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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**

## **Seed Development Project**

### **Note to Executive Board representatives**

#### Focal points:

#### Technical questions:

**Rasha Omar**  
Country Programme Manager  
Tel.: +349 915 399001  
e-mail: r.omar@ifad.org

**Mohamed Abdelgadir**  
Country Programme Officer  
Tel.: +249 9121 79803  
e-mail: m.abdelgadir@ifad.org

#### Dispatch of documentation:

**Kelly Feenan**  
Head, Governing Bodies Office  
Tel.: +39 06 5459 2058  
e-mail: gb\_office@ifad.org

Executive Board — 104<sup>th</sup> Session  
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**For: Approval**

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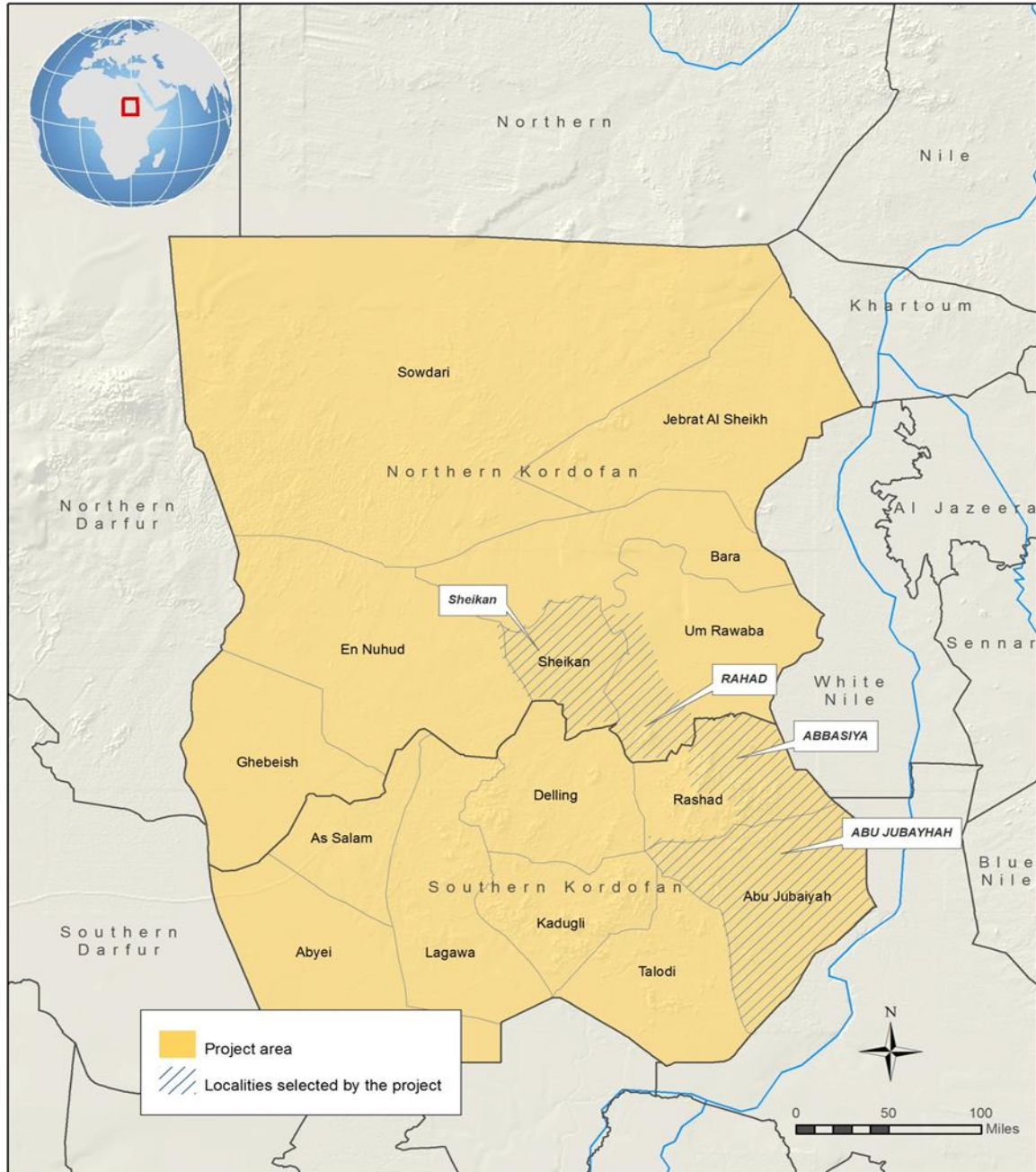
## Abbreviations and acronyms

|       |  |
|-------|--|
| NSA   | National Seed Administration                 |
| PCU   | programme coordination unit                  |
| SDP   | Seed Development Project                     |
| WSRMP | Western Sudan Resources Management Programme |

# Map of the project area

## Seeds Development Project

Design report



**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

## Seed Development Project

### Financing summary

|                                       |  |
|---------------------------------------|--|
| <b>Initiating institution:</b>        | IFAD   |
| <b>Recipient:</b>                     | Republic of The Sudan  |
| <b>Executing agency:</b>              | Federal Ministry of Agriculture                                  |
| <b>Total project cost:</b>            | US\$17.46 million  |
| <b>Amount of IFAD grant:</b>          | SDR 6.35 million (equivalent to approximately US\$10.07 million) |
| <b>Contribution of recipient:</b>     | US\$3.42 million   |
| <b>Contribution of beneficiaries:</b> | US\$3.98 million   |
| <b>Appraising institution:</b>        | IFAD   |
| <b>Cooperating institution:</b>       | Directly supervised by IFAD                                      |

## **Recommendation for approval**

The Executive Board is invited to approve the recommendation for the proposed grant to the Republic of The Sudan for the Seed Development Project, as contained in paragraph 28.

