

Sudan

Seed Development Programme (SDP)

Mid Term Review report

Main report and appendices

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Abbreviations and acronyms

ABSUMI	Agricultural Bank of Sudan Microfinance Initiative
ARC	Agricultural Research Corporation
CDCs	Community Development Committees
CDCs	Community Development Committees
CFM	Connecting Farmers to Market
CIC	community investment committee
CTCs	Central Trading Companies
FFS	Farmer Field Schools
FSA	Federal Seed Administration
GPGs	Grain Producer Groups
GPGs	Grain Producers Groups
ISECs	Input Supply and Equipment Companies
ITC	Interstate Technical Committee
MDETs	Extension sub-teams and the Multidisciplinary Extension Teams
NSC	National Seed Council
NSPP	National Seed Policy and Plan
PCU	Project Coordination Unit
PPP	Public Private Partnership
PSC	private sector seed company
PSC	private seed company
PSES	Private Sector Engagement Strategy
PSES	Private Sector Engagement Strategy”
PVP	Plant Variety Protection
SCUs	State Coordination Units
SGGs	Seed Grower Groups
SMDC	Sudanese Microfinance Development Company
UPOV	International Union for the Protection of New Plant Varieties
VDC	Village Development Committee

A. Introduction¹

1. The Mid-Term Review Mission (MTR) of the Seed Development Programme (SDP) took place in Sudan from 13 to 29 October 2014 in the third quarter of PY3 as envisaged in the Project's design. On the basis of the MTR findings, the Project approach, activities and/or implementation arrangements for the remaining Project life would be adjusted. The Mission held consultations in Khartoum starting at the Federal level with Senior Officials of the Government in the Ministry of Finance and National Economy, the Ministry of Agriculture and Irrigation, the National Seed Council, the Federal Seed Administration (FSA) private seed companies, agro-input distributors and other key stakeholders. Field visits took place in the Project areas from 16 to 23 October. During these field visits, the Mission met with Seed Grower Groups (SGGs), Grain Producer Groups (GPGs), Community Development Committees (CDCs), the Agricultural Research Corporation (ARC), the Extension sub-teams and the Multidisciplinary Extension Teams (MDETs).
2. The Mission wishes to express its appreciation to the representatives of the Ministry of Finance and National Economy and the Ministry of Agriculture and Irrigation who participated in the MTR mission and contributed to discussions during the field visits and in meetings. The Mission also thanks the SDP coordination team – Project Coordination Unit (PCU) and State Coordination Units (SCUs) of North Kordofan (NK) and South Kordofan (SK) – the extension teams and the communities met for their availability and for the quality of the exchanges.
3. The findings and recommendations of the mission contained in this Aide Mémoire were presented and discussed first at state level on 23 October 2014 with officials of the PCU, SCUs, ARC, North and South Kordofan State Officers as well as other implementation partners, and then at federal level during the official wrap-up meeting on 29 October under the chairmanship of the Director General of International Cooperation of Federal Ministry of Finance and National Economy with participation from the Ministry of Agriculture and Irrigation, the CCU Senior Coordinator, the Project Coordination Unit including the principal SDP coordinator and the seed specialist, representatives of ARC; representatives of ABS; and representatives of the State Ministry of Agriculture (NK and SK).

B. Overall assessment of programme implementation

4. Project Description. The goal of SDP is to improve food security, incomes and resilience to shocks of the smallholder producers (including youth and women) and its development objective is to increase crop productivity for about 108,000 smallholders who adopt certified seeds in NK and SK. The project area is composed of 4 localities: Rahad and Sheikan in NK; Abbassiya and Abu Gubeiha in SK.
5. The Project comprises four components: Component 1: Strengthening and Development of the Institutional and Regulatory Environment; Component 2: Improvement of the Seed Production

¹ Mission composition: Mr. Michael Turner, Seed Policy Specialist; Mr. Donald Greenberg, Rural Business Specialist; Mr. Robert Delve, Agriculturalist; Mr. Swandip Sinha, Rural Finance Specialist; Mr. Ahmed Gabir Subahi, Country Programme Officer; Mr. El Fadul Ahmed Ishag, Finance and Procurement Specialist; Mr. Hassan Shakir, Extension Specialist; Mr. Sheikh Eldeen, Community Development and Extension Specialist; Mr. Abdulrahman Khidir, Agriculturalist; and Mr. Mikael Kauttu, IFAD Programme Officer and Mission Leader. The IFAD Country Programme Manager (CPM) for Sudan, Mr. Hani Elsadani joined the mission in the field and participated in the meetings with the Government authorities in Khartoum and in the wrap-up meeting at the federal level. On the Government's and Project's side, the following participated in the mission: Mr. Mohammed El Hag Sir Elkhatim (Senior Coordinator of the Central Coordination Unit of IFAD-funded projects); Mr. Yasir Elmubarak (Agricultural Bank of Sudan, HQ – ABSUI Financial Coordinator); Mr. Abdulfattah Khair Elseed (Federal Ministry of Finance and National Economy); Mr. Khairy Elzubair Abbas (Ministry of Agriculture and Irrigation); Mr. Husham Osman (Ministry of Agriculture and Irrigation); Mrs. Mona Osman Jaber (Ministry of Agriculture and Irrigation – Federal Seed Administration); Mr. Ezz Eldeen Mohammed (Federal Ministry of Finance and National Economy); Mr. Mohammed Yousif Elnour (PCU – Project Coordinator); Mrs. Attika Mohamed Elamin (PCU - Community Development Officer); Mr. Rabie Abd Elatif Rizgalla (PCU – Seed Specialist); Mr. Abdalla Elbashir (PCU – Rural Finance Officer); Mr. Abdalla Salih (PCU – Financial Controller); Mr. Elshafie Ahmed (South Kordofan State Focal Point – SDP State Coordinator); Mrs. Nawal Adam (South Kordofan State Focal Point – SDP State M&E Officer); Mr. Tarig Amin (South Kordofan State Focal Point – SDP State M&E Officer); Mr. Khalid Hassan (Head of the department of Extension and Technology Transfer – North Kordofan); Mr. Abdulsalam Elfaki Subahi (Head of the department of Extension and Technology Transfer – South Kordofan).

System; Component 3: Support Seed Market Development; and Component 4: Project Coordination and Management. The primary target group consists of smallholder farmers growing generally less than 15 feddans (6.3 ha) of land, engaging in traditional rainfed agriculture as their main source of livelihood, cultivating mainly sorghum, groundnuts, sesame, and cowpea, and having limited access to inputs, assets and services. The target group consists of two categories, Seed Growers, who are business minded young farmers interested in seed multiplication as an income generating activity and Grain Producers who are potential users of certified seeds.

6. In its focus to address the main constraints hindering the development of an open market for the seed industry in the Sudan, the project intervenes at three interrelated levels of the seed production and marketing chain by: (i) improving the regulatory framework through the enforcement of the Seed Act, promulgation of Plant Variety Protection; and capacitating and empowering the Federal Seed Administration to carry out its seed-related inspection and control functions effectively and efficiently; (ii) increase the supply of good quality and appropriate varieties of seeds of all classes,² and ensure its timely delivery to smallholder farmers; and (iii) enhance the effective demand of certified seeds by smallholder farmers.

7. The total cost of the Project is US\$ 17.46 million. Financing is as follows: US\$ 10.07 million from IFAD, US\$ 4.14 million from the Government of Sudan, US\$ 2.47 million from seed growers and grain producers, and US\$ 1.58 million from the Private Sector Company. Disbursement up to September 2014 is SDR 2,425,962, including the initial advance and withdrawal applications yet to be processed. This represents 38% of the total financing provided by IFAD. Without the unused balance the initial advance disbursement rate is 32%.

8. **Overall assessment of Project implementation.** The Mission deems that implementation progress has been **moderately unsatisfactory** in progressing towards its cumulative targets. The main reason is that some key concepts of the current design are not valid:

- a) the absence of an effective private sector engagement strategy for creating sustainable markets for certified and improved seed, resulting in the private seed companies being reluctant to partner with the Project under the existing model; and
- b) insufficient empowerment of SGGs and GPGs to act as partners in the seed value chain. Incentives to adopt certified seed and recommended input packages are Project driven while farmers are rarely equipped to make choices regarding crops and marketing. Furthermore, the seed SGGs show a low rate of sustainability.³

9. As a corollary of this, the Project's support to beneficiaries notably under component 2 and 3 faces very low prospects to contribute to sustainable outcomes and ultimately to the Project goal and development objectives. Even if the Project has achieved some positive results as enumerated in the below for each component, these will not have a lasting impact on the field level.

