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Investing in rural people

President's memorandum

Proposed additional financing to the  
Republic of the Sudan for the  
Butana Integrated Rural Development Project

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 Butana Integrated Rural Development Project, as contained in paragraph 22.

### President's memorandum

## Proposed additional financing to the Republic of the Sudan for the Butana Integrated Rural Development Project

### I. Background

1. This memorandum seeks approval for additional financing in the form of (i) a Debt Sustainability Framework (DSF) grant of approximately US\$10.31 million; and (ii) an Adaptation for Smallholder Agriculture Programme (ASAP) grant of US\$3.0 million for the Butana Integrated Rural Development Project (BIRDP).
2. The additional financing requested by the Government of the Sudan is derived from the project pipeline for the current Sudan results-based country strategic opportunities programme (COSOP) 2013-2018. The inclusion in the COSOP and the Government's request for additional financing is based on the need to consolidate and intensify project interventions in the Butana region so as to reach the desired impact and fully achieve the development objective. The Sudan has been eligible for 100 per cent grant financing under the DSF since 2010 and is fully compliant with the terms of the debt rescheduling programme approved by the Executive Board in September 2012.

### II. Justification for the additional financing

3. The original project aims to address the huge challenges facing the Butana region, which is under enormous pressure. The lack of sound natural resource management (NRM) policies has led to large-scale pastoral land-use conversion due to: expansion of the semi-mechanized farming sector; agricultural expansion at the village level; unregulated artisanal gold mining; influx of private agribusinesses from both within and outside the Sudan and, more recently, the loss of access to pastoral lands in southern Sudan.
4. The above situation is compounded by enormous pressure, exerted by global climate change and the increasing tendency towards drier climatic conditions. Recent studies have shown large negative impacts on pastoralists by 2030 (e.g. reduction in rangeland productivity and livestock products; higher operating costs of animal grazing and water provision; and high annual losses in net income). Changes in climate, land clearance for agriculture, overgrazing, mechanized agriculture and herbicide application are seen by herders as the main causes adversely affecting the Butana region's pastoral systems, resulting in the steady deterioration of productivity and biological diversity of rangelands. The BIRDP has made tangible progress in terms of food security, resilience and poverty reduction, due to successful interventions in the areas of water infrastructure, rangeland and forest rehabilitation, and community development. However, the magnitude of the challenge facing the area requires intensifying the response currently provided by BIRDP.
5. The project's goal is to sustainably improve the livelihoods and resilience to drought of poor rural households and pastoralists (140 communities) in the project target area (the Butana region). It seeks to accomplish this through: establishing an

effective natural resource governance framework; improving the access to and bargaining position of women and men in marketing; and developing the capacity of communities to engage in development initiatives and management of natural resources.