## **Proposed grant to the Republic of The Sudan for the Seed Development Project**

### **I. Strategic context and rationale**

#### **A. Country and rural development and poverty context**

1. With the independence of the Republic of South Sudan declared on 9 July 2011, the geography, demography and economy of the Republic of The Sudan have undergone structural changes. The most significant change is that 90 per cent of the land area in The Sudan is now classified as arid land and the development of drought-resilient production systems and livelihoods is becoming a pressing need. The second significant change is the loss of approximately 36 per cent of total Government revenues as a result of the withdrawal of the production and export of oil from South Sudan. The Sudan is affected by two armed conflicts, in South Kordofan State, where the conflict covers four out of the ten localities, and in Blue Nile State. Poverty continues to be a rural phenomenon, and within the rural areas it is closely associated with the rainfed agriculture livelihood systems. It is estimated that 57.6 per cent of the rural population lives below the poverty line. Agriculture in its broad sense – including crops, livestock, fisheries and forestry – is seen as the key sector for poverty reduction, for fuelling growth and for partially replacing oil as the engine of growth. Investing in quality certified seeds that are resistant to drought and pests is considered essential to the development of the agricultural sector in the rainfed areas.

#### **B. Rationale and alignment with government priorities and RB-COSOP**

2. The Seed Development Project (SDP) is aligned with the results-based country strategic opportunities programme (RB-COSOP) 2009-2012 for The Sudan and contributes directly to its second strategic objective, increased access of poor rural people to agricultural services. It also contributes to the objective of increased productivity of the Agriculture Revival Programme, which is completing in 2011 but will be extended for a second phase. It is aligned with the provisions of the Seed Act 2010, particularly in developing the capacity of the National Seed Administration to play its certification and inspection roles. It also uses the opportunity created by the decision of the Ministry of Finance and National Economy of the Government of the Republic of The Sudan to phase out the free distribution of certified seeds given the ineffectiveness of such an operation.
3. The SDP capitalizes on the experience of the South Kordofan Rural Development Programme (SKRDP) and the Western Sudan Resources Management Programme (WSRMP) in the production of certified seeds using two models, the state farm in the first project and community-based production in the second. The results demonstrate that the community-based model achieved higher yields, was more cost-efficient and provided effective farmer-to-farmer learning about the performance of certified seeds. These two IFAD-financed projects are implemented in the states of North Kordofan and South Kordofan.

### **II. Project description**

#### **A. Project area and target group**

4. The project area consists of four localities: (i) in North Kordofan, Rahad and Sheikan; (ii) in South Kordofan, Abbassiya and Abu Gubeiha. The four localities are

contiguous, easily accessible by road and have diversified production systems. The target group is composed of smallholder producers, traders/agrodealers, women and households headed by women or young people.

#### **B. Project development objective**

5. The project's overall goal is to improve the food security, incomes and resilience to shocks of smallholder producers (including young people and women) in rainfed areas of North Kordofan and South Kordofan. Its development objective is to increase crop productivity for about 108,000 smallholder producers adopting certified seeds in North Kordofan and South Kordofan.

#### **C. Components/outcomes**

6. The project has four components that are complementary and mutually reinforcing. The primary focus of the first component is on the regulatory environment and institutional strengthening for the public sector. The second component provides the necessary support for enhancing the performance of the seed production system. The third component is designed to support the development of the seed market, and includes support to farmers' groups and associations and facilitation of their timely access to certified seeds. The fourth component provides for the coordination of the project.

### **III. Project implementation**

#### **A. Approach**

7. The project approach is characterized by: (i) the promotion of a public-private partnership model for the supply and production of seeds between the private sector, community organizations and extension teams; (ii) the introduction of cost recovery for services such as extension, production of registered seeds, inspection and certification; and (iii) a phased strategy that allows testing of the production and marketing model and adjustment to changes in the regulatory environment. The project will be implemented over six years in three phases: (i) a pre-effectiveness phase from October 2011 to the declaration of grant effectiveness expected in February 2012; (ii) a calibration phase during the period 2012-2014; and (iii) an intensification/scaling-up phase during the period 2015-2017.

#### **B. Organizational framework**

8. The Federal Ministry of Agriculture is the lead agency for this project and will be responsible for project oversight, strategic guidance and facilitation of the implementation of necessary strategic and policy decisions to enable the development of the seed sector. The coordination of the SDP will be fully integrated within the WSRMP. For the purposes of the SDP, the programme coordination unit (PCU) of WSRMP will be expanded to include a seed specialist and an accountant.

#### **C. Planning, monitoring and evaluation, and learning and knowledge management**

9. The existing system for planning and monitoring and evaluation (M&E) in WSRMP will be expanded to incorporate indicators that directly respond to the production and delivery of certified seed. The M&E system will be part of an integrated system of information and knowledge management and communication that provides: (i) timely and accurate information on implementation progress and constant feedback for decision-making and addressing potential plan deviations and problems during implementation; and (ii) the basis for assessing results achieved through the project.
10. The first annual workplan and budget (AWP/B) will be prepared at the state level within three months of project start-up. Subsequent AWP/Bs will be prepared at the locality level during the third quarter of each project year for the following years. The AWP/Bs will be based on participatory review and planning workshops with beneficiaries, implementing partners and service providers and consolidated at the state level by the PCU.