10. Under component 1, the process for developing a National Seed Policy is well under way and the seed regulatory framework is satisfactory for domestic purposes, but does not meet the requirements for membership of UPOV. Arrangements for seed quality control in the project area remain unsatisfactory until more trained staff are based permanently in NK and SK. For component 2, the Project's community development activities have succeeded in an engagement of 49% for women and 43% for youth in the Project, a highly satisfactory achievement beyond targets set in design. Extension work to support seed growers is of high quality. However, while outreach to SGG's is adequate, their sustainability is low which undermines a key element of the Project. Further, ARCs has not reached the production capacity for foundation and registered seed foreseen in design. For component 3, engagement with the private sector in seed production and creating a marketing

²Breeder seed, foundation seed, and registered seeds. The registered is supplied SGG to produce the certified seed class which are made available to GPGs.

³Out of the 10 SGGs formed in 2012 and 2013, only two continued their participation into 2014. Further, SGGs are currently not capable to independently determine their crops independently and finding markets for them, but are producing only based on the Project's purchase orders, a major constraint for sustainability. This is related the difficulty of seed growing in rainfed areas in conditions where access to rural finance and supplementary irrigation is limited.

channel for certified seed is nil. The outreach to GPGs is adequate, but the design has not sufficiently empowered them to plan their business and access inputs. The rate of lending of rural finance providers to SGGs and GPGs is very low, forthcoming only from Bara'ah Microfinance Institution in South Kordofan (credit totalling US\$ 10,336 to 97 farmers) while ABSUMI has not started its operations due to incompatibility of their current lending methodology with the Project supported activities.

11. Key revisions to the Project approach. Revisions to the Project approach are necessary in order to embark on a sustainable development path:

- a) Private sector engagement: (i) abandon the initial Project design approach which required contracting a seed company which will both purchase and sell seed locally; (ii) explore the scope for sustainable partnerships between SGGs, GPGs, private seed companies and input suppliers; (iii) conduct a comprehensive seed value chain study to identify linkages between SGGs, GPGs and the private sector actors; and (iv) launch an IFAD/ Government of The Sudan follow-up mission in early 2015 to ultimately revise the design;
- b) Seed growers: (i) undertake a comprehensive survey to identify sites conducive to successful seed production and not susceptible to adverse weather events for establishment of future SGGs; and (ii) include medium size farmers with suitable land and skills for seed growing; and
- c) Rural finance: support ABSUMI and Bara'ah to expand their operations in the Project Area by revising the SGG and GPG group structure, develop outreach plans and provide relevant equipment.

12. While the above modifications do not significantly change the nature of the Project, they require a markedly higher understanding and capacity by the Project management to interact with the private sector. The current approach of engaging with the private sector entails contracting a service provider that will become responsible for all purchases and sales of seed. It has been obvious during the past year that this approach is certain not to yield the desired sustainability impact or robust market outreach and to fall apart by the Project completion. Project management will now instead need to create sustainable market dynamics by identifying linkages between SGGs and GPGs and actors throughout the value chain, and support SGGs and GPGs in negotiations. Even if the mission during its field visits has identified that such linkages exist, it will be a very challenging task to fulfil their potential.

13. This Aide Mémoire sets out a preliminary concept for a new Project approach, and a set of initial actions to be undertaken comprising value chain studies and strengthening the Project management's capacity to interact with the private sector. When these initial actions are mature, IFAD/Government of The Sudan will launch a follow-up mission in early 2015 to finalise and agree on the revised Project design.

C. Outputs and outcomes

Component 1 - Strengthening and Development of Institutional and Regulatory Environment.

14. **Component Description.** This component is intended to create and strengthen institutional and regulatory frameworks that will provide a favourable environment for a sustainable seed industry. This component will: (i) introduce appropriate legislation for the seed industry particularly in relation to plant variety protection; (ii) improve the capacity of the Federal Seed Administration (FSA) to carry out its legal mandate of seed quality assurance; and (iii) establish a multi-stakeholder forum that brings together Government, the private sector, NGOs and farmers to discuss policy issues on a regular basis and prepare a national seed policy.

15. **Progress in the implementation** of this component is rated **moderately satisfactory**. The process for developing a National Seed Policy is well under way and support to the FSA for refurbishing their Central Seed Testing Laboratory has been completed, but the equipment tender is

still pending and ISTA accreditation cannot be sought until the lab is fully operational. The seed regulatory framework is satisfactory for domestic purposes but does not meet the requirements for membership of UPOV. Arrangements for seed quality control in the project area remain unsatisfactory until more trained staff are based permanently in North and South Kordofan.

16. Stakeholder Forum to prepare a National Seed Policy and Plan (NSPP). The purpose of the policy is to ensure orderly development of the seed sector and provide a consistent guideline for all parts of the seed supply system to work in a coordinated way. The policy should be prepared through a consultative process so that the final document reflects the interests of all stakeholders and has broad support. To initiate this process, the National Seed Council held a policy workshop in January 2014, attended by over 80 participants. SDP supported this event and provided a consultant who acted as a facilitator and prepared a first draft of the policy based on the discussion. Subsequently, the NSC has formed a sub-committee to develop this document further and a second draft is now being finalised in Arabic. In view of the importance of the seed policy, this draft should be shared and discussed again with stakeholders in a final validation workshop; it should also be translated into English to enable external review before being submitted to the Ministry for approval. The preparation of a national seed plan will be a separate activity once the policy is agreed. *The mission recommends that the project: (i) maintains regular contact with the National Seed Council to monitor the progress of the draft policy; (ii) should arrange for its translation; (iii) should support another stakeholder forum to ensure that it covers all activities and institutions involved in the seed sector; (iv) provide an international consultant to facilitate the review process; and (v) replaces the proposal for bi-annual stakeholder meetings with a national seed forum held annually once the policy has been approved.*

17. National Seed Law. A comprehensive national seed law is required to facilitate public-private partnership in the seed industry to provide a legal basis for seed production and marketing, and to empower FSA to carry out its delegated activities in quality control. The Seed Act of 2010 covers both the conventional marketing aspects of seeds and Plant Variety Protection (PVP), which provides an intellectual property right for plant breeders. This Act, together with its subsidiary Regulations of 2012 constitutes an adequate regulatory framework for the domestic seed industry. Yet, there was an expectation that the Act would also enable Sudan to become a member of the International Union for the Protection of New Plant Varieties (UPOV) and thereby facilitate the exchange of protected varieties with other UPOV members. However, the present Seed Act does not meet the precise requirements of the UPOV convention and a new PVP Law will have to be prepared for that purpose. *The Mission recommends that to advance the introduction of plant variety protection in the domestic seed industry, the project should provide specific advice to the Ministry of Agriculture and Irrigation on the steps that will be required to implement the 2012 Regulations. To obtain UPOV membership, the project will provide guidance on the preparation of a new PVP Law.*

18. Capacity building for the Federal Seed Administration. FSA has been seriously weakened over recent years due to a lack of resources and staff recruitment. Improvement of the regulatory framework must be matched with sufficient resources to enforce the law and ensure that certified seed is widely available to farmers through field inspection and laboratory testing. The key project contribution to this effort is the refurbishment and equipment of a new National Seed Testing Laboratory in Khartoum. Progress on this has been slow but the civil works have been completed and the relevant equipment tender has been prepared, though still requiring review. However, the ultimate goal of ISTA accreditation for this laboratory will take some time to achieve because the quality management manual must correspond exactly with the equipment and procedures used. Laboratory staff have participated in training courses in Egypt and further training in ISTA courses is planned for November. Staff training is a high priority for FSA in order to gain maximum benefit from the capital investment. *The mission recommends that the Project: (i) closely monitor the procurement and installation of laboratory equipment in order to minimise further delays; and (ii) monitor the progress of the laboratory manual during 2015 in order to plan a suitable time for the ISTA accreditation audit. The manual can only be finalised once the laboratory is fully operational.*

19. Strengthening of quality control activities in Kordofan. SDP requires the services of FSA for field inspection and lab testing, ultimately leading to the certification of the seed produced by

SGGs. ARC has a similar requirement for their early generation crops. For these purposes, it would be efficient to have FSA staff permanently based in Kordofan but it has proved difficult to make satisfactory arrangements for this between the Federal and State authorities. This issue remains unresolved and as a result FSA staff travel regularly from other locations to carry out crop inspections and other certification activities in Kordofan. This is wasteful of resources and also limits the wider involvement of FSA staff in SDP activities aimed at improving seed quality. This impasse was already highlighted by the supervision mission in September 2013 and it remains a high priority because FSA has limited staff resources to fulfil its national mandate. *The mission recommends that the project (i) in consultation with the National Seed Committee, arrange a high level meeting with FSA and the concerned Ministries (Federal and State) to clarify and resolve these issues, and as one option (ii) FSA should consider licensing state-based staff to carry out specific tasks such as crop inspection and seed sampling while FSA retains a supervisory role to resolve the problem with out-posting of staff.*