6. The project has four components: (i) policy and institutional support; (ii) natural resource management; (iii) livestock development and marketing services; and (iv) community development and business options.
7. BIRDP was designed in partnership with the Government, planned for an initial eight years duration (2008-2016) with a budget of US\$29.85 million, including US\$24.8 million from an IFAD loan; US\$1.1 million from the state government; US\$3.2 million from the federal government; and US\$0.8 million from participating communities. The project was approved in December 2006 and entered into force in July 2008.
8. Since then, the BIRDP has directly reached more than 87,000 people (about 217 per cent of target) in 140 larger ("mother") communities (100 per cent of the target). It has made some tangible progress in terms of food security, resilience and poverty reduction. Cases of dispute over natural resources have decreased markedly (50 per cent of target at the midterm review [MTR]); the percentage of men and women with access to markets has increased (77 per cent of target at MTR); the community capability index has reached 78 per cent, compared with 62 per cent at appraisal (70 per cent of target at MTR); and 20,375 beneficiaries are accessing technologies adopted by the project (131 per cent of target at MTR). This has culminated in stronger community development corporations (CDCs), which are now able to steer natural resource governance at the local level much more effectively; and collective endeavours are fostering solidarity, cooperation and collaboration. At the individual level, households have increased their resilience to drought and developed innovative coping mechanisms. The project's interventions in jubraka (or home) and communal gardens and goat feeding are diversifying diets: in some communities, consumption of vegetables has multiplied fivefold. The expansion of rehabilitated terraces and sustainable intensification of sorghum – supported by the project with improved seeds and leguminous fodder varieties – are all contributing to improving food and nutritional security. The number of households with improved food security has reached 25,572.
9. The project approach has been to focus interventions on mother communities spread throughout the Butana region, leaving behind nearby smaller (satellite) communities. Based on the findings of the 2012 MTR and subsequent supervision missions, reaching as many communities as possible within the Butana region was highly recommended. Not only would this lead to improving the living conditions of more people in the targeted communities, but would also enhance overall NRM in the region through improved management of more land in the sphere of the targeted villages. Reaching as many communities as possible would also increase the prospects for creating bodies that can influence public policy and law enforcement and enable sound NRM in the area.
10. The additional financing would be used to further intensify and consolidate achievements through a more focused outreach to smaller communities and scaling up in the same geographical area of the most successful activities implemented by BIRDP and other programmes in the Sudan. The financing will promote and fill gaps in the natural resources governance framework and will further institutional strengthening of the Butana Development Agency (BDA). While developing an effective governance framework for the region does not depend entirely on the presence of the BDA, but rather on empowered community bodies, which can be linked alternatively to state and federal ministries, the presence of a stronger BDA would be helpful. The project will also support completion of the rural roads network and crossings that began under BIRDP and other IFAD initiatives in central

Butana, and will aid the sustainable management of forestry in the region. In addition, the ASAP grant will build project capacity to enhance the resilience of communities in the region to climate change impacts through the development of water infrastructure and associated management systems for infrastructure and enhanced NRM in general.

### III. Monitoring and evaluation, and learning and knowledge management

11. Adjustments in the results matrix have been introduced, along with changes in project arrangements for monitoring and evaluation (M&E) and new outcome indicators for the ASAP and rural finance. The logical framework was updated, in line with the new IFAD guidelines.
12. Knowledge management (KM) has received due attention since the MTR, including details on basic KM strategy, the range of KM products (KPs) produced and KM activities conducted for the period 2013-2016. BIRDP is collaborating with other IFAD-funded projects in the Sudan on developing a joint KM strategy and intensifying efforts to share lessons learned with relevant stakeholders.
13. A project KM strategy is in place, and most staff have received training in that field. Upgrading staff terms of reference to include M&E and KM might be relevant. An incentive system could be used to encourage staff to be more active in producing KPs, looking – among other things – at how to promote effective testing of new climate-resilient development approaches to generating quality-assured evidence, and how to engage partners in actively participating in the KM process. The best incentive for creating a project staff culture that embraces knowledge work – making knowledge identification, generation, sharing and use a natural feature of daily work – would be endorsement of a knowledge agenda and priorities at the highest level in BIRDP through a strategy given adequate resources to convey to staff that the knowledge activities embedded in BIRDP are important in improving development effectiveness. This can be supplemented in various other ways, such as: (i) building in dedicated time for knowledge work in all project activities; (ii) recognizing knowledge-use achievements; and (iii) honouring staff contributions to KM and learning according to a performance-based scheme. As field experiences show, communities are able to provide inputs to specific KPs. About 40 people-initiated KPs are planned under the additional financing. Moreover, this phase will support formation and management of WhatsApp groups (40) and KPs on ENRM.

### IV. Financial management

14. A financial management capacity and risk assessment for this operation was conducted as part of the last supervision mission of BIRDP in October 2015. Overall, financial management risk has been rated high. However, the residual risk rating after implementation of the necessary mitigation measures is medium. The 2015 Transparency International score of 1.2 implies a high risk of corruption. The project design has some inherent financial management risks, given the substantial funds earmarked for roads civil works and community-driven subprojects that are geographically widespread. These risks will be mitigated mainly through community-participative procurement, which was assessed as satisfactory and will be applied across all communities, while procurement for civil works will be carried out by the central project management unit (PMU). The central PMU has put financial and accounting systems in place that are functioning reasonably well. Additional general conditions prior to withdrawal include: (i) configuration of the accounting system to include the additional financing; (ii) updating of the project implementation manual; (iii) recruitment for the vacant position of BIRDP financial controller; and (iv) receipt from the Government of a report on satisfactory details pertaining to strengthening the BDA's staffing, resources and long-term sustainability. Rigorous follow-up with the Government is needed to ensure the