## **D. Financial management, procurement and governance**

11. The PCU will recruit an additional accountant – through a competitive process – who will be responsible for the SDP accounts. The Government will authorize the PCU to open a designated account in foreign currency (Euros) and a project account in local currency exclusively to finance the SDP activities. The initial deposit will be for an amount of EUR 1.04 million. An amount of up to US\$473,000 will be made available as retroactive financing for eligible expenditures incurred after 1 October 2011 but before the date of entry into force of the financing agreement in areas such as: (i) refurbishing the National Seed Administration (NSA) office and staff accommodation; (ii) outposting NSA staff to the state level to support the Agricultural Research Corporation (ARC) in the production of breeder and foundation seeds; and (iii) carrying out a detailed assessment of the private seed companies. Procurement of works, goods and services will be carried out in a manner consistent with IFAD procurement guidelines.
12. The country programme management team will conduct quarterly fiduciary reviews. The following preventive anticorruption measures will be adopted: (i) semi-annual submission of project financial statements; (ii) annual audit; and (iii) regular monitoring of project activities and expenditures. Capacity-building in financial management will be reinforced in order to ensure that appropriate internationally acceptable accounting and audit requirements are met.

## **E. Supervision**

13. The project will be directly supervised by IFAD. During the first year of the project, the focus will be on the formulation and ratification of legislation to protect plant variety and on monitoring the implementation of the public-private partnership between the private seed company, seed producer groups and extension teams.

## **IV. Project costs, financing, benefits**

### **A. Project costs**

14. The total project costs, including physical and price contingencies, are estimated at US\$ 17.46 million. The total baseline costs are US\$16.9 million, while price and physical contingencies account for US\$0.60 million.
15. The main investment lies in the provision of support to develop the seed market (component 3), which represents 52 per cent (US\$8.8 million) of overall project base costs. Project coordination and management (component 4) constitutes 19 per cent (US\$3.2 million); improvement of the seed production system (component 2) constitutes 18 per cent (US\$3.0 million); and the strengthening and development of the institutional and regulatory environment (component 1) represents 11 per cent (US\$1.80 million).

### **B. Project financing**

16. The project is financed mainly by: IFAD; the Government of the Republic of The Sudan; seed growers and grain producers; and a private sector company or companies (see table). IFAD will finance US\$10.07 million (57.7 per cent of total costs) as a grant under the Debt Sustainability Framework. The seed growers and grain producers will contribute US\$2.50 million (14.3 per cent), which covers the cost of input credit and insurance. The private seed company or companies will finance US\$1.48 million (8.5 per cent), which includes the production of registered seed, the purchase of certified seeds at harvest, and the processing, packaging and distribution of certified seeds. The Government will finance US\$3.42 million (19.6 per cent) as crop insurance, cost-sharing with seed growers and grain producers, duties and taxes, and the incremental recurrent costs associated with vehicles purchased for the NSA and the ARC.

Table  
Project components by cofinanciers

|   | Government  |             | IFAD         |             | Seed Growers & Private Sector |             |             |            | Total        |              | Local       |               |                |
|---|-------------|-------------|--------------|-------------|-------------------------------|-------------|-------------|------------|--------------|--------------|-------------|---------------|----------------|
|   | Amount      | %           | Amount       | %           | Grain Producers               |             | Company     |            | Amount       | %            | For. Exch.  | (Excl. Taxes) | Duties & Taxes |
|   |             |             |              |             | Amount                        | %           | Amount      | %          |              |              |             |               |                |
| 1. Institutional and Regulatory Environment Strengthening and Development | 0.46        | 24.9        | 1.40         | 75.1        | -                             | -           | -           | -          | 1.86         | 10.7         | 0.73        | 0.84          | 0.29           |
| 2. Improvement of the Seed Production System                              | 0.72        | 23.3        | 1.43         | 46.1        | 0.04                          | 1.3         | 0.91        | 29.3       | 3.10         | 17.7         | 0.60        | 2.15          | 0.35           |
| 3. Seed Market Development Support  | 1.97        | 21.8        | 4.04         | 44.7        | 2.46                          | 27.2        | 0.57        | 6.3        | 9.04         | 51.8         | 0.90        | 7.58          | 0.56           |
| 4. Project Coordination and Management                                    | 0.26        | 7.5         | 3.20         | 92.5        | -                             | -           | -           | -          | 3.46         | 19.8         | 0.43        | 2.78          | 0.26           |
| <b>Total PROJECT COSTS</b>  | <b>3.42</b> | <b>19.6</b> | <b>10.07</b> | <b>57.7</b> | <b>2.50</b>                   | <b>14.3</b> | <b>1.48</b> | <b>8.5</b> | <b>17.46</b> | <b>100.0</b> | <b>2.65</b> | <b>13.35</b>  | <b>1.46</b>    |

## C. Summary benefit and economic analysis

17. The project has three types of beneficiaries: (i) 1,280 seed growers; (ii) 108,000 smallholder producers using certified seeds and improved soil and water conservation techniques on one million feddans<sup>1</sup>; 30 per cent of these smallholder farmers will be women; (iii) one or two seed companies contributing to the establishment of seed supply and marketing. For the seed producers, cash returns are projected to increase on average to 2,800 Sudanese pounds (SDG) per household at full development. Revenues will be highest for two types of grain producer: (i) grain producers in South Kordofan using certified seeds on sandy soils where their revenues are projected to increase from SDG 750/producer to SDG 1,950/producer; (ii) grain producers using certified seeds under supplementary irrigation where revenues are set to increase from a loss to a positive revenue of approximately SDG 1,750/household. For the seed companies the net profit margin averages 8 per cent over the project period. The economic internal rate of return for the project was calculated at 26 per cent.