Agreed actions	Responsibility	Agreed date
Continue development of a National Seed Policy through consultation with stakeholders in a second national seed forum; prepare the final policy document for ratification by Government.	PCU/SCUs/NSC/State & Local Governments	By 15 March 2015
a) Assist the government to implement plant variety protection legislation for the domestic seed industry; and b) advise on the preparation of a new PVP which will enable Sudan to apply for UPOV membership.	PCU/NSC/FSA/MoA PCU/IFAD	By 15 December 2014 15 March 2015
Finalize the bidding document(s) with proper lotting. Issue the bidding documents using the right procedures	CCU/PCU/IFAD	Immediate/ continuing
Reactivate high-level discussions with MoA to find a long term solution for seed quality control within SDP which makes full use of staff based in Kordofan, in collaboration with FSA	PCU /PCC/NSC/FSA/	Immediate

Component 2 - Improvement of the Seed Production System

20. **Component Description.** According to the Project design, under this component: (i) the Agricultural Research Corporation (ARC) should be capacitated to carry out demand-driven participatory research to ensure that sufficient quantities of high quality breeder, foundation and registered seeds is produced; (ii) the registered seeds should be made available to the private companies who should contract small scale Seed Growers Groups (SGGs) operating at the grassroots level to multiply registered seeds and produce seeds to be certified by FSA before commercialisation by private company to final users; (iii) the extension services of the State Ministries of Agriculture should be provided with additional training related to certified seeds and the necessary logistic arrangements; (iv) seed growers should be organized into registered groups to facilitate access to inputs, finance and crop insurance; and (v) linkages should be promoted between SGGs and private seed companies, rural finance and crop insurance.

21. **Progress in the implementation is moderately unsatisfactory.** The extension to the SGGs is of high quality but still, 80% of SGGs formed have disintegrated after the first season and their sustainability is low, as they are not linked to a commercial buyer for their crops. Instead, the Project has stepped in and purchased the crops.

22. In regard of ARC, it has not reached the production capacity for foundation and registered seed foreseen in design. In the remaining Project period, ARC production targets will remain lower than expected in Project design in view of the limitation of SGGs to eight ([see para. 36](#)), and that SGGs production will focus mainly on groundnut and sesame⁴ i.e. mainly self-pollinated varieties that allow SGGs to save seed. SGGs that save seed would need less registered seed from ARC, while still

⁴ If SGGs prefer sorghum or millet they may do so. However, the mission estimates that in the medium term, direct imports by PSCs of sorghum and millet will be more attractive for GPGs, and the SGGs should be made conscious about such dynamics of demand. Accordingly, SGGs' comparative advantage will be predominantly for groundnut, sesame and cowpea.

maintaining good quality (see para. 57). Accordingly, the new project concept would be more flexible in promoting 'improved seed' as well as certified seeds.

23. **Agricultural Research Corporation (ARC).** ARC is the main national institution responsible for conducting applied agricultural research in Sudan. It has headquarters in Wad Medani and has research stations in all states, including the Project Area at El Obeid and Kadugli. In the project area, ARC has research farms in Bano and Barah nearby El Obeid and one in SK in Kadugli.

24. According to targets set during design, production of registered seed would be 23 MT for 2012, and 90 MT for 2013 and 2014 planting cycles. In the 2012 and 2013 rainfed seasons ARC was not able to produce the required seed and bought certified seed rather than registered seed from PSCs to make up for the shortfall. For 2014 ARC produced only 2.6 MT of seed, which was only 16% of SGGs 2014 planting needs. This large shortfall was mainly caused by the failure to produce any groundnut seed.⁵

25. Since last year, SDP supported ARC at El Obeid research station to purchase and install a supplementary irrigation system in Bano research farm for 20 feddan to increase its capacity to produce sufficient quantity of high quality breeder, foundation and registered seed. This irrigation system is now used to produce the foundation seed class (sorghum and sesame). An additional request for supplemental irrigation is still outstanding since the September 2103 mission and is a cause for continued concern regarding the ability of ARC to produce the required seed amounts. Anticipated production of registered seed by ARC in 2014 season is 37 ton of groundnut, 10.5 ton of sorghum, 3.0 ton of sesame and 2.8 ton of cowpea. With limited capacity to produce all required seeds in NK and SK and with the planned changes to SDP, *the Mission recommends that ARC continue with their existing sites outside NK and SK for seed production in 2014/2015 to supply registered seed for the 2015 growing season.*

26. SDP has agreed to finance laboratory equipment for ARC. ARC has provided SDP with technical specifications, and the tender document is being finalised. SDP has also agreed to finance seed conditioning equipment to clean harvested seeds, but for these items ARC needs still to provide the relevant technical specifications, pending since September 2013. *The mission recommends that this be done as soon as possible.*

27. **ARC participatory research.** In 2013 ARC conducted participatory research on demonstration and evaluation of new varieties (millet, cowpea, sorghum, sesame), new crops (pigeon pea) and new production interventions (crop spacing, soil water conservation, fertiliser micro-dosing). Currently, ARC has three new varieties of each of millet, sesame and cowpea preferred by the farmers, and expected to be released in 2017, meeting PDR targets. ARC is using a 'mother-baby' trial⁶ approach and in the 2014 season they conducted 37 on-station researcher managed trials, 36 'mother' trials and 37 'baby' trials. Farmers were interested in the new options and have made their choices for the baby trials in the coming 2015 season. In some cases it was not clear that farmers had really chosen their 'baby'. *The mission recommends that ARC clarify the approaches between participatory research, participatory evaluation, and demonstration and produce an manual detailing their participatory approaches; they should also distribute the report on participatory research results by the end of March 2015 so the evaluation criteria can be reviewed.*

28. As observed by the previous mission, ARC lacks a strategy for participatory research. In depth training is needed to engage farmers, GPGs, SGGs and extension services in the participatory

⁵The AWPB target for registered seed by ARC was set at sorghum 2.2 MT (100% i.e. 2.2 MT produced); sesame 400 kg (145 kg produced); cowpea 300 kg (300 kg produced); and groundnuts 13.5 MT (0 kg produced). For groundnut, it was planted in the Rahad area in central Sudan. The area was under irrigation, but the supply from the primary canal was cut due to cleaning works. Consequently, the crop became subject to water stress during the critical period of pod/nut formation and the result was total crop failure.

⁶"Mother" plots are large plots that have many different options (e.g. variety x spacing, different varieties, different soil and water conservation practices), they are planted and maintained by participating farmers under the supervision of ARC and extension agents. During the season households visit the mother plot and compare the options as the crop grows and matures, and at the end of the season they select a few options that they want to try on their own land – these are the 'babies' of the mother plot. The "baby" plots are managed by individual farmers under their own conditions on their own farms. During this interactive process the new technologies and transfer spreads through word of mouth and farmer-to-farmer visits to share experiences.

research approach so that early information and awareness about promising technologies is raised for effective scaling up. *The mission recommends that (i) ARC submit a request for a consultant to support them with additional training in participatory research approaches, and for additional training in Mekelle University for a one week course on participatory research data analysis; and (ii) introduce and demonstrate animal drawn and hand drawn implements for planting and weeding, and (iii) arrange a study tour to India for two ARC staff to learn more about participatory research.*

Agreed actions	Responsibility	Agreed date
Distribute the report on participatory research results so the evaluation criteria, particularly including gender specific indicators, and research results can be evaluated	ARC	1 April 2015
Produce an operations manual detailing their participatory approaches, including criteria to be used with communities to evaluate the trials	ARC	15 March 2015
Specification for seed processing equipment to be provided to SDP so procurement can be initiated	ARC	15 December 2014
Submit a request for a consultant to support them in additional training in participatory research approaches	ARC	Immediate
Introduce and demonstrate animal drawn and hand drawn implements for planting and weeding.	ARC	30 June 2015
Launch study tour for two members of ARC to India to learn more about participatory research for target crops.	PCU	By 1 February 2014

29. **Extension sub-teams.** In early 2013, two extension sub-teams were deployed, one in NK and one in SK as foreseen in design.⁷ These are mandated to provide extension services to support the seven SGGs and provide support on identification of sites for seed production; technology transfer; formation of groups; training and guidance on cultural practices throughout the growing season; and conducting Farmer Field Schools (FFS). These sub-teams are embedded in the structures of the extension department of the MoAI in NK and SK.

30. From its field visits and discussions with stakeholders, the mission observed that the sub-teams are performing their duties satisfactorily. Main constraints include management of big groups, and inaccessibility to some communities during the rainy seasons due to bad roads. *To ensure that the capacity of sub-teams is sufficient, the mission recommends that the project consider graduation of SGGs after three years of successful production.*

31. The Project has continuously supported the improvement of the capacity of extension sub-teams officers through providing logistic support (vehicles, motorcycles and bikes), extension materials and office equipment. Training officers have been exposed to five training courses (four internal and one external in Philippines), benefiting 11 sub team officers.