regular and timely flow of counterpart contributions and to obtain documents for non-cash counterpart contributions (customs and taxes). Engagement of an internal auditor, once 50 per cent of additional financing is expended, is also recommended. These proposed measures will help keep control risks to an acceptable level.

## V. Project costs, financing and benefits

15. Total additional financing costs, including contingencies, are estimated at US\$16.47 million over a three-year period. Project costs by component are summarized in table 1.
16. The project will be financed by: (i) an additional DSF grant from IFAD of US\$10.31 million (62.6 per cent of the total cost); (ii) financing from the Government of the Sudan of US\$2.17 million (13.2 per cent); (iii) an ASAP grant of US\$3.00 million (18.3 per cent); and (iv) a contribution of US\$0.98 million from communities (5.9 per cent) in kind and in cash. The Government financing will cover part of the costs of salaries and operations and maintenance, and identifiable taxes. Finally, the communities' contribution will be mainly through cost-sharing, in variable percentages, of the value of supported community investments. Project costs by expenditure category are summarized in table 2.

Table 1  
**Project costs by component and financier**  
(Thousands of United States dollars)

<i>Component</i>	<i>IFAD Grant</i>		<i>ASAP</i>		<i>Communities</i>		<i>Recipient/ counterpart</i>		<i>Total Amount</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
1. Policy and institutional support	740	51.3	580	40.2			123	8.6	1 443
2. Natural resource management	4 808	51.2	2 429	25.8	945	10.1	1 215	12.9	9 398
3. Livestock development and marketing services	215	79.0			32	11.8	25	9.2	272
4. Community development and business options	1 836	85.6					310	14.4	2 145
5. Project management	2 714	84.5					499	15.5	3 212
<b>Total</b>	<b>10 313</b>	<b>62.6</b>	<b>3 009</b>	<b>18.3</b>	<b>978</b>	<b>5.9</b>	<b>2 172</b>	<b>13.2</b>	<b>16 471</b>

Table 2  
**Project costs by expenditure category and financier**  
(Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD grant</i>		<i>ASAP</i>		<i>Communities</i>		<i>Recipient/ counterpart</i>		<i>Total Amount</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	
I. Civil works	2 836	43.0	2 084	31.6	727	11.0	944	14.3	6 591
II. Vehicles, equipment and other	963	72.5	31	2.3	16	1.2	319	24.0	1 329
III. Technical assistance, training and other	4 040	71.7	894	15.9	235	4.2	470	8.3	5 638
IV. Grant	251	99.5					1	0.5	253
V. Recurrent costs	2 223	83.5					438	16.5	2 661
<b>Total</b>	<b>10 313</b>	<b>62.6</b>	<b>3 009</b>	<b>18.3</b>	<b>978</b>	<b>5.9</b>	<b>2 172</b>	<b>13.2</b>	<b>16 471</b>

## VI. Summary benefit and economic analysis

17. The economic and financial analysis has been updated using information that has become available during the original project. The main quantified project benefits come from: (i) increased livestock production; (ii) incremental crop production; and (iii) increased income from off-farm microenterprises. The drop in net benefit each three years reflects production failure due to drought. The total number of

households that will gain both direct and indirect benefits during the additional financing period is estimated at 64,000 households, with an average of 160 households per community, 33 per cent of which will receive project services and 50 per cent of which will be targeted for climate resilience activities. About 128,000 people – including pastoralists – will receive project services, of which 37.5 per cent are adult men, 32 per cent are adult women, 13 per cent young men and 17.5 per cent young women. During the additional financing phase, the economic internal rate of return (EIRR) on investments in the project area over 20 years is estimated at 13.78 per cent and the net present value (NPV) of the project is positive (US\$9.6 million). The economic analysis suggests that BIRDP remains feasible. Applying diverse scenarios during this phase, the NPV is still positive and the EIRR is higher than the opportunity cost of capital. A risk analysis conducted as part of the economic analysis has shown that the project remains feasible over a reasonable range of expected project benefits and costs.

