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Investing in rural people

President's memorandum

Proposed additional financing to the Republic of The Sudan for the Western Sudan Resources Management Programme

Note to Executive Board representatives

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For: Approval

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional financing to the Republic of The Sudan for the Western Sudan Resources Management Programme, as contained in paragraph 16.

President's memorandum

Proposed additional financing to the Republic of The Sudan for the Western Sudan Resources Management Programme

I. Background

1. This memorandum seeks approval for additional financing in the form of a Debt Sustainability Framework (DSF) grant of approximately US\$3.193 million for the Western Sudan Resources Management Programme (WSRMP), approved by the Executive Board in December 2004. This grant will be used to cofinance, together with the Government of the Republic of The Sudan and the programme beneficiaries, the cost of consolidating and ensuring the sustainability of programme results, and scaling up successful interventions in rural finance and community development.
2. The additional financing was requested by the Republic of The Sudan, which has agreed that US\$3.193 million from the 2013-2015 performance-based allocation system (PBAS) allocation¹ should be used to finance the programme's supplementary requirements. The Republic of The Sudan has been eligible for 100 per cent grant financing under the DSF since 2010 and it is fully in compliance with the terms of the debt rescheduling programme approved by the Executive Board in September 2012.

II. Justification for the additional financing

3. WSRMP has achieved commendable results, particularly in natural resource management (NRM), community development and rural finance. This programme is considered by the Government as one of the best community development and NRM initiatives in the Greater Kordofan region (i.e. the North, South and West Kordofan States) and has achieved most of its targets despite the challenges related to the vulnerable security situation, particularly in South Kordofan. Through its operations in 368 communities, the programme has reached about 38,500 households or 101 per cent of the target, i.e. more than 228,000 individuals – 120,000 of whom are women.
4. However, based on the findings of the latest supervision missions, the sustainability of some programme outcomes is still uncertain, mainly because of the weak capacity of the institutions established by the programme. The proposed additional financing phase will provide the financial resources needed to scale up successful interventions in NRM, rural finance and community development, with a particular focus on institutional capacity-building in order to consolidate achievements and ensure sustainability of programme results. Details are provided in the paragraphs below.

¹ The remaining PBAS balance (US\$24.468 million) will be used for the Livestock Marketing and Resilience Programme planned for Executive Board presentation in December 2014.

5. The additional financing will support mainly the consolidation of activities under the first three technical components: NRM, rural financial services and marketing; and community development and extension. Investments under the institutional support component include component-specific and cross-cutting training and operating costs related to the government structure at state and locality levels needed to implement programme activities.
6. With the aim of ensuring sustained programme outcomes, the focus will be on strengthening the institutions put in place and supported by WSRMP – water users' associations, cooperatives, stock route management committees, conflict resolution centers – through further training and sensitization work by the extension teams, and policy dialogue. The additional financing will support infrastructure enhancement where needed. It will also reinforce the management of water points, as infrastructure sustainability depends on an effective maintenance system and well-managed water points have proved to be a profitable income-generating activity. Water users' organizations will be strengthened by the extension teams who will also support them in accessing credit for agricultural works. In order to consolidate the achievements in terms of NRM governance and reduction of NRM-related conflicts, WSRMP will continue to work closely with the three states to improve co-management of the stock routes, and strengthen conflict resolution centres through training and linkages with ad hoc units to be established within the state ministries of agriculture.
7. With regard to the rural finance component, the additional financing will support the sustainability of savings and credit groups (SCGs) in the programme area, and increase coverage in the Kordofan region through replication of the SCG model within and outside the target villages. The extension phase will support a set of pilot initiatives: (i) establishment of sustainable village associations; (ii) payment for extension services; (iii) delivery of other developmental services through SCGs; and (iv) engagement of SCGs in community-level enterprise development initiatives.
8. With regard to community development, the additional financing will support capacity-building to consolidate the results achieved in terms of mobilization and organization of communities; establishment of community development committees, centres and integrated centres. This successful model of integrated community development centres will be replicated in other communities.
9. Programme extension agents are key at the community level (through local extension networks [LENS]) and the locality level (through multidisciplinary extension teams [MDETs]), as they are in charge of programme implementation. Since the sustainability of most of the programme's outcomes depends on the quality and effectiveness of the extension services delivered, the additional financing will support community-based extension agents and locality extension agents and ensure proper monitoring and continuous on-the-job training of the LEN agents by the MDETs. Dialogue will be pursued with the Government to ensure that the running costs of extension agents are covered after programme completion, to avoid disrupting the extension services that the MDETs provide to the communities. Already during the proposed extension phase, the Government will pay the salaries of the MDETs and the programme implementation agencies, and cover 50 per cent of their allowances and operating costs. In parallel the programme will pilot payment for extension services within the rural finance component and the outcomes of the pilot will be used for future programmes.
10. **Financial management.** Financial management is moderately satisfactory, with some shortcomings for which the supervision mission has made the necessary recommendations. The disbursement rate as of March 2014 is 96.9 per cent. With regard to counterpart funds, rigorous follow up with the Government is needed to ensure a regular and timely flow of counterpart contributions and obtain documents