32. The sub-teams work in partnership with ARC which provides the sub-teams with technical packages for all the cultivated varieties although the extension materials seen by the mission seem very generic and would benefit from more crop specific literature being produced by ARC. An MOU is in place between ARC, the SK and NK MoAI's extension departments, the sub teams as well as MDETs detailing the role and responsibility of each party. While the MOU has established a functioning cooperation between the ARC and the sub-teams, the mission noticed that some of the detailed activities are not taking place. *The mission recommends that: (i) participation of ARC in training of extension teams be ensured; (ii) ARC participate in the FFS program; (iii) a mechanism be put in place to monitor performance of the improved crops package, including yield assessments each year; and (iv) an annual diagnostic survey be conducted to measure rate of adoption and constraints encountered in the application and use of the technical packages.*

⁷ The NK team is based in in EI Obied, and is composed of 4 officers: Team leader, 2 seed production officers and women development officer. The SK team is based in Abbassiya and is composed of 6 officers: Team leader, 3 seed production officers, extensions officer, and women development officer.

33. The SGGs are intended to comprise business-minded farmers interested in seed multiplication as an income generating activity. However, SGGs need strengthening in this respect to ensure establishment of the linkages between seed growers, private seed companies, rural finance services and crop insurance services and farming as a business in general. (see also para.55-56).

34. The NK and SK MoAI extension department is responsible to provide support to disseminate and consolidate the field extension activities of the sub-teams and the MDETs. In this respect, the mission identified some weaknesses in the area of media and information and M&E. *The mission recommends that the NK and SK MoAI extension department media and information centre develop a media strategy and extension messages for demand creation and commercialization of improved seeds, for example by preparing extension leaflets, posters, TV and radio messages. To improve M&E, the mission recommends that one officer within each sub-team should assume full responsibility for collecting data from the SGGs for the Project's M&E purposes.*

35. **Seed Grower Groups (SGGs).** Project design and AWPB 2014 set a target of eight operational smallholder SGGs established for the 2014 season. In fact, the project established seven SGGs, two in NK and five in SK.⁸ The existing seven SGGs include 340 farmers growing 1190 feddan. The two SGGs in NK comprise 116 farmers (37% women, 38% youth) in two communities, total area grown is 290 feddans with groundnut (200 fed. Gubeish), sorghum (80 fed. Butana) and cowpea (10 fed. Ein-Gazal). The four SGGs in SK comprise 224 farmers (42% women, 40% youth) from four communities, total area grown is 1 100 feddan with groundnut (300 fed. Gubeish), sorghum (400 fed. Butana & Wad Ahmed) and sesame (400 fed. Boromo). Each group has formed a producers committee of five persons who are in charge of receiving, cleaning and distributing seeds, and linking the group members with sub-teams.

36. The sustainability of groups is very low: only 20% of groups established in 2012 and 2013 have continued for a second year. Quality in 2013 was also a problem: of 1,449 feddan grown only 53% was certified by FSA. This reflects the difficulty of seed growing in areas with unreliable rainfall. Indeed the season 2013 was characterized by having erratic rainfall that dramatically affected seed production and seed quality. According to historic records, weather patterns with severe adverse effects on crops occur every third year. Further, SGG farmers have limited access to seasonal financing for their routine production activities. *Accordingly, the mission recommends that (i) a window be opened up to include approximately four medium size farmers into the Project with suitable plots and skills for seed growing, and to support them with ARC and markets linkages; and (ii) SGGs be limited to eight groups, until the demand dynamics for seed have been developed. The mission also endorses the Project's initiative to conduct a comprehensive study to identify suitable sites for establishment of future SGGs that need to be formed to make up for the number of SGGs that cease their participation in the Project.*

37. FSA has conducted a first inspection of all SGGs in 2014. The crops have not been harvested yet but the total anticipated production of certified seeds is approximately 369 tons (144 tons for sorghum, 270 tons for groundnut, 72 tons for sesame and 27 tons for cowpea); this represents 66% of the target set in design.

38. In 2013 the cash return per seed-growing household was SDG 1,371, which represented 81% of the target set for 2013. The 2014 season was much better with rainfall in project areas 50-100% more and larger seed production volumes are expected. The SGGs in 2014 were offered a contract by SDP guaranteeing a buy-back by the project of seed at 15% above the prevailing grain price – this was an acceptable approach given the lack of a private seed company but it is an approach that must not continue in future seasons. (see also para.47).

39. Besides the certified seed produced by SGGs and distributed by private sector partners to grain growers, a significant share of the Project's impact will derive from the informal distribution of seed from SGGs to their neighbours. This applies particularly for self-pollinated crops such as groundnut and sesame in particular. During its field visits, the mission observed that informal distribution was

⁸The groups are distributed in 3 groups for sorghum, 2 groups for Groundnuts and one group for Sesame. Average of farmers per group was 42 for sorghum, 56 for groundnuts and 40 for sesame.

taking place already in the second year of production of SGGs, and the prices offered were higher than the market prices for grain. *The mission recommends that the Project in its awareness increasing activities take into consideration the informal seed distribution among farmers to promote uptake also through these channels.*

40. The Mission further recommends that the following changes are made to the SGG model in order to strengthen their activities: (i) SGG business plans are developed for each crop/location detailing the incremental costs and benefits for investing in seed production versus grain production, to analyse the risks (if any) of seed production versus having to sell the seed as grain if there is no seed market the following season, markets and quantities of registered seed needed from ARC by crop/variety; (ii) based on these business plans, SGGs approach ABSUMI for a seasonal loan for seed production, which could include purchase of registered seed from ARC; (iii) reform the SGGs to fit in with the ABSUMI model ([see para. 71 below](#)); and (iv) for each group, a business leader be identified who may be provided with suitable incentives to act on behalf of the SGGs in their dealings with sellers of input and purchasers of seed ([see also para.55 below](#)).

41. **Farmers Field Schools (FFSs)** are adopted as a training approach by the extension subteams to build farmers' capacities to produce high-quality seeds. SDP recruited a national consultant to technically support the extension sub-teams and build their capacities as facilitators in the establishment and management of FFS. Seven FFSs were established by extension sub-teams (two in NK and five in SK). The mission assesses their performance as satisfactory. However, the mission noticed the difficulty and load of work holding these FFS held every week and *recommends that from next season the FFS be held every two weeks.*

42. Thus far, there was little need for a production operational/ field manual has been minimal as its function has been assumed by FFS. However, in view of the possible engagement with medium size farmers in future, the manual will become relevant. *The mission recommends that the Manual be developed during the first season when working with medium size farmers, to be finalised by the end of the 2015 production cycle.*

Agreed action	Responsibility	Agreed date
Carry out an adoption survey among SGGs and GPGs	the state focal units, extension departments	15 January 2015
Prepare and distribute the operational field manual to all seed grower groups	PCU, Focal point, ex. Dept.	15 March 2015
Farmer Field Schools will be reduced to meetings every two weeks	The extension dept. The focal unit, the sub teams	1 April 2015
Production data of the demonstration plots to be recorded for this season	The extension dept. The focal unit, the sub teams	15 April 2015
An annual diagnostic survey to be conducted to measure rate of adoption and constraints encountered in the application and use of the technical packages.	The extension dept. The focal unit, the sub teams	30 April 2015
WSRMP rural finance and marketing officers at the State level to support the sub- teams to provide the SGGs with advice regarding rural finance to strengthen the sub-team in this area.	The extension dept. The focal unit, the sub teams	1 April 2015
MoAI media and information centre to develop a media strategy for diffusing messages about certified seed and to stimulate demand.	The extension dept. The focal unit, the sub teams	Immediately
Modify SGG and GPG structures to include a business chair/manager who may not be a farmer.	PCU, FSUs; sub teams, MDETs	15 December 2014 for PCU FAAB consultant

Component 3 – Support Seed Market Development

43. **Component Description.** This component is intended to: (i) develop effective demand for certified seed; (ii) link SGGs and GPGs to financial institutions and input suppliers; (iii) enable the private sector to select the best option for create a marketing channel for certified seeds (iv) empower existing SGGs and GPGs to plan their businesses and access necessary inputs; and (v) develop a seed marketing information database.

44. The overall progress of this component is rated **unsatisfactory**. Engagement with the private sector in seed production and creating a marketing channel for certified seed is nil. The GPGs (and SGGs) have benefited from the improved seed and packages, but the design has not sufficiently empowered them sufficiently to plan their business and access inputs. The rate of lending of rural finance providers to SGGs and GPGs is very low (credit totalling US\$ 10,336 to 97 farmers), forthcoming only from Bara'ah Microfinance Institution in South Kordofan. ABSUMI has not started its operations due to incompatibility of their current lending methodology with the Project supported activities. The development of a seed marketing database has not started (see para. 80).