## D. Sustainability

18. The sustainability of the project rests on two factors: (i) an enabling institutional framework, established thanks to the enforcement of the Seed Act 2010, the ratification and enforcement of the plant variety protection legislation and the increased capacity of the NSA to inspect and certify seeds; and (ii) at full development, all project services, such as NSA inspection and certification of seeds, production of registered seeds by the ARC and the advisory services of extension teams, will be provided on a fee basis.

## E. Risk identification and mitigation

19. The main risks are: (i) delayed implementation of the Seed Act 2010. There are encouraging signs that, despite initial delays, the Seed Council will be established by the end of 2011 and the by-laws of the Seed Act are under formulation; (ii) low rate of participation of the private sector because of the modest level of profitability, particularly in the early years of the project. This is mitigated through the provision of a one-off grant to the selected private-sector seed company, which represents 40 per cent of the total costs to the company during the calibration phase; (iii) adoption of certified seeds by grain producers may not catch up with supply, with levels of adoption remaining low and thus threatening the viability of the project. This is mitigated through intensive campaigns and demonstrations to promote certified seeds, as well as selecting four localities where producers have already been exposed to certified seeds; and (iv) civil unrest in the State of South Kordofan. The proposed project area is not in the conflict zone. Should the conflict expand in South Kordofan, activities will be downsized and confined to secure areas.

<sup>1</sup> A feddan is equal to 1.038 acres.



## **V. Corporate considerations**

### **A. Compliance with IFAD policies**

20. The SDP complies with the second objective of the IFAD Strategic Framework 2011-2015 in that it aims to enable access for poor rural women and men to input services such as certified seeds to improve crop productivity, raise farm incomes and build resilience to drought. The seed varieties promoted will be drought- and pest-resistant in line with adaptation measures stipulated in IFAD's climate change strategy. Under the IFAD environmental assessment procedures, the project classification is Category B.
21. The gender strategy of the project aims to ensure equitable access of women and men to project services and benefits through: setting quotas at 30 per cent for women's membership in the community-based organizations; providing training on gender issues and gender mainstreaming in agriculture targeted at producer groups and extension staff; developing a gender-disaggregated M&E system that will specifically assess the project's impact on women and men.

### **B. Alignment and harmonization**

22. The project is aligned with the Agriculture Revival Programme objective of improved crop productivity and with the decision of the Ministry of Finance and National Economy in 2010 to phase out free seed distribution by the Government. The ongoing seed assessment undertaken by the Food and Agriculture Organization of the United Nations will also guide interventions in the seed sector during emergency situations.

### **C. Innovations and scaling up**

23. The project provides solutions that are innovative in the context of The Sudan and reflect two opportunities for innovation identified in the RB-COSOP (2009-2012): (i) the financing of the recurrent costs of public extension services; and (ii) the identification, testing and replication of technological packages that improve productivity and constitute an adaptation to climate change. It is expected that the effective demand for certified seeds will drive the scaling up of the project beyond 2014.

### **D. Policy engagement**

24. The Federal Ministry of Agriculture, through the NSA, will convene biannual forums at the federal and state levels involving the main seed industry stakeholders. These forums (featured under the first component of the project) will serve as a venue to discuss enabling policies for the development of the seed sector. In addition, the project adopts a phased approach whereby the achievement of a set of triggers by the end of the calibration phase will determine the continuation of the project. The achievement of these triggers is contingent upon factors such as the enforcement of an effective regulatory environment.

## **VI. Legal instruments and authority**

25. 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.
26. The Republic of The Sudan is empowered under its laws to receive financing from IFAD.
27. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Policies and Criteria.

## **VII. Recommendation**

28. 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 six million three hundred and fifty thousand special drawing rights (SDR 6,350,000) 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: "The Republic of Sudan"**

(Negotiations concluded on 17 November 2011)

## **FINANCING AGREEMENT**

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

Project Title: Seed Development Project (SDP) (the "Project")

The Republic of the Sudan (the "Recipient")

and

the International Fund for Agricultural Development ("IFAD")

(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) and the Allocation Table (Schedule 2).
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. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. IFAD 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 SDR 6 350 000.
2. The first day of the applicable Fiscal Year shall be 1 January.
3. There shall be a Project Account denominated in local currency for the benefit of the Programme Coordination Unit in a commercial bank acceptable to IFAD.
4. In accordance with Section 4.04(d) of the General Conditions, amounts withdrawn by the Recipient in advance shall be held in an account designated in EURO for that purpose in a bank acceptable to IFAD.
5. The Recipient shall provide counterpart financing for the Project in local currency equivalent to USD 3.42 million, broken down as follows: USD 1.46 million to cover taxes and duties, USD 1.57 million to cover insurance premium as per government policy and USD 0.39 million as contribution to recurrent costs.