for non-cash (customs and taxes) counterpart contribution. The programme complies with loan covenants. The financial management and disbursement arrangements used for the ongoing programme will also apply to the additional financing.

III. Programme costs and financing

A. Programme costs

11. In undertaking the cost calculations for the additional financing of WSRMP, a domestic inflation rate of 25 per cent in the first year and 20 per cent in the second year of implementation were applied, along with a foreign inflation rate of 2.0 per cent for the entire programme duration, and an exchange rate of 5.7 Sudanese pounds (SDG) per United States dollar. Price contingency allowances have been applied to all expenditures. Based on current prices, total base costs are estimated at approximately US\$4.414 million (SDG 25,160 million).
12. The provision for physical contingencies has been minimized based on the experience of approximately nine years of programme implementation and the fact that the programme will continue to implement similar activities. The unit cost estimates are based on field discussions and data gathered from IFAD and from other projects supported by international financial institutions in Sudan.

Table 1
Programme costs by component

	(SDG'000)			(US\$'000)			% For Exch	% Base Costs
	Local	Foreign	Total	Local	Foreign	Total		
A. Natural resource management	4 017.9	1 406.9	5 424.8	704.9	246.8	951.7	26	22
B. Rural financial services and marketing								
1. Rural finance	1 516.9	565.6	2 082.5	266.1	99.2	365.4	27	8
2. Marketing	164.2	-	164.2	28.8	-	28.8	-	1
Subtotal rural financial services and marketing	1 681.0	565.6	2 246.7	294.9	99.2	394.2	25	9
C. Community development and extension	3 599.6	542.6	4 142.2	631.5	95.2	726.7	13	17
D. Rural feeder roads	-	-	-	-	-	-	-	-
E. Institutional support								
1. Support to local government	3 860.6	180.8	4 041.4	677.3	31.7	709.0	4	16
2. Support for state government and instrumentalities	2 816.7	115.9	2 932.7	494.2	20.3	514.5	4	12
3. Support for state coordination	2 755.3	89.0	2 844.2	483.4	15.6	499.0	3	11
4. Institutional support for programme coordination	2 969.7	173.6	3 143.3	521.0	30.5	551.5	6	13
Subtotal institutional support	12 402.3	559.3	12 961.6	2 175.8	98.1	2 274.0	4	52
Total baseline costs	21 700.7	3 074.5	24 775.2	3 807.1	539.4	4 346.5	12	100
Physical contingencies	-	-	-	-	-	-	-	-
Price contingencies	4 469.3	659.3	5 128.6	59.0	8.8	67.8	13	2
Total programme costs	26 170.0	3 733.8	29 903.8	3 866.2	548.2	4 414.4	12	102

13. Activities under the two-year extension period will be financed by an additional DSF grant from IFAD of US\$3.193 million (72.3 per cent); a contribution of US\$1.190 million from the Government of Sudan (27.0 per cent) to cover salaries/allowances, operating costs, taxes/duties;² and US\$0.03 million from the local communities (0.7 per cent). Programme costs by financier are summarized in the table below by category (in thousands of United States dollars).

² Specifically, 100 per cent of salaries for programme implementing agencies and extension teams; 50 per cent of allowances for programme implementing agencies and MDETs; 50 per cent of operational costs; and 100 per cent of taxes and duties.

Table 2
Programme costs by financiers
 (Thousands of United States dollars)

Category	The Government		IFAD		Local communities		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Works	149.2	15.0	845.7	85.0	-	-	995.0	22.5
2. Vehicles	24.9	44.0	31.7	56.0	-	-	56.6	1.3
3. Equipment and materials	25.7	25.0	77.0	75.0	-	-	102.6	2.3
4. Training	-	-	534.1	100.0	-	-	534.1	12.1
5. Consultancies	49.5	4.2	1123.3	95.8	-	-	1 172.8	26.6
6. Grants and subsidies	-	-	168.8	84.9	30.0	15.1	198.8	4.5
7. Salaries and allowances	609.1	163.8	136.9	136.2	-	-	746.0	16.9
8. Operating costs	332.4	54.6	276.2	45.4	-	-	608.6	13.8
Total	1190.7	27.0	3193.6	72.3	30.0	0.7	4 414.4	100.0

IV. Proposed modifications to the financing agreement

14. The existing financing agreement will be amended to include the additional financing upon approval of the proposal by the Executive Board.
15. New components have not been added and existing components have not been excluded. Programme completion and closure dates will be changed to December 2016 and June 2017 respectively.