45. The current Project design for Private Sector Engagement by means of a Public Private Partnership (PPP) is not functional. The Project had intended to create a PPP with a private seed company (PSC) that would enter into contracts with the SGGs for the production of certified seeds. The PSC was to collect, process, and market the certified seeds to the GPGs as a first priority; market seeds within the project areas as a second priority, and then only with prior SDP permission could seed be marketed outside the project region. One PSC, ASSCO, was formally approached by SDP to enter into a PPP, and another three PSCs were shortlisted in June 2013 as acceptable partners by the "Assessment of Seed Companies Study".⁹

46. The PPP structure envisioned by the Project¹⁰ and proposed to ASSCO was found unacceptable. Although none of the other three short-listed firms was formally approached by the Project, all firms were familiar with the proposed PPP, and also considered it unacceptable.

47. Therefore, in order to meet Project targets and to continue to motivate the SGGs, the PCU was forced to step in for the second year in row, and supply registered seed to the SGGs on an in-kind loan basis, and then agreed to buy all certified seed produced by the SGGs at the prevailing market price plus a 15% premium. The Project's direct involvement in production and marketing is unsustainable and presents the SGGs and GPGs with unrealistic expectations about their partnership with the Project.

48. The lack of PSC interest is due to two main factors; a PPP concept and structure that are not functional, and the choice of crops selected by the Project.¹¹

- (a) **PPP Concept and Structure:** Seed production by isolated farmer groups in rainfed areas, with sale of the certified seed restricted to SDP designated GPGs or the project area – is not of commercial interest to PSCs. The added risks, management burden, expense, reliance on over-stretched FSA resources for inspection, and restrictions on marketing are all negative factors.
- (b) **Crop Choice:** Three of the four crops chosen – cowpea, groundnut, and sesame – are normally not of interest to PSCs for commercial sales. These crops are highly self-pollinating, and with reasonable care, farmers may retain harvested grain to use as seed for many seasons without noticeable loss in desired characteristics. On-going demand for groundnut, sesame, and cowpea seed is therefore limited and unpredictable, and this is the primary reason why these crops are of little commercial interest to PSCs. Only sorghum, with higher levels of cross pollination and therefore greater risks from farmer saved seed, has serious commercial interest from the PSCs. Pearl millet (also with

⁹ "Assessment of Seed Company Study – Final Report", Gro Consult & Services Company, 4 June 2013.

¹⁰ The proposed PPP structure is outlined in detail in the "Memorandum of understanding (MOU) between Seed Development Project (SDP) and Arab Sudanese Seed Company (ASSCO)", SDP draft.

¹¹ There are other important but less fundamental concerns with the PPP structure that are discussed in the WP. ASSCO Arab Sudanese Seed Company

significant levels of cross-pollination), the main staple crop of North Kordofan, does have commercial potential, but was dropped from the Project in favour of cowpea.

49. The PPP offered considerable subsidies to the PSCs but these were insufficient to make up for the many disadvantages noted above. Moreover, even if it had been accepted, the PPP was not conducive for a sustainable partnership; but was rather geared to attract a service provider whose interest would probably end after Project subsidies terminated.

50. However, the PSCs will not require operational subsidies to partner with the Project if such partnership can successfully demonstrate market demand for improved seed. The SGG and GPG demonstrations combined with the Project's awareness campaigns are a suitable instrument to stimulate market demand, and are also perceived as such by PSCs. Furthermore, the PSCs can work with a number of actors in the supply chain including local agro-dealers, traditional seed traders, and Central Trading Companies (CTCs), to sell seed to farmers cost-effectively.

51. The mission's meetings with PSCs provide indication that the PSCs are willing to meet this increased demand for seed through their existing methods of producing (and in some cases importing) improved varieties for sorghum and millet. This is contingent on the acceptance that the PSCs are not required to purchase such seed locally. *The mission recommends that the requirement for PSCs to purchase their seed locally be abolished. The mission further recommends that millet be included among the Project crops.*

52. Other key private sector partners that can be engaged to achieve Project objectives have not been foreseen in the current PPP strategy. Key potential partners comprise:

- (a) On the supply side, input and equipment supply companies (ISECs), and financial institutions (ABS, ABSUMI, Bara'ah) that directly benefit from the use of certified seed, because it is also accompanied by the use of agro-chemicals and equipment, and because farmers will require finance to adopt recommended changes. Those met by the mission expressed their interest in participating.
- (b) On the demand side, buyers with an interest in purchasing or even contracting for grain delivery that stimulate the interest of GPGs and other small-scale farmers to adopt certified/improved seed and improved agronomic practices. Financial institutions, as well, will see an interesting market in financing the marketing of crops, especially if there is a guaranteed off-take arrangement.

53. No reliable, complete, and up-to-date value chains studies exist on the project-selected crops in Sudan.¹² Farmers may only be involved in the primary stages of the value chain, but their success can depend on an understanding of the downstream links. *The mission recommends that value chain studies be commissioned to understand end markets, value chain players, marketing and supply channels, finance, policy among others that will allow the Project and its partners and stakeholders to have a sound basis to make informed decisions.*

54. The demand creation activities of the Project are not conducive to private sector partners' engagement. As noted above, the Project demonstration plots are the key means through which demand creation will occur. However, these are not designed, implemented, nor are they analysed or interpreted in a manner that will sufficiently demonstrate to farmers the differences between traditional and improved seed/varieties, or the differences between traditional and improved agronomic practices. Further, the current PPP does not envisage the involvement of PSCs and input supply companies in the design, management, and dissemination of the results of the demonstration plots and thus there is no support or ownership by these key value chain players in the demand creation process. *The mission recommends that the PCU explore means to link the private sector partners to the demonstrations, and create viable mechanisms for publicizing and disseminating the results of the*

¹²In the agricultural context, a value chain is the full range of activities — such as inputs, finance, production, distribution, processing, marketing, — required to bring a product to the customers.

demonstration plots among GPG members, neighbours, farmers beyond the village and local knowledge leaders,¹³ and linking this to seed sales in the following season.

55. The basic business capacity of the farmer groups is weak and Project design does not sufficiently empower extension services to address this. The SGGs and GPGs were found to have little understanding of basic business concepts and their application to farming as a business. Crop choice and decision-making were mostly driven by the Project. Without a business-minded approach to farming, it is difficult for farmers to understand why they should adopt certified seed and recommended input packages. Without business skills, they cannot be expected to make crop choice, financing, equipment/infrastructure, or marketing decisions based on an assessment of business realities and to be reliable and dynamic partners of e.g. PSCs, financial institutions and formal sector crop buyers. *The mission recommends that the extension services provided to the SGGs and the GPGs incorporate the key concepts of farming as a business (FAAB) and that rural finance and marketing officers at the State level support the sub teams to provide the SGGs and GPGs with advice regarding rural finance to strengthen the sub-team and MDETs in this area.*

56. The current structure and membership of the SGGs and the GPGs is not conducive to their operating in a business-like fashion. The groups do not have sufficient leadership and systems for making business decisions. In Sudan and elsewhere, groups with business leaders have proven invaluable to achieving commercial success of farming initiatives. This may be one of the farmers with business aptitude and interest, or a community member respected and trusted by the group such as a merchant or school teacher.

57. **Revised private sector engagement.** The mission recommends that the current PPP concept be revised and a new Private Sector Engagement Strategy (PSES) be developed. This is based on commercial and agronomic realities and follows discussions with PSCs, input supply companies, local agents, dealers, and traders, and financial institutions. The key elements of the PSES are summarized below:

- (a) The goal of the new PSES is to create PPPs and other partnerships that sustainably and cost-effectively achieve the sustainable adoption of certified and improved seed by small-scale farmers in the Project area. Sustainable adoption of certified seed also implies access to appropriate skills, inputs, equipment, and the finance to accomplish this.
- (b) The current SGGs should be informed that the Project will no longer guarantee purchase of their seeds starting from their 2015 crop, but will only facilitate this process.
- (c) The PSES recognizes the fundamental agronomic and commercial differences between sorghum and millet seed on one hand, and groundnut, sesame, and cowpea seed on the other hand and proposes different strategies to deal with these crops.
- (d) Sorghum and Millet Strategy:
 - The Project will partner with PSCs and Input Supply and Equipment Companies (ISECs) to develop practical, controlled field demonstrations of certified seeds produced by PSCs and ISEC improved inputs and agronomic methods at the GPGs appropriate for sorghum or millet to create demand.
 - No limitations will be placed on the PSCs concerning the source of certified seed demonstrated, nor how it is eventually produced or marketed. ARCs may supply higher classes of seed to the PSCs, but it will not be a requirement of the Project.
 - The PSCs will be responsible for producing and marketing certified seed varieties, based on farmer demand. However, project may facilitate, through partnerships with the PSCs and ISECs, the development of the certified seed and input supply chain (e.g. by training and finance for agro-dealers, agents, traditional seed traders) to ensure that farmers have access to seeds and inputs when required.