**Section C**

1. The Lead Project Agency shall be the Federal Ministry of Agriculture.
2. The Project Completion Date shall be the sixth anniversary of the date of entry into force of this Agreement.

**Section D**

The Financing will be administered and the Project supervised by IFAD.

**Section E**

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

For the Recipient:

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

For IFAD:

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

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

REPUBLIC OF THE SUDAN

\_\_\_\_\_  
Authorized Representative

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_  
Kanayo F. Nwanze

## Schedule 1

### *Project Description and Implementation Arrangements*

#### I. Project Description

1. **Project area and target population:** The Project area consists of four localities: (i) in North Kordofan state, the localities of Rahad and Sheikan; (ii) in South Kordofan state, the localities of Abbassiya and Abu Gubeiha. These four localities are contiguous, easily accessible by road and have diversified production systems. The target population is composed of smallholder producers, traders/ agro-dealers, women and women headed households, youth.
2. **Project financing.** The total cost of the Project is USD 17.46 million with USD 3.42 million contribution from the Government of Sudan, USD 10.07 million from IFAD, USD 2.5 million from the Seed Growers and Grain Producers and USD 1.48 million from the Private Sector Seed Company.
3. **Project goal and objective:** The Project's overall goal is to improve food security, incomes and resilience to shocks of the smallholder producers (including youth and women) in rainfed areas of North and South Kordofan. Its development objective is to increase crop productivity for about 108,000 smallholder producers adopting certified seeds in North and South Kordofan.
4. **Project phasing.** The Project shall be implemented over six years in three inter-linked stages: (i) a pre-entry into force phase where activities necessary for the timely start-up of the project will need to be undertaken during the period December 2011 to entry into force; (ii) a calibration phase during 2012-2014, and (iii) an intensification/ up-scaling stage and consolidation phase during 2015-2017. At the conclusion of the calibration phase, the Recipient and IFAD shall assess the achievement of the following 7 indicators:
  - (i) The average net profits of the private seed company reach SDG 245,000 by 2014;
  - (ii) Average cash returns per seed growing household reach SDG 1700/HHd/yr in 2014
  - (iii) The average yearly net demand for certified seeds by GPG and other farmers is at least 300 Metric Tons (MT);
  - (iv) 10,000 smallholders purchase certified seeds in 2014;
  - (v) Agricultural Research Corporation (ARC) has on hand 2 years' supply of registered seeds required by the Private Seed Company (PSC) which is equivalent to about 90 MT for the period 2013-2014;
  - (vi) Plant variety protection (PVP) legislation promulgated in 2012 and in full enforcement in 2014;
  - (vii) National Seed Administration (NSA) laboratory receives International Seed Testing Association (ISTA) accreditation.

Project activities shall be adjusted according to the recommendations of the mid-term review.

5. **Project components and outcomes:** The Project shall have four main components, as follows.

**(a) Component 1: Institutional and Regulatory Environment Strengthening and Development.** The outcome of this Component shall be a conducive policy and institutional environment for the seed industry. There shall be three outputs: (i) drafting and enforcing a plant variety protection legislation which will encourage private sector investment in plant breeding, seed production and other

agricultural activities that exploit plant varietal uniqueness; (ii) improving the National Seed Administration's (NSA) capacity to carry out its legal mandate of monitoring the national seed system by providing resources for human capacity development, mobility, outposting of staff and upgrading of laboratories; and (iii) establishing a multi-stakeholder dialogue forum that brings together Government, the private sector, UN agencies and NGOs active in agricultural development and farmers to discuss seed issues on a regular basis.

**(b) Component 2: Improvement of the Seed Production System.** The outcome of this Component shall be an economically viable seed production system that meets farmers' demands and expectations is in place. There shall be four outputs: (i) the improvement of the Agricultural Research Corporation's (ARC) capacity to carry out demand driven research through participatory research; (ii) the production of breeder, foundation and registered seed for the Project by the ARC; (iii) the third output is an extension system that has been empowered to provide technical support to seed producer enterprises and other community farmers. Empowerment will be through the provision of resources for mobility, human capacity development and extension tools notably demonstrations and farmer field schools; and (iv) the smallholder farmers are enabled to produce certified seed through mobilisation, training and input supply.

**(c) Component 3: Support Seed Supply/Market Development.** The outcome of this Component shall be an improved seed supply system with improved market delivery mechanisms in place. There shall be three outputs: (i) to establish marketing channels and make the marketing channels operational; (ii) to develop the effective demand for certified seed; and (iii) to link seed producer enterprises to financial institutions, input suppliers, commodity traders and agro processors.

**(d) Component 4: Project Management and Coordination.** The outcome of this Component shall be that the Project is efficiently and effectively managed to achieve Project results with knowledge management in the seed industry. The Component shall have three outputs namely: (i) establish a Project management and coordination structure; (ii) systematise the financial management, audit and procurement procedures; and (iii) reinforce the existing Monitoring and Evaluation (M&E) and Knowledge Management (KM) systems.

## II. Implementation arrangements

6. **Governance of the Project.** The Project shall adopt the same governing bodies at national and state levels as the Western Sudan Resources Management Programme (WSRMP). The membership of the governing bodies will be rightsized to reflect the participation of the key stakeholders in the implementation of the Project. The composition and operation of the governing bodies will be detailed in the project implementation manual (PIM).