## VII. Legal instruments and authority

18. The existing financing agreement will be amended to include the additional financing upon approval of the proposal by the Executive Board.
19. New components have not been added and the existing components have not been excluded. Programme completion and closure dates will be changed to September 2019 and March 2020, respectively.
20. The Republic of the Sudan is empowered under its laws to receive financing from IFAD and from the IFAD Adaptation for Smallholder Agriculture Programme (ASAP) Trust Fund, acting through IFAD in its capacity as trustee of the Trust Fund.
21. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD, the policies and criteria for IFAD financing, and the rules governing the ASAP Trust Fund.

## VIII. Recommendation

22. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

RESOLVED: that the Fund shall provide a grant under the Debt Sustainability Framework to the Republic of the Sudan in an amount equivalent to seven million three hundred and seventy thousand special drawing rights (SDR 7,370,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant under the Adaptation for Smallholder Agriculture Programme to the Republic of the Sudan in an amount equivalent to two million one hundred and fifty thousand special drawing rights (SDR 2,150,000), 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 – BIRDP

Results Hierarchy	Indicators						Means of Verification			Assumptions
	Indicators	Units of Measurement <sup>1</sup>	Comments on Baseline	Baseline MTR	2015	End	Information Sources	Frequency	Resp.	
<b>Goal:</b> Improve in a sustainable manner the livelihoods and resilience to drought of the poor rural households.  <b>Butana:</b> - 5 States - 9 Localities - Target villages: 140 - Add. Fin.: 400 <sup>2</sup> villages (64,000 households)	1. HH with improved assets ownership (RIMS 3 <sup>rd</sup> level)	number	- Baseline data gathered at the onset;	25,761	34,000	90,000	- RIMS baseline and impact surveys - ASAP surveys (including benchmark setting) - UNICEF MICS survey - Wealth surveys - Score Card - CCI	- At least, one time per year - In addition, as per need and demand	PCU	- Continued political and macro-economic stability - Government continues its commitment to poverty reduction and development of Butana
	2. Child malnutrition among boys and girls below 5 years of age (RIMS 3 <sup>rd</sup> level).		- Baseline data gathering for newly targeted communities (1 <sup>st</sup> Q, 2017) - Indicator 2; BL data to be set	22.3(b) 26.1 (g) <sup>3</sup>		14.5 (b) 16.9 (g)				
<b>Development Objective:</b> The capacity of CBOs to engage in climate resilient, environmentally sound, socially and gender equitable development initiatives and management of NRs developed.	3. Persons -incl. pastoralists – receiving project services by gender	number		40,000	69,000	200,000	- Progress Reports - Surveys - Approved CR CVPs	- Half yearly	PCU/DTs	
		MA		20,000	41,000	50,000				
		FA		20,000	27,000	50,000				
		MY		n.a.	40,000	40,000				