V. Recommendation

16. 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 two million and seventy thousand special drawing rights (SDR 2,070,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
 President

Revised logical framework

Narrative summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Programme goal			
Improved equity, efficiency and stability of the economy of the Kordofan States			
Programme development objective			
Increased incomes of farmers and pastoralists in the Kordofan States from crop, livestock, range products and off-farm activities			
Component 1: Natural resource management (NRM)			
Outcome 1.1: Improved NRM and reduced resource-based conflict.			
1.1.1 Community-based natural resource management improved	<ul style="list-style-type: none"> 15,000 fed off land reclaimed for crop production 300 fed off land under sand dune fixation 18 water yards constructed/rehabilitated. 490,000 m³ of hafirs constructed/rehabilitated. 59 community/household (HH) nurseries constructed/rehabilitated 40 community forests constructed/rehabilitated 756,000 seedling produced 12,100 fed off agro-forestry area planted 3,000 km community fire-lines established 	<ul style="list-style-type: none"> Federal- and state-level statistics and inventories Baseline reports and rangeland productivity records 	<ul style="list-style-type: none"> Key concerned stakeholders have the capacity to plan, design and implement required adaptation measures (A) Poor maintenance of investments and governance conflicts result in reduced benefits to herders and farmers (R)
1.1.2 Better state and inter-state management of natural resources.	<ul style="list-style-type: none"> 4,650 km of stock routes demarcated 	<ul style="list-style-type: none"> Management information system (MIS) (community database, village database, HH survey, thematic studies, geographic information system (GIS) and mini-surveys) Baseline survey Secondary data/sources CRCs reports 	<ul style="list-style-type: none"> Roles and mandates of state institutions are revised (A)
Component 2: Rural financial services and marketing			
Outcome 2.1: Access to credit in the rural areas improved			
2.1.1 Village savings and credit groups established	<ul style="list-style-type: none"> 2,900 village savings and credit groups (VSCGs) established * 47,000 VSCGs members 15 VSCGs associations 2.5 million Sudanese pounds (SDG) of savings mobilized 2 million SDG of credit mobilized 	<ul style="list-style-type: none"> MIS/Progress reports. Beneficiary database. ABS records 	<ul style="list-style-type: none"> Lack of support from men or local leaders for women's groups (R)

Narrative summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
2.2.1 Agricultural Bank of Sudan Microfinance Initiative (ABSUMI) activities are successfully piloted and expanded	<ul style="list-style-type: none"> • 26,000 HHs outreach • 4 million SDG of savings mobilized • 16 million SDG as portfolio size • 1.3 million SDG of profits 	<ul style="list-style-type: none"> • ABSUMI database • ABSUMI MIS • ABSUMI progress reports 	
Outcome 2.2: Crop/livestock produce is marketed effectively			
2.2.1 Community marketing infrastructure is functional			
Component 3: Community development and extension			
Outcome 3.1 Communities provided with better capacity to plan, execute, monitor and evaluate community subprojects			
3.1.1 Communities mobilized and organized	<ul style="list-style-type: none"> • 148 Community development centres (CDCs) established 	<ul style="list-style-type: none"> • MIS/Progress reports. • Ministry of Agriculture (MOA) records (relevant department). • TA reports 	
3.1.2 Extension services are effective and accessible	<ul style="list-style-type: none"> • 760 community-based extension agents (LEN) operational • 760 extension agents trained 	<ul style="list-style-type: none"> • Baseline • MOA reports • HH assessment • Localities records • Thematic study 	<ul style="list-style-type: none"> • Operating costs of extension agents are not paid by the locality administration (R)
Component 4: Rural feeder roads			
Outcome 3.1: Rural access roads networks expanded and improved			
3.1.1 Feeder road constructed and maintained			
Component 4: Institutional Support			
Outcome 4.1 Institutions at locality and state level are enabled to effectively support the programme activities	<ul style="list-style-type: none"> • 44 Surveys carried out 		

*The above indicators relate only to the additional financing phase. More details are provided in the main report of the proposal for additional financing.