¹³This comprises extension officers, merchants and agro dealers.

- The crop varieties for demonstration may be OPVs in the public domain, proprietary OPVs protected by breeder's rights, or proprietary hybrid seeds, depending on the PSC's assessment of the commercial potential under prevailing conditions in the project area.
- (e) Groundnut, Sesame, and Cowpea Strategy:¹⁴
 - ARC's role will continue to provide registered seed for SGGs first planting of the crop, and FSA will continue certification of the production.
 - The Project should facilitate the identification and initial negotiations with potential buyers, storage facilities, and financiers of the crop, with an initial focus on the 2014 seed crop. The mission team identified one such possibility for the 2014 SGG groundnut and sesame seed crop, which should be pursued immediately.¹⁵
 - The SGGs will need to be carefully coached through Farming as a Business (FAAB) principles so that they understand the risks and returns of producing for 1) certified seed formal market; 2) the improved seed informal market; or 3) grain markets, and thus be able to make an informed choice of crop, purchase registered seed, and ultimately market their crops profitably.
 - Based on an assessment of interest, partnerships should be developed with ISECs to demonstrate improved inputs, equipment, and methods on these SGGs should be developed, and similar steps to facilitate the development of the supply chain and finance can be taken by the project to help ensure access by farmers.

58. To capacitate the Project for provision of the above support to SGGs and GPGs, the mission recommends that the PCU, and extension teams be strengthened to implement the PSES (see para 76 and para. 55 and 56 respectively).

59. PSCs are not supported in their efforts to breed new varieties of crops under the Project. However, it is the PSCs that have a commercial motivation to produce varieties that are marketable, at least for sorghum and millet. *The mission recommends that their breeding activities for sorghum and millet be supported through involvement as an observer in the ARCs participatory research and variety maps for Sudan sorghum and millet, reflecting the distribution of both land races and released varieties.*

Agreed action	Responsibility	Agreed date
Withdraw the SDP from any direct value chain activities such as input provision, financing, or purchases after 2014 commitments have been met, and communicate this clearly to the SGGs and GPGs and other partners.	PCC, PCU, sub teams, MDETs	Immediate
Engage with PSCs to develop demand-creation based PPPs focused on the group demonstration plots (SDP with IFAD support, by Mar 14): produce a project map showing current and planned SGGs and GGGs to provide to PSCs and ISECs for partnership planning purposes by end Nov 14; enter into one or more PPPs or partnerships with PSCs for the next planting season.	PCU, sub teams, MDETs	15 Mar 2015
Include pearl millet as one of the crops to be promoted, and included in the demonstration plot PPPs described above, after interest by PSCs has been confirmed	SDP	15 Nov 2014
Introduce the Farming as a Business concept in the project strategy and staffing, group extension materials services and group structures and membership.	PCU, FSUs; sub teams, MDETs	15 Dec 2014
Incorporate FAAB concepts in Extension materials and	PCU, FSUs; sub	15 Dec 2014

¹⁴If SGGs prefer sorghum or millet they may do so. However, the mission estimates that in the medium term, direct imports by PSCs of sorghum and millet will be more attractive for GPGs, and the SGGs should be made conscious about such dynamics of demand. Accordingly, SGGs' comparative advantage will be predominantly for groundnut, sesame and cowpea.

¹⁵This involves a partnership with ABS which has indicated interest to purchase seed from SGGs with payment of 50% of market price prevailing at the time of delivery of crops for storage; and 50% payment of market price prevailing at the time of sale to grain producers in the planting season.

Agreed action	Responsibility	Agreed date
methods by adaptation of internationally tested materials and methods	teams, MDETs	
Draft TORs and commission value chain studies of the key SDP commercial crops of sorghum, groundnut, sesame, and pearl millet.	PCU	VC studies completed by 1 Apr 2015,
Organize Value Chain workshops with broad stakeholder participation to disseminate and ground-truth findings, and lay out next steps.	PCU	1 May 2015
Facilitate financing and marketing options for seed and grain and grain marketing	PCU, FSUs; sub teams, MDETs	Ongoing
Pursue ABS Input finance/marketing opportunity for the 2014 crop, based on a specific request made by the ABS Kordofan region management during the MTR to link SGG groundnut and sesame seed production to the ABS input financing programme, which may also be facilitated by the Connecting Farmers to Markets program.	PCU	Contact ABS GM 30 October 2014
Facilitate PSC sorghum and millet breeding activities oriented towards crops with potential for rain fed small scale farmers.	PCU, ARC	15 Nov 2014
Involve PSCs in the design and implementation of SDP participatory research (SDP, immediate)	PCU, ARC	15 Nov 2014
Commission a study and workshop that consolidates and disseminates key information on Sudan sorghum and millet varieties.	PCU	15 Nov 2014

60. **Multidisciplinary Extension Teams (MDETs).** As of 2014, six MDETs are deployed and working with the GPGs, two in NK and four in SK.¹⁶ The MDETS are mandated to deliver extension services to GPGs including formation of GPGs,¹⁷ organise awareness campaigns, selection of contact farmers, delivering and training farmers on application of improved production practices, establish and supervise on-farm demonstration and field days, direct all extension activities to the farmers to convince them to use certified seed and subsequently create effective demand on the side of the farmers, and linking GPGs with service providers.¹⁸ The MDETs are embedded in the structures of the locality authorities in NK and SK. The Project supports the MDETs to equip them with a vehicle, means of communications, audio visuals, and other office equipment and operational budget. Internal and external training courses have been carried out and 13 were trained internally and 4 staff were trained externally in the Philippines.

61. From its field visits and discussions with stakeholders, the mission observed that the MDETs are performing their duties satisfactorily. However, the mission observed that the training needs of the MDETs are not met. Further, unless the GPGs and SGGs are properly anchored under the umbrella of the CDCs their sustainability might be weak.

62. Therefore the mission recommends that: (i) the State level extension department compile a plan of training needs to be submitted to the PCU for approval in order to identify suitable training for the MDET members; and (ii) the Project continues working to organise SGGs and GPGs into formal groups under the umbrella of Community Development Committees (CDCs) and assist the sub-teams MDETs in formation of the groups and selection of contact farmers.

63. **Grain Producers Groups (GPGs).** By 2014 a total of 105 GPGs have been selected and mobilized, 42 groups from 42 communities in NK and 63 groups from 41 communities in SK; this is 100% of the target for farmer groups set in the 2014 AWPB and project design. These GPGs comprise 8,362 households (of which 39% are women led), 80% of the target set in 2014 of AWPB and project design.¹⁹ The GPGs are formed to increase the adoption of improved seeds and

¹⁶The NK teams composed of five officers, and the four teams in SK are composed of one four member team and three five member teams. The typical composition of the teams is: one team leader, two extension officers, one woman development officer and one technician.

¹⁷GPGs are formed in communities reached out to under WSRMP, in which there are community development centers (CDCs) and farming interest groups.

¹⁸Rural finance institutions, input suppliers, machinery and insurance.

¹⁹Farmers reached is 2,657 in NK and 5,705 in SK.

agricultural practices. Each group is directed by a committee of ten persons responsible for linking group members to extension teams, facilitating access to finance, receiving improved seeds and distributing them to the group members. Most of these committee members are part of the CDCs.

64. While the MDETs have succeeded to form groups in line with the challenging targets of the AWPBs and project design, there are a number of issues that still need to be addressed, among which linkage with finance and strengthening of business skills (see also para. 55 and 56), quality of technical advice and linkage between GPGs and demonstrations need to be strengthened significantly.

65. The Mission further recommends that: (i) the GPGs be considered as a community group who learn from the extension support to the village as a whole. They do not need to be in a group of a defined size to participate in the project. This must be considered in accordance with any group structure/size changes that are needed for working with ABSUMI; (ii) the Project link GPGs with ABSUMI for a seasonal loan for grain production, which could include purchase of certified seed from SGGs; and (iii) update the GPG database to include monitoring of crop yields.

66. **GPG demonstration plots.** In each GPG one female and one male contact farmer host a one-feddan demonstration on their land for sorghum, sesame and groundnut,²⁰ supported by the MDET. In discussions with the project team and farmers addition of millet would be welcome.

67. In NK 93% and in SK 96% of contact farmer demonstrations plots met the required quality standards and were approved by the MDET as demo plots. This is a marked improvement in one year and demonstrates the good progress made by this sub-component. All the contact farmers received seeds and seed treatment as a support from the Project for free. Crops in the demonstrations look good and, in most cases, high yield is expected. The mission noticed the effectiveness of the contact farmer and field demonstration approach in disseminating knowledge, skills and as a mean of intensifying improved seed adoption among the farmers community in both NK and SK.²¹ Field days and exchange visits have been introduced around the demonstration plots as a means of intensifying promotional activities for improved seeds and cultural practices.

