount equivalent to eight million two hundred thousand special drawing rights (SDR 8,200,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze  
President

## **Negotiated financing agreement:**

### **"Rural Access Project" (RAP)**

(Negotiations concluded on 2 November 2009)

Grant Number: \_\_\_\_\_

Project Title: Rural Access Project (RAP) (the "Project")

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

and

the Republic of The Sudan (the "Recipient")

(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, as may be amended from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement, except for the provision identified in Section E paragraph 1 below. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Grant 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 Grant is eight million two hundred thousand Special Drawing Rights (SDR 8 200 000).
2. The first day of the applicable Fiscal Year shall be 1 January.
3. There shall be a Project Account for the benefit of the Butana Development Agency in a commercial bank acceptable to the Fund.
4. The Recipient shall provide counterpart financing for the Project to reimburse all taxes and duties paid by the Project.

#### **Section C**

1. The Lead Project Agency shall be the Butana Development Agency (BDA).

2. The following are designated as additional Project Parties: the State Ministry of Physical Planning and Public Utilities (MPPPU) of Gadaref and Kassala States, the State Ministries of Agriculture and Irrigation in Gadaref and Kassala States, the National Highways and Bridges Authority (NHBA), the localities in Butana and River Atbara, the community development committees and the Community Road Fund.

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

#### **Section D**

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

#### **Section E**

1. The following provision of the General Conditions shall not apply to this Agreement: as an exception to Section 4.08 (a) (ii), the expenses set out in paragraph 2 of Schedule 2 shall be considered Eligible Expenditures notwithstanding the fact that they are not incurred during the Project Implementation Period.

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

For the Fund:

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

For the Recipient:

The Minister  
Ministry of Finance and  
National Economy  
P.O. Box 700  
Khartoum, Sudan

This agreement, dated \_\_\_\_\_, has been prepared in the (English) language in six (6) original copies, three (3) for the Fund and three (3) for the Recipient.

\_\_\_\_\_  
For the Fund

\_\_\_\_\_  
For the Recipient

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. *Target Population.* The Project shall benefit the poor and less poor communities located along the road alignment in the two localities of the central Butana area namely Butana in Gadaref State and River Atbara in Kassala State (the "Project Area"). For the poor households, the Project shall target them with labour intensive activities in the context of the soil and water conservation works to protect the road from gully erosion. For the less poor households who own vehicles, the Project shall target them with awareness campaigns to encourage them to pay road and market fees which proceeds will be used for the preventative maintenance of the road. The total number of beneficiaries is expected to be 130 000 persons, equivalent to about 15 000 producer households. It is also expected that there will be 1 700 additional women trading in the main markets serviced by the road. Poor households constitute 80% of the rural population in Butana.
2. *Goal.* The Project shall contribute to the COSOP 2009-2012 goal of empowering the rural poor to increase their food security, incomes and resilience to shocks.
3. *Objectives.* The main Project objective shall be to improve the access of the rural population to markets and social services
4. *Results.* Three key results are expected from the Project:
  - (a) Rural roads are upgraded in Central Butana and regularly maintained;
  - (b) Communities are trained to manage maintenance fees and to engage in labor based maintenance contracts;
  - (c) State capacity is strengthened to plan, design, supervise, and maintain rural feeder roads using the spot improvement approach.
5. *Components.* The Project shall consist of the following Components:
  - 5.1 Physical rehabilitation and construction of rural feeder roads. This component shall achieve result (a) above. This component includes the following activities: (i) the upgrading of Arab 6-Es Soubagh-Husheib road; (ii) implementation of conservation works to protect the road from dendricular erosion; (iii) commissioning of studies to support activities for road development and (iv) the establishment of Community Road Fund to finance the routine and periodic maintenance of the road.
  - 5.2 Capacity building and institutional development. This component shall achieve results (b) and (c) above. The component shall consist of three main activities: (i) institutional support to the Road Departments in the Ministries of Physical Planning and Public Utilities (MPPPU) of Kassala and Gadaref; (ii) training of the Road Departments in the MPPPU; and (iii) training of communities on the implementation of soil and water conservation works and implementation of labour based works.
  - 5.3. Project management. The expected result shall be to mainstream the Project approach in the National Highways and Bridges Authority (NHBA) and the MPPPU and to ensure efficient and effective management of the Project. This component shall consist of three activities: (i) recruitment of the consultancy firm by the Butana Development Agency (BDA) to coordinate Project activities and to provide supervision of the works and



capacity building of the Road Departments of the MPPPUs and to the participating communities; (ii) monitoring of the Project by NHBA; and (iii) coordination with Butana Integrated Rural Development Project community based and marketing activities.

## **II. Implementation Arrangements**

The BDA shall play the role of financier and quality assurance. Its role shall be to ensure synergy of the interventions targeting the Butana, particularly the Butana Integrated Rural Development Project and the Project in order to effectively reduce poverty and ensure sustainable management of natural resources; financing Project interventions and accounting for fund use; ensuring the quality of works by hiring qualified consultancy firm to carry out the training of the Road Departments of the MPPPUs and the communities; monitoring Project performance and deciding on corrective actions as needed. The BDA Board of Directors shall be expanded to include representation from the MPPPUs in Kassala and Gadaref.