		FY		n.a.	n.a.	60,000				
<b>Component 1: Policy and Institutional Building</b>										
<b>OUTCOME 1:</b> Effective governance framework that ensures regulated access to land and water resources of the Butana.	4. People reporting secure access and user rights to land	number	- Some communities have common rights over NRs incl. water	22,400		86,400 <sup>4</sup>	- Impact Assessment Surveys - Minutes CDCs - Progress Reports	-End current phase (2016), mid-term AF (2018) and end	PCU/DTs	- Favourable government policies; - Clarity on user rights; - Ability to capture pastoralist movements
		MA		600		35,000				
FA		4,480			17,000					
MY		6,720			26,000					
FY		2,240			8,000					
5. People (pastoralists) reporting secure access and user rights to water	Number	n.a.	n.a.	10,000						
	MA	n.a.	n.a.	5,000						
	FA	n.a.	n.a.	5,000						
<b>OUTPUT 1:</b>										
1.1 Policy and Strategy (incl. NRM legislation); Framework (FW) for Governance of NRs established; Relevant studies conducted ('Land tenure, ownership and access rights'; 'Mapping Study on NRs incl. WATER and Land Use Mapping', 'on impact of gold mining')	6. Studies (3), Workshops (10) and People Conferences (20) conducted	Study	As per advice of first outcome of policy process	No NR legislation Butana	Reports of Policy Advisor presenting outcome policy process	3	- Reports of Policy Advisor - Content Framework - Minutes CDCs - ToRs studies - Agenda & Reports of W/shops, PCs	- Half-yearly	PCU / BDA	- Framework approved by all actors - Presidential decree (Feb., 2015) 'Range Org. and Dev. of Fodder Resources Law' activated at all five States
		Workshop				10				
People Conference		20								
7. FW NRs operational	Framework NRs					1				
<b>1.2 Institutional Development building occurred</b>										
1.2.1 Butana Dev. Agency (BDA) established	8. BDA strategy and five-year business plan implemented	Number	No BDA	0	Roadmap	Self-financing BDA	- Minutes BoD - Annual turn over - Progress reports BDA - Outcome pilots (business)	- Half yearly	PCU / BDA	- Presidential decree on BDA respected by all parties
1.2.2 Govt. partners supported	9. No of locality units (LUs) that are capacitated and reporting performance improvement	Number		1	9	9	- progress reports Locality Units - Surveys	- Half yearly	PCU/DTs	- Sufficient staff allocated to Locality Units - low turnover of LU - and SCU teams
1.3 Capacity building at various levels conducted (incl. TA, studies, Young Professionals, Knowledge Products, etc.)	10. No. people trained including private actors, etc. in various topics	Number Fe/male		40,549 (M) 21,599 (F)	50,420 (M) 29,367 (F)	72,000 (M) 48,000 (F)	- M&E reports, - attendance lists, - KM products - Studies - Performance reports YPs - Website (visitors,	- Quarterly	PCU; DTs; Loc. Units (LUs); BDA	- PCU in a position to focus on higher level issues incl. KM - ICO guidance on KM - ToRs of staff cover KM task
		No. studies			10	15				
		No. YPs: Fe/male			107 (F) 32 (M)	300 (F) 100 (M)				
		No. KM products			≥350	≥750 <sup>5</sup>				