68. Each SGG/GPG will host a demonstration of ARC and PSC varieties that are to be promoted in their community. This plot will contain a varying number of varieties, with small plot sizes (e.g. 4 lines by 5 m) so households can see as large a range of improved varieties as possible. Demo plots will be managed by ARC/PSC during the season. ARC/PSC will also hold field days at mid-season and before harvest so households in the groups and the wider community and other villages can see the demonstrations. This approach will be a key part of the demand creation activities of SDP. Once improved varieties have been identified by SGGs/GPGs, a certified seed production plan needs to be made for the SGGs/PSCs and a corresponding registered seed plan made by ARC for rainy season/off-season production to be ready for the next season. *The mission recommends that: (i) a list of SGGs and GPGs be developed showing which group is suitable for growing which crop; and (ii) given this list, ARC and PSCs identify their improved varieties that are appropriate for each SGG and GPG and develop a demonstration plan for the season including field day activities.*

69. The Mission further recommends: (i) to pilot the approach of having comparison demonstrations i.e. improved variety with improved package, improved seeds without improvement package local variety; (ii) production data of the demonstration and member of GPGs should be recorded for this season; (iii) contact farmers should conduct a harvest day at their plots, and (iv) the PCU discuss further with the extension teams what is the concern by farmers about 'adoption of the improved package' and to determine if a change in the demonstration plot design is needed.

²⁰In 2014 there were 4,205 demonstrations: sorghum (54), groundnuts (37) and sesame (114).

²¹Evidence of this include: (i) when applying the packages, contact farmers were typically assisted by some 7-10 neighbours, who subsequently have transferred such technologies to their fields; (ii) general observed interest among farmers for demonstrations, field days and exchange visits; and (iii) in a community visited (Um-Saadien) the whole GPG worked collectively in the demonstration who now have their own farm (14 fed.).

Agreed action	Responsibility	Agreed date
Revise the training needs assessment study to see the adequacy of capacity building plan designed, based on that revisions develop a comprehensive training plan for the next three years.	PCU, the focal unit, ext, Dep.	Immediately
Prioritize the training needed along with the project activities.	Extension dep. (contacting training institution); ext. training officer (implementation of the training plan)	Immediately
Production data of the demonstration plots to be recorded for this season.	Focal unit, MDET	Immediately after harvesting
Contact farmers should conduct a harvest day at their plots.	Ex.dept. focal unit, MDET	During harvesting

70. **Rural Finance.** The initial PDR provides that arrangements will be made to link seed growers and private companies to rural finance services and crop insurance services. It is visualised that financial linkage of women household members in the SGG and GPGs will occur through ABSUMI and Bara'ah. Men members were supposed to access finance through branches of state owned banks [PDR para 13 (v)]. At the end of September 2014 SDP had organised 8,696 small producers into 112 groups (7 SGG and 105 GPG). Of these, only 97 farmers from 8 groups had access to external credit totalling to SDG 59,950 (US\$ 10,336) from Bara'ah Microfinance Institution in South Kordofan. These loans supported sesame, sorghum and groundnut production with loan sizes ranging from SDG 450 (US\$ 57) for sorghum to SDG 1,000 (US\$ 172) for groundnut production. The average loan size was around SDG 600 (US\$ 103) and covered 40-60% of the total cultivation costs. Three Islamic lending mechanisms were used with *murabaha* for the purchase of seeds, *mugawala* for supply of tillage hours and *salem* for other (mainly labour related) inputs.

71. The overall supply of credit was very low compared to the demand of the SDP supported groups. The main reasons for this gap and related recommendations are presented below:

- (a) **Lending to SDP groups through State Banks faced conventional challenges:** The State Banks do not have an outreach based methodology and lend against physical collateral requirements which is not suitable for the SDP target groups. Consequently the project was unable to develop linkages between the State Banks and the SDP groups and turned mainly to ABSUMI to fill the gap - especially since SDP assisted ABSUMI to start a new unit in Sheikan. However, as discussed in the next section, incompatibility between the SDP groups and the ABSUMI approach prevented ABSUMI credit linkage to these groups. *The mission recommends that given the flexibility committed to by ABSUMI during the MTR mission, SDP's thrust should be on developing credit linkages of the SGG/GPGs to ABSUMI while being open to credit linkage opportunities offered by any other financial institutions.*
- (b) **SGG and GPG structures are not harmonious with the rural finance delivery methodology of ABSUMI.** Since ABSUMI's loans are not secured against physical collateral, it follows rigorous methodological guidelines to generate strong group solidarity, peer pressure and credit performance. These include (a) relatively small sized loans to neighbourhood women's groups; (b) savings led methodology; (c) households and not individuals as the economic entity for lending; and (d) repayments based on household cash flows instead of cash flows only from the activity financed. There are past examples of ABSUMI credit linkages with groups with the above characteristics, such as womens' savings and credit groups (SCGs) formed by the IFAD-supported WSRMP.
- (c) However, by design SDP was not mandated to develop women's SCGs in the project villages to facilitate ABSUMI's entry and operations in these communities. It focused only on forming SGG and GPGs which due to their large size (40-200 members), mixed gender nature, lack of savings practice and no regular activity apart from the seasonal agriculture were incompatible with the ABSUMI methodology. The previous supervision mission recommended the formation of women's SCGs by SDP in the project villages and linking them to ABSUMI and then enabling the SDP group farmers in the same village to access ABSUMI credit through woman family members represented in the

linked SCGs. However, SDP failed to implement this recommendation as it felt that these groups should have direct credit linkage. The mission met with ABSUMI and agreed on a roadmap for extending loans to SDP farmer groups. *Accordingly, the mission recommends: (a) SDP should immediately support ABSUMI to start normal operations in the SDP villages through the formation of women's groups. This will generate trust and confidence between the community and ABSUMI and will prepare the background for ABSUMI linkage to SDP groups for seasonal agricultural activities; (b) SDP will immediately restructure the SGGs and GPGs to meet the requirements for ABSUMI linkages; (c) In July-August 2015 (after 7-8 months of "normal" lending²² to the SCGs) ABSUMI will provide a new seasonal agricultural loan product to the restructured SDP farmer groups (SGG and GPGs). The average loan size of this product will start with SDG 1,000 per household in the first year for cultivation of 2-4 feddans; and (d) that a total of 7,800 ABSUMI seasonal agricultural loans should be disbursed to SDP target group accumulating to SDG 9.8 million (US\$ 1.7 million) in three years. To meet these disbursement targets ABS will be responsible for mobilising SDG 5.3 million (US\$ 0.97 million) as credit funds from ABS resources and in partnership with partners such as the Central Bank of Sudan and Sudanese Microfinance Development Company (SMDC).*

- (d) **Delay in infrastructure support to the ABSUMI Sheikan unit.** The SDP was supposed to assist the establishment of the ABSUMI Sheikan unit by providing infrastructure support mainly in the form of office equipment, vehicles and technical assistance for expanding outreach to SDP project areas. The Sheikan unit has been established through ABS support alone and has reached 3,500 clients with 100% repayment rate within 1.5 years. So far SDP has delayed its support to the unit due to the lack of clarity on how the Unit will link with the SDP groups and this has slowed the pace of growth of the Unit. *The mission recommends that since an agreement has been reached on ABSUMI delivering the seasonal agricultural loan product to SDP groups, SDP should expedite procurement of vehicles and infrastructure to support the Sheikan unit. This is essential to ensure timely linkage between Sheikan unit and the SDP groups.*
- (e) **Absence of potential financial partners in the SDP project area.** Out of the two SDP Localities in North Kordofan, ABSUMI is present only in the Sheikan Locality. The Al Rahad Locality has very feeble ABSUMI presence due to the lack of an ABSUMI office and mobility infrastructure. Similarly, out of the two SDP localities in South Kordofan only Abassiya is served by Bara'ah microfinance institution, which does not have licensed to operate in Abu Gubeiha. There are some other MFIs in the Kordofan region but they do not have a suitable methodology for pro-poor, efficient, alternative collateral and outreach based credit supply in the SDP area. *The mission recommends that SDP should support the establishment of two ABSUMI units, one in Abu Gubeiha Locality in South Kordofan State and another in Al Rahad Locality in North Kordofan State. Till the procurement of dedicated infrastructure and vehicles for these two units are completed, SDP (in collaboration with ABS) should provide temporary support mainly by deploying full-time vehicles in these units to start operations in the SDP villages on time. The SDP assistance to ABSUMI will also cover limited infrastructure support to the ABSUMI National Coordination Unit and technical assistance support for the adoption of MIS software, training capacity building and exposure trip of the staff members in the relevant ABSUMI Units and members of the National Coordination Unit. A MoU between ABS and SDP should be developed immediately defining the commitments of the stakeholders and the results expected from the two new ABSUMI units as stated above. The implementation of the SDP commitments to the ABSUMI Sheikan Unit should be expedited (see recommendation in next section). Bara'ah will continue to be the main credit partner in the Abassiya locality. SDP should improve its coordination with Bara'ah and at the beginning of the agricultural season should develop a joint credit outreach plan for the SDP villages. Based on the need SDP should supply Bara'ah with 1-2 vehicles on temporary basis to meet the outreach targets. SDP should also include nominated Bara'ah staff members in training, capacity building and exposure initiatives organised for the SDP and ABSUMI extension staff. Over time, in all the localities the*

²²Lending following the standard ABSUMI methodology.