7. **Programme Coordination Unit.** The Project shall be managed by the Programme Coordination Unit (PCU) of the WSRMP. The composition of the PCU will be expanded to reflect the technical and financial expertise required to implement the Project. Recruitment and termination of professional staff will be subjected to IFAD no objection. The composition of the PCU will be detailed in the Project Implementation Manual.

8. **Component-wise implementation.** The role of each participating agency is summarized below and shall be further detailed in the Project Implementation Manual.

**(a) Component 1.** The National Seed Administration (NSA) shall be responsible for the implementation of the activities under this Component with the aim to build its regulatory capacity. NSA shall prepare the plant variety protection legislation and ensure its subsequent enforcement, as well as formulate in a participatory manner a breeding

strategy. It shall refurbish its central laboratory for seed testing and complete the formalities for its accreditation by the International Seed Testing Association (ISTA). It shall organize relevant training for its staff as well as the staff of State Ministries of Agriculture and the breeders. In order to be more effective at field level, the NSA shall outpost its staff in North and South Kordofan and shall work in collaboration with the Ministries of Agriculture in the states of North and South Kordofan in seed certification, with the understanding that by law, NSA is the sole entity responsible for seed inspection and certification in Sudan. The NSA shall commission the design of M&E system that allows it to perform its regulatory role. As part of its efforts to support the seed industry, the NSA shall convene on a bi-annual basis, a stakeholder forum to promote dialogue between the regulatory, business and users' entities, at both federal and state levels.

**(b) Component 2.** The Component activities cover the production chain from foundation seeds to the processing and storage of certified seeds. The Agriculture Research Corporation (ARC) shall be responsible for the production of foundation and registered seeds which it shall supply to the selected seed companies. Over the Project Implementation Period about 1-2 seed companies are expected to be competitively recruited by the Project to enter into contract farming arrangements with seed growers' groups. The seed multiplication extension sub-teams shall be responsible for the formation of the seed growers' groups and preparing them for contract farming with the seed companies. The ARC shall undertake a participatory breeding research to develop improved varieties based on the landraces.

**(c) Component 3.** During the calibration phase, the competitively selected seed company shall receive financial support from the Project in form of a one-off grant to cover the costs of the purchase of the production of certified seeds from the seed growers groups at harvest. The grant shall be the subject of a subsidiary agreement between the Recipient and the private sector company. The subsidiary agreement shall be reviewed and endorsed by the Ministry of Finance and National Economy and submitted to IFAD for no objection. The grant shall be disbursed against a business plan to be developed by the seed company as part of the tendering process. As part of their contractual obligations with the Project, the seed companies shall be required to develop their network for retail sale of certified seeds to smallholders in the project area. The multi-disciplinary extension teams shall be responsible for building the capacity of established and new farmers' groups – also called grain producer groups - in the adoption and renewal of certified seed varieties and use of the appropriate agricultural practices. The Ministries of Agriculture in the states of North and South Kordofan in collaboration with NSA shall establish and operate a seed market database. The extension teams shall facilitate the linkages between the grain producers and the seed agents, other input suppliers, rural finance service providers, insurance companies and the farmers' groups. These linkages would enable grain producers to develop an effective demand for certified seeds and renew their stock periodically.

**(d) Component 4.** The implementation and coordination of the Project shall be assimilated within the WSRMP for efficiency and effectiveness reasons. The PCU of the WSRMP shall be expanded to include a Seed Specialist who shall provide technical backstopping and participate in the monitoring of SDP implementation; as well as an accountant to handle SDP accounts under the supervision of the financial manager of the PCU. As of Project Year 3 the state level management of the project shall be streamlined in the State Ministries of Agriculture, while the PCU shall remain under Federal Ministry of Agriculture as the lead agency.

9. **Project Planning.** While the first AWPB shall be prepared within three months after Project start-up at State level, subsequent AWPBs shall be prepared at Locality level during the third quarter of each Project Year for the following year. The process for the preparation, discussion and endorsement of the AWPB shall be described in detail in the

Project Implementation Manual. The AWPB shall be submitted to IFAD for no objection in November of each year.

10. **Monitoring and Evaluation (M&E).** The M&E system of WSRMP shall be expanded to incorporate the Project. The M&E system shall be aligned with the Government's monitoring framework for agricultural development projects as well as with the Results and Impact Measurement System developed by IFAD. The M&E system shall be elaborated in the Project Implementation Manual.

11. **Project Implementation Manual.** The Project Implementation Manual shall be formulated, validated by the national and state governing bodies and submitted for IFAD no objection within 6 months from the date of entry into force of this Agreement. The Project Implementation Manual may be amended or otherwise modified only with the prior consent of the IFAD.



## Schedule 2

### *Allocation Table*

1. *Allocation of Grant Proceeds.* (a) 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:

| Category                 | Grant Amount<br>Allocated<br>(expressed in SDR) | % of eligible expenditure<br>to be financed                      |
|--------------------------|---|--|
| I. Civil Works           | 150 000   | 100% net of taxes  |
| II. Fund                 | 330 000   | 100% net of Government,<br>beneficiaries and PSC<br>contribution |
| III. Vehicles            | 550 000   | 100% net of taxes  |
| IV. Equipment            | 760 000   | 100% net of taxes  |
| V. Technical Assistance  |   |  |
| a. International TA      | 220 000   | 100% net of taxes  |
| b. National TA           | 1 100 000                                       | 100% net of taxes  |
| VI. Training             | 1 800 000                                       | 100% net of taxes  |
| VII. Contracted services | 210 000   | 100% net of taxes  |
| VIII. Recurrent Costs    | 630 000   | 100% net of taxes  |
| Unallocated              | 600 000   |  |
| <b>TOTAL</b>             | <b>6 350 000</b>                                |  |

(b) The terms used in the Table above are defined as follows:

“Fund” means the contribution of the Project to the insurance premium for seed growers and a one-off grant to the Private Seed Company (PSC) during the calibration phase.