The consultancy firm hired by the BDA shall provide a technical team responsible for supervising the constructions works of the road as well as provision of training and backstopping to the Road Department and the communities.

The MPPPUs in both Gadaref and Kassala States shall be the contracting authorities for the proposed road. The Road Departments in the MPPPUs shall be responsible for the adaptation of the road design to the field realities, the certification of the contractors' payments, and the planning and supervision of the road maintenance works. As the capacity of the Road Department to undertake these activities is currently limited, the staff of the Road Department will be receiving formal and on-the-job training to build their capacities in road planning, design, management, supervision and maintenance. The Road Department in the MPPPU shall be responsible for the final commissioning of the road.

The NHBA shall undertake monitoring of the Project with a view to mainstreaming its approach in the Government policy and programmes for rural roads, and to replicating the approach under the rural roads programme of the Agricultural Revival Programme and other similar programmes.

The community development committees shall establish road committees to participate in the following: (i) validation of the design works and maintenance works proposed for the road; (ii) supervision of the construction of the road and reporting any mishandling to the localities and the BDA; (iii) reporting road breaches during the rainy season; (iv) applying for labour based contracts for the maintenance of the road; (v) supervision of maintenance works; (vi) monitoring the number, gender, age and socio-economic profile of the community members participating in the training and employed for the soil and water conservation and maintenance works.

The Community Road Fund shall be a committee established within the BDA responsible for planning and financing the maintenance of the road. The committee shall have its own by-laws stipulating the role of each party with regards the collection of fees for the maintenance works, the planning of the works, the design and supervision of the works, the contracting of the works and finally the monitoring.

The Project shall call on other partners to assist in the implementation: (i) the private contractors selected for the implementation of road improvement and maintenance works; and (ii) the State Ministries of Agriculture to assist in the design and implementation of conservation and water control works.

### Component-wise implementation

*Component 1 – Physical rehabilitation and construction of rural feeder roads.* A qualified contractor shall be recruited through national competitive bidding and following a

prequalification process. The Road Departments of the MPPPUs shall monitor the performance of the contractor and will certify the payments for the completed works. The MPPPUs shall be the contracting authority for the construction of the road. The consultancy firm will carry out the role of construction supervision and will also assist the BDA in the set up of the Community Road Fund. The Community Road Fund shall be established within the BDA and will be responsible for planning, financing and reporting on road maintenance works.

*Component 2 - Capacity building and institutional development.* The BDA shall hire a consultancy firm to organize and implement the training targeting the Road Departments of the MPPPUs and the communities. The Gender and Community Development Officer of the BDA with assistance from the 2 locality development teams based in Es Soubagh and New Halfa and the Natural Resources Management Officer will carry out the community awareness raising, mobilization and organization to form road committees, sensitize them to their role and launch a campaign to encourage users to pay for the road maintenance. The Gender and Community Development Officer and the locality development teams will also mobilize the road committees to nominate both men and women for the training on soil and water conservation and for the labour opportunities created by the maintenance works.

*Component 3 - Project management:* The BDA shall be responsible for the Project coordination and financial management, as well as for synchronizing activities between the Butana Integrated Rural Development Project and the Project in order to improve incomes in the beneficiary communities. The NHBA shall carry out regular monitoring of the Project to assess the performance of the contractor and consultancy firm, to monitor the progress of works, and to analyze the results of the spot improvement and preventative maintenance approach with those of more conventional road construction methods.

### Monitoring

11. The monitoring system of the Project shall collect and report on the distribution of Project benefits including increase in farm gate prices, income from women entrepreneurial activities in the trade and saving in vehicle operation cost as well as on the results of the Project taking into consideration the Result and Impact Measurement System of the Fund. In the event that the benefits accruing to the poor are limited, appropriate corrective measures shall be introduced.

## Schedule 2

### *Allocation Table*

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

<b>Category</b>	<b>Grant Amount Allocated (expressed in SDR)</b>	<b>Percentage of Eligible Expenditures to be Financed</b>
I. Civil Works	5 680 000	100% net of taxes
II. Vehicles and Equipment	120 000	100% net of taxes
III. Training, Technical Assistance and Studies	1 280 000	100% net of taxes
IV. Other Recurrent Costs	215 000	100% net of taxes
V. IFAD Financed Road Maintenance	85 000	100% net of taxes
VI. Unallocated	820 000	
<b>TOTAL</b>	<b>8 200 000</b>	

2. *Retroactive Financing:* The Grant shall retroactively finance the Butana Development Agency for survey and design work which has been undertaken in 2009 for the road alignment Arab 6 – Es Soubagh – Husheib, as well as for the pre-qualification of contractors and the issuing of tender documents. Such retroactive finance shall be provided up to a limit of SDP 300 000 (USD 120 000) under Category III.

3. The Grant shall finance 100% of the Community Road Fund up to year 3 of the Project and the beneficiaries shall finance 100% of year 4 of the Project and thereafter.