<sup>1</sup> MA = Male Adult; FA = Female Adult; FY = Female Youth; MY = Male Youth.

<sup>2</sup> On average there are 160 households per village and each HH consisting on average of 6 persons.

<sup>3</sup> Composed of: chronic malnourished children (% boys: - height for age, 28.8 benchmark, 22.3 MTR; % girls: 29.3 and 26.1 respectively); acute malnourished children (- weight for height: % boys: 13.6 benchmark, 11.2 MTR; % girls: 11.6 and 9.2 respectively).

<sup>4</sup> At least 1 person per household: in total 540 villages; average 160 HHs per village; 6 persons per HH.

Results Hierarchy	Indicators						Means of Verification			Assumptions
	Indicators	Units of Measurement <sup>1</sup>	Comments on Baseline	Baseline MTR	2015	End	Information Sources	Frequency	Resp.	
	11. No. of people reached with KPs	Number				100,000	downloads)			
<b>Component 2: Climate Resilient Natural Resources Management (range, forest, vegetables, crops, water)</b>										
<b>OUTCOME 2:</b> Improved climate resilient natural resources management (range, forest, vegetables, crops)	12. No. of approved and implemented Climate Resilient Community Village Plans (CVPs)	Number		140	140 <sup>6</sup>	280	- Content approved CVPs, - Surveys / GPS maps	- Quarterly	DTs/ LUs/ PCU	- Sufficient Technical Support received on planning and monitoring CVPs
<b>OUTPUT 2:</b>										
2.1 Functional water infrastructures	13. Time spent collecting water	Minutes / HH / day	1-3 hrs	60	45	30	- CDCs minutes - Surveys - Data WUCs	- Half-yearly	DTs/ LUs/ PCU	- Cooperation with other actors active in water supply facilities
2.2 Improved Water harvesting per agro-ecological zone and enhanced agro-forestry systems	14. Land area under climate resilient practices	HA		4,871	149,449	360,000	- Progress reports - CDCs minutes - Surveys / GPS maps	- Half-yearly	DTs/ LUs/ PCU	- Acquainted with Climate Risk Assessment
	15. Land under rainfed agro-forestry practices	HA			n.a.	50,000	- do -	- do -	DTs/ LUs/ PCU	- Constructive partnership with FNC
2.4 Rural roads used and maintained	16. Roads and road boundary water harvesting and plantation maintained	KM	Ref. RIMS RAP data	0	74 (80%)	74 (100%)	- Surveys - Minutes CDCs - Progress reports	- Quarterly	DTs/ LUs/ PCU	- Road & wadi crossing constructions in place
<b>Component 3: Livestock and marketing Development</b>										
<b>OUTCOME 3:</b> Access to advisory services and bargaining position of men and women in marketing improved	17. No. of people (by gender including pastoralists) with access to secondary and primary markets	Number		Ma: 5,600 FA: 700		MA: 26000 FA:20000	- Data markets - Score card exercise	- do -	DTs/ LUs/ PCU	- Market data reliable - 20% pastoralists access markets
<b>OUTPUT 3:</b>										
3.1 Livestock Markets operational and maintained	18. % of fully functioning primary (P) and secondary (S) markets.	%			55 (80%)	55 (100%) 25P (100%)	- Data markets, - Minutes CDCs - Progress reports		PCU/ DTs/ LUs/ PCU	- Localities / States maintain S. - and People P. Markets
3.2 Better Animal husbandry and -management (large and small animals incl. traditional poultry)	19. Mortality rate (random sample of 150 head)	%	NA	10	7	5	- Annual Livestock Surveys; up-dated GPS maps on incidence diseases	- Half-yearly	DTs/ LUs/ PCU	- GPS skills used for mapping incidence of diseases
<b>Component 4: Community Development, Business Options and Rural Micro Finance</b>										
<b>OUTCOME 4:</b> Community-based groups are empowered and business-oriented	20. Implemented Community Devt Plans, CVPs, and others implemented	%		75	54	85	- Records CEAs / networks / groups - Progress reports - Score card exercises	- Half-yearly	DTs/ LUs/ PCU	- Rural finance taking off as planned
<b>OUTPUT 4:</b>										
4.1 Organisation, Management and Social Skills of CDCs, groups, networks enhanced	21. Community Capability Index (CCI) value	%	62	78	85	85	- CCI surveys - Progress reports - Studies	- Half-yearly	DTs/ LUs/ PCU	- CEAs/networks active in service provision
4.2 Business promoted through access to Rural Finance	22. No. of people with access to rural financial services	Number		0	4,387 (CIF)	10,000	- M&E Rural Finance Data - Progress reports	- Half-yearly	DTs/ LUs/ PCU	- Relevant credit products developed
4.3 Community Extension Agents / Networks enhanced	23. No. of community extension agents trained	Number		1,120	1,063	2,500 (200 pastoralist)	- Records of CEAs - M&E / progress reports - Training curriculum	- Half-yearly	DTs/ LUs/ PCU	- Payment for services happens
	24. Percentage of CEA being effective	%		75	50	75				

<sup>5</sup> Among others, 50,000 visitors to BIRDIP website annually; 40 knowledge products (KPs) on Climate Smart Small Agriculture, Livestock, Range and Pastoralism; 40 people-initiated KPs; 40 Whats-App groups; 150 items posted on websites (BIRDIP, MENA knowledge base, CCU – and IFAD website / rural portal).

<sup>6</sup> Communities planned CEAP, Grazing Plans, Development Plans, etc. but Climate Resilient Community Village Planning is new.