“National technical assistance” refers to all assignments requiring national expertise for the development of thematic studies and strategies supporting Project objectives, establishment of an M&E and knowledge management system, and project coordination.

“Contracted services” means the costs incurred by the project during supervision by the governing bodies of the Project, the Government and IFAD, the annual audit and the contract with the Central Coordination Unit for procurement services.

2. *Retroactive financing* As an exception to Section 4.08(a) (ii) of the General Conditions, expenditures of up to the equivalent of USD 473 000 incurred after 1 December 2011 but before the entry into force of this Agreement for (a) the costs of rehabilitation of the National Seed Administration office, staff accommodation and out-posting of its staff to the state level (categories I and III); and (b) support to the Agricultural Research Corporation in the production of breeder and foundation seeds (category IV (b) and (c)) and for carrying out a detailed assessment of the private seed companies (category IV (a) and IV (b)), may be considered Eligible Expenditures, notwithstanding the fact that they have been incurred before the start of the Project Implementation Period.

# Logical framework

| Narrative Summary  | Verifiable Indicators   | Means of Verification   | Assumptions  |
|--|---|---|--|
| <b>COSOP Goal</b>  |   |   |  |
| Food security, incomes and resilience to shocks of the smallholder producers (including youth and women) in rainfed areas of North and South Kordofan improved.  | <ul style="list-style-type: none"> <li>Prevalence of malnutrition in children under age of five years reduced : rate reduced from <b>29% to 26%</b> (RIMS)</li> <li>Improved food security : food insecurity reduced from 55% to 40%.(RIMS)</li> <li>Increase in HH asset index: production 5 fed in qoz soils, 3 fed in gardud soils and 10 fed in clay soils doubles.</li> </ul>  | <ul style="list-style-type: none"> <li>RIMS baseline survey and impact survey</li> <li>Anthropometric and UNICEF periodic surveys</li> <li>Official gvt. statistical yearbooks; censuses</li> <li>HH income and expenditure surveys</li> </ul>  | <ul style="list-style-type: none"> <li>Macro-economic stability</li> <li>Contained insecurity events</li> </ul>  |
| <b>Development Objective</b>   |   |   |  |
| Increased crop productivity for about 100,000 smallholders using certified seeds in North and South Kordofan   | <ul style="list-style-type: none"> <li>Increase in yields of sorghum from 280 to 540 Kg/fed; groundnut from 340 to 640 Kg/ fed; sesame from 140 to 270 Kg/fed; cowpea from 180 to 340 Kg/ fed.</li> <li>70,000 smallholder men and 30,000 smallholder women reporting increase in yields for all crops (RIMS)</li> </ul>  | <ul style="list-style-type: none"> <li>Baseline survey, Mid Term Review (MTR) and completion assessments</li> <li>Ministry of Agriculture crop cutting surveys and annual crop assessment</li> <li>Agricultural Research Corporation (ARC) and National Seed Administration (NSA) reports</li> </ul>                                | <ul style="list-style-type: none"> <li>Expanding access to input suppliers, extension advisory services, credit and insurance</li> </ul>   |
| <b>Component 1 – Strengthening and Development of Institutional and Regulatory Environment</b>   |   |   |  |
| <b>Outcome:</b> Conducive policy and institutional environment for the seed industry in place  | <ul style="list-style-type: none"> <li>By laws of Seed Act 2010 in place by mid-2012 and fully enforced by 2012</li> <li>Operational self-sufficiency for National Seed Administration by 2014 (RIMS)</li> </ul>  | <ul style="list-style-type: none"> <li>Client survey</li> <li>Institutional performance assessment</li> <li>Record on law enforcement</li> </ul>  | <ul style="list-style-type: none"> <li>NSA operates in an autonomous way</li> <li>Gvt phases out distribution of free or subsidized seeds</li> <li>Seed policy for the UN agencies operating in Sudan is harmonized</li> </ul> |
| <b>Outputs</b>   |   |   |  |
| <p>1.1 Plant variety protection legislation drafted, approved and enforced.</p> <p>1.2 National Seed Administration (NSA) is capacitated to effectively monitor the multiplication and certification standards.</p> <p>1.3 Multi-stakeholder policy dialogue, with participation from youth and women in seed sector is established.</p> | <ul style="list-style-type: none"> <li>PVP legislation promulgated by end 2012.</li> <li>70 NSA staff and extension agents trained (RIMS), 30% women</li> <li>1 central laboratory at the Federal level accredited to the International Seed Testing Association (ISTA) standards by 2014.</li> <li>2 laboratories established and equipped in each State</li> <li>Bi-annual forums convened regularly from 2012 at National and State levels.</li> </ul> | <ul style="list-style-type: none"> <li>Legislation document</li> <li>National Seed Administration activity report on number of seed crop fields certified per year, number of seed samples tested per year, no. staff trained per year</li> <li>National seed policy document</li> <li>Proceedings of bi-annual meetings</li> </ul> | <ul style="list-style-type: none"> <li>Seed Council is timely appointed by the Government (target date: end 2011).</li> </ul>  |
| <b>Component 2 - Improvement of the Seed Production System</b>   |   |   |  |
| <b>Outcome:</b> An economically viable seed production system that meets farmers' expectations and demands in place  | <ul style="list-style-type: none"> <li>Private sector generate about SDG 245,000 net profit from sale of certified seeds in 2014 and SDG 1 million net profit in 2017</li> <li>8 SGG operational in 2014; 32 operational in 2017</li> </ul>   | <ul style="list-style-type: none"> <li>Seed company activity report</li> <li>Surveys at MTR and completion</li> </ul>   | <ul style="list-style-type: none"> <li>Interest of the seed companies to develop seed retail market for smallholders</li> </ul>  |