### **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. *Tax exemption.* The Recipient shall, to the fullest extent possible, exempt the proceeds of the Grant from all taxes. Any taxes which the Project is nonetheless obliged to pay shall be promptly reimbursed by the Recipient and the amount so reimbursed shall be credited against the counterpart financing obligation of the Recipient set forth in Section B, paragraph 4 hereof.
2. *Fees for financing road maintenance.* The Recipient shall ensure by 2010 that Kassala and Gedaref States have issued an administrative decree on the fees for financing road maintenance, which may include market fees and road tolls, specifying the arrangement for management and fee collection as well as the use of its proceeds.
3. *Framework for good governance.* The Recipient shall develop and endorse by 2010 a framework for good governance for the Project specifying the required safeguards to ensure competitiveness, transparency and value for money in the rural road sector.
4. *Environmental safeguards.* The Recipient and the Butana Development Agency shall take all necessary measures to ensure that the award of contract for the construction of the rural road, the construction process itself and the maintenance works are all in compliance with the environmental regulations of the Republic of the Sudan.

## **Key reference documents**

### **Country reference documents**

The Agricultural Revival Programme, April 2008

### **IFAD reference documents**

Project design document (PDD) and key files of the Rural Access Project, September 2009

Result-Based COSOP for Sudan, April 2009

Sudan, Butana Integrated Rural Development Project, Project Appraisal report, 2006

Sudan, North Kordofan Rural Development Project, Project Completion Report, 2008

Administrative Procedures on Environmental Assessment

Sudan Country Programme Evaluation, OE, 2008

Case Study for Sudan, Empowering Rural Poor in a volatile Policy Context, IFAD/IFPRI, 2005

IFAD, Comprehensive Review of IFAD Rural Roads, Travel and Transport (RTT) Experiences, 1994-2007

IFAD, Yemen, Pilot Community-Based Rural Infrastructure Project in Highland Areas - Loan 669-YE, Appraisal report

## Logical framework

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
<b>Goal</b>			
<b>COSOP Goal:</b> contribute to empower the rural poor to increase their food security, incomes and resilience to shocks.	<ul style="list-style-type: none"> <li>▪ Increase of rural incomes from USD 500/ capita to USD 800/ capita, in country programme areas</li> <li>▪ Reduction in the prevalence of malnutrition in children under 5</li> <li>▪ households with improvement in household asset index</li> </ul>	UNICEF survey in the concerned states. RIMS survey at baseline and completion	<ul style="list-style-type: none"> <li>- Sustained and increasing investments for social and productive services in drought and conflict affected areas.</li> <li>- Increased GoNU support to the rainfed agriculture sector.</li> </ul>
<b>Project objective:</b> Improved access of the rural population in Central Butana to markets and social services.	<ul style="list-style-type: none"> <li>▪ 15 000 producers benefiting from market access by project end.</li> <li>▪ 1700 additional women trading in the markets served by rural feeder roads by project end.</li> <li>▪ Decrease in transportation from 2 days at Es Sadda to 1 hour during rainy season</li> <li>▪ Decrease in transportation tariff from approx 15 SDG to 8 SDG/ trip</li> <li>▪ Increase in road traffic volume: from an average of 71 vehicles/day to 96 by mid term and to 124 by project end.</li> </ul>	Baseline survey, mid-term and completion reports Road traffic survey BIRDP Progress reports	<ul style="list-style-type: none"> <li>- Increased agriculture surplus as a result of production support received from the BIRDP</li> <li>- Increased producers' gross margin by 80 per cent as a combined effect between the BIRDP and RAP;</li> <li>- Increase in sale prices for livestock by 25 per cent in rainy season</li> </ul>
<b>Results of the project</b>			
1) Rural roads upgraded in Central Butana and regularly maintained	<ul style="list-style-type: none"> <li>▪ 144 km of roads improved in Butana by year 3 of project</li> <li>▪ 144 km of road maintained by project end.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project progress report</li> </ul>	Administrative decree for road toll and market fee levies passed, complied with by road users and enforced by communities and localities.
2) Communities are trained to manage road tolls and to engage in labor based maintenance contracts.	<ul style="list-style-type: none"> <li>▪ Tolls collected cover annual O&amp;M costs. Target USD 95 000 as of project year 3</li> <li>▪ Number of labor days in labor based contracts, by gender and by poverty group. Target: 10 000 labour day aggregate by project end, at least 50 per cent women and 50 per cent below 30 years.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project progress report</li> </ul>	
3) State capacity strengthened to plan, design, supervise, and maintain rural feeder roads, using the spot improvement approach	<ul style="list-style-type: none"> <li>• at least 200 km of new roads designed using the spot improvement approach: by project end</li> <li>• Road network plan established by year 2.</li> <li>• State budget allocation based on the road network plan.</li> <li>• Community Road Fund expanded to other rural road networks in Kassala and Gadaref by project end.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project progress report</li> <li>▪ Consultancy firm assessment of the performance of the Road Departments in Gadaref and Kassala</li> </ul>	