| Narrative Summary   | Verifiable Indicators  | Means of Verification   | Assumptions   |
|---|--|---|---|
|   | <ul style="list-style-type: none"> <li>▪ Cash returns per seed growing HH reach SDG 1700/HH/y in 2014 and SDG 2800/HH/ y in 2017)</li> </ul>   |   |   |
| <p><b>Outputs</b></p> <p>2.1 ARC capacitated for implementation of participatory breeding research</p> <p>2.2 High quality and sufficient quantity of breeder/foundation/registered seeds produced by Agricultural Research Corporation (ARC).</p> <p>2.3 The extension system is strengthened to support target seed producer enterprises.</p> <p>2.4 Community-based Seed Grower Groups enterprises are enabled to produce certified seeds of improved and traditional varieties.</p> | <ul style="list-style-type: none"> <li>▪ Appropriate sorghum seed variety and cultivation practices for gardud soils tested and ready for dissemination by 2014</li> <li>▪ At least 1 new variety of millet in NK, and sesame for NK and SK</li> <li>▪ Number of participatory research committees operating for ARC stations in El Obeid and Kadugli.</li> <li>▪ Production of 23 MT of registered seeds in 2012, 90 MT for 2013 and 2014.</li> <li>▪ 30 men and 15 women extension agents trained on seed production and marketing</li> <li>▪ 400 MT of certified seeds produced by 2014, and 2500 MT produced by 2017</li> <li>▪ 100 women and 220 men accessing advisory services for seed production by 2014; and 380 women and 900 men by 2017 (RIMS)</li> </ul> | <ul style="list-style-type: none"> <li>▪ ARC reports on number of varieties released per year and maintenance record of released varieties</li> <li>▪ ARC activity report on breeder/foundation/registered seed production statistics for the two States; frequency of varietal replacement in the national varietal catalogue;</li> <li>▪ Project monitoring reports</li> <li>▪ Baseline survey, MTR and completion assessments</li> <li>▪ Project monitoring reports on quantity and quality of seed produced by groups in project years</li> </ul> | <p>Procedures for ARC-ASARECA collaboration timely implemented</p> <p>ARC adequately equipped to produce sufficient quantities of breeder &amp; foundation/registered seed</p> <p>Sufficient human resources for two 4 member team mobilized</p> <p>SGG and seed companies adhere to respective contractual obligations</p>   |
| <b>Component 3 - Support Seed Market Development</b>  |  |   |   |
| <p><b>Outcome:</b> <i>Improved seed supply system with improved market delivery mechanisms in place.</i></p>  | <ul style="list-style-type: none"> <li>▪ 105 000 fed cultivated with certified seeds in the project area in 2014; 690 000 fed in 2017 and 1 million by 2018 (RIMS)</li> <li>▪ 10 500 farmers use certified seeds and SWC by 2014 in project area and 69 000 farmers by 2017; 30% women (RIMS)</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Baseline survey, MTR and completion assessments</li> </ul>   | <p>Seed companies able to mobilize SDG 6 million for scaling up phase</p>   |
| <p><b>Outputs</b></p> <p>3.1 Marketing of certified seeds to smallholder producers established</p> <p>3.2 Farmers empowered to use certified seeds and improved techniques.</p> <p>3.3. Seed Market Database in place</p> <p>3.4 Increased access of farmers/ grain producers to credit and microfinance</p>  | <ul style="list-style-type: none"> <li>▪ Number of farmers reached through the PSC marketing: 10 500 in 2014 and 69 000 in 2017 ; with 30% women</li> <li>▪ Demand for certified seeds reaches at least 300 MT in 2014 and at least 2200 MT in 2017</li> <li>▪ No. users of the seed monitoring database, by type</li> <li>▪ ABSUMI branch operational in Sheikan in 2012</li> <li>▪ Total borrowers are at least 3,000 in 2014 and at least 40,000 in 2017</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Seed company reports</li> <li>▪ Client survey for farmers</li> <li>▪ Baseline survey, MTR and completion assessments</li> <li>▪ Project monitoring reports</li> <li>▪ Records from Bara'ah, ABSUMI, ABS and other banks</li> <li>▪ Records from Sheikan Insurance Co.</li> </ul>   | <p>Farmers satisfied with quality of seeds provided by licensed seed agents</p> <p>Farmers access to credit and insurance facilitate purchase of certified seeds</p> <p>SMoA and NSA agree on procedures for data collection and dissemination</p> <p>MoU signed between PCU and banks/ MFI to facilitate access of farmers/grain producers to micro-credit SDG 500-600/ loan</p> |