SCGs developed should be encouraged to invest their accumulated internal capital in financing seasonal agricultural loans for the SDP groups.

- (f) **Insurance support.** The seasonal agricultural loans from ABSUMI to the seeds groups will be provided without any physical collateral arrangements and will mainly be secured through group guarantee system, savings and cash flow assessment. *The mission recommends that in order to secure the farmers and the ABSUMI portfolio against crop losses SDP will continue its support to crop insurance till the end of the project. Of the 7% insurance premium on the ABSUMI loans disbursed, SDP and the Government of Sudan will share 3.5% each.*
- (g) **Lack of Rural Finance and Marketing Manager.** In the absence of a dedicated rural finance manager to address the issues related to the credit linkage of the target households the coordination and planning between the SDP and potential financial suppliers has been relatively weak. The lack of timely information sharing with Bara'ah about potential GPG and SGGs for credit linkage has been a major factor for limited credit linkages through Bara'ah. The timely and qualitative implementation of the Missions suggestions on methodological refinements and strengthening partnerships with financial suppliers can suffer without dedicated coordination and management responsibilities in the PCU. *The mission recommends that the project should recruit a Rural Finance Manager in the PCU with responsibilities covering rural finance aspects related to SDP, WSRMP and the ABSUMI scaling up grant. Special attention should be given to improving SDP coordination with Bara'ah for timely exchange of information related to the SDP communities and details of GPG and SGGs for potential credit linkage.*

Agreed action	Responsibility	Agreed date
Sign MoU between SDP and ABS with the following salient points		
a) ABSUMI will disburse 7,800 seasonal agricultural loans amounting to SDG 9.8 million (US\$1.7 million) in three years to the restructured SDP groups.		
b) ABS will be responsible for mobilising SDG 5.3 million (US\$ 0.97 million) as credit funds for meeting the disbursement needs from its own funds or from partners such as CBS.	ABS and SDP with IFAD facilitation where needed	Immediate
c) SDP will allocate US\$ 0.5 million to support the establishment of two more ABSUMI units in Abu Gubeiha and Al Rahad.		
d) Arrangement of temporary vehicles by SDP and ABS to support the new units till procurement of dedicated vehicles and equipment are completed.		
Expedite the procurement process for supporting the ABSUMI Sheikan Unit	SDP	Immediate
Coordinate with Bara'ah to develop Bara'ah credit outreach plan in SDP villages in Abassiya Locality and later in Abu Gubeiha locality once Bara'ah gets license to operate in Abu Gubeiha.	SDP	15 March 2015
Supply temporary vehicles to Bara'ah to achieve outreach target. Include Bara'ah staff in training, capacity building and exposure trips.		
Form women's savings and credit groups in the SDP villages.	SDP	Start 1 Nov 2014
Encourage SCGs to invest internal funds in GPG/SGGs.		
Start normal ABSUMI savings and credit activities in SDP villages through SCGs.	ABSUMI	1 Dec 14
Restructure SGGs, GPGs to make them compatible with ABSUMI seasonal loan guidelines	SDP	Start in Nov 2014
Start savings linkage to the restructured SDP groups	ABSUMI	1 Jan 15
Disburse seasonal loans to seeds groups	ABSUMI	July-Aug 2015
Enable insurance support to ABSUMI portfolio	SDP	July-Aug 2015
Deploy rural finance manager	SDP	15 Dec 14

D. Programme implementation progress

72. **Project Management is moderately satisfactory.** Despite the difficulties encountered with the IFAD suspension of disbursements during the start-up year, the Project management showed some flexibility and proactivity. In view of the revised design proposed for the Project's private sector engagement, the Project must now focus its efforts on engaging actors throughout the value chain and linking them with the SGGs and GPGs.

73. The Lead Project Agency is the Ministry of Agriculture and Irrigation, which chairs the Project Coordination Committee. The same PCC also governs WSRMP and the grant to the Republic of the Sudan for Scaling up the Agricultural Bank of Sudan Microfinance Initiative (ABSUMI). This leads to a compromise in the degree of specialisation and focus that the PCC can afford for each project during its meetings. The mission recommends that two separate coordination committees be formed: one for SDP and another for WSRMP and the ABSUMI Grant, with a composition and specialisation that matches the requirements of each project.

74. The management structure of the Project comprises a Project Coordination Unit (PCU), and State Focal Units (SFUs) embedded in the State Ministries of Agriculture, one in North Kordofan (NK) and one in South Kordofan (SK) that report directly to the PCU coordinator.²³ These have a well-established fiduciary system, effective field presence with extension support, and a functional M&E system.

75. Besides the SDP, the PCU also implements the on-going IFAD-financed WSRMP. This was initially foreseen to complete at the end of 2014 but IFAD's Executive Board has approved additional financing and a two-year extension. The PCU will also commence implementation of the ABSUMI Grant in early 2015. Consequently, the PCU's mandate is much larger than foreseen during design. To match the increased workload, the mission recommends that the PCU staffing be complemented with a Rural Finance Specialist, Accountant and Administrative Assistant, while the current Administrative Assistant would be upgraded to Procurement Officer (see also para. 109).

76. The revision of the Project design will require an increase in the PCU's capacity to engage with the private sector. To this end, the mission recommends that a PPP consultant be recruited on a retainer basis to support the project to (i) oversee the value chain study; (ii) engage with private sector actors; and (iii) identify opportunities and support the Project coordinator in negotiating the terms for the Project's engagement with private sector actors. The mission recommends to allocate funds for international consultancy to oversee the development and support the national consultant and provide guidance in these tasks.

77. The PCU is working closely with the Federal Seed Administration (FSA), the Agricultural Research Council (ARC) and the Extension Departments in NK and SK State Ministries of Agriculture. Four Memoranda of Understanding (MoU) showing the roles and responsibilities of each partner have been signed. The Project previously suffered from a lack of coordination among these implementing partners; to address these problems, an **Interstate Technical Committee (ITC)** was established and held its first meeting in June 2014 with participation by the FSA, SCU focal points and extension departments of the NK and SK State Ministries of Agriculture. The ITC will meet quarterly. In addition, the State Coordination Committee meets quarterly to coordinate between SFUs and other stakeholders at the state level. The mission believes that these arrangements will substantially improve coordination between the participants and stakeholders.

²³ The SFUs are semi-autonomous units that develop an AWPB to plan and administer their share of the project budget under the guidance of the PCU, and are authorised to sign withdrawal applications for the PCU to replenish their funds. As of January 2014 the SFUs have been mainstreamed into the structures of the State MoAIs as successors to the previous State Coordination Units (SCUs).

Agreed action	Responsibility	Agreed date
Form two separate coordination committees: one for SDP and another for WSRMP and the ABSUMI Grant, with a composition and specialisation that matches the requirements of each project.	PCC	Immediate
Complement PCU staffing with a Rural Finance Specialist, Accountant and Administrative Assistant, while the current Administrative Assistant would be upgraded to Procurement Officer.	PCU	Immediate
Recruit a PPP consultant on a retainer basis, through sole sourcing, to support the project to i) oversee the value chain study; ii) engage with private sector actors; and iii) identify opportunities and support the Project coordinator in negotiating the terms for the Project's engagement with private sector actors. Complement with allocation for international consultancy to support the PPP.	PCU	Immediate

78. **Monitoring & Evaluation (M&E) is Satisfactory.** The M&E system is properly used for planning and management purposes at all stages of the implementation. It consists of two interlinked instruments: (i) Project Beneficiary Database for tracking beneficiaries and Project outputs, outcomes and impact on their livelihoods, being kept up to date by input from the sub- teams and MDETs; and (ii) Project Area Database for targeting and tracking project impact at the community level. The Project Area Database is updated through Village Surveys²⁴ - the first was conducted in 2013 and the next is scheduled for 2015. These are complemented by a Baseline and a RIMS Survey (including a household survey) as well as Thematic Studies on a needs basis.

79. Reporting routine captures data periodically about project interventions and is classified in above databases for analysis and for the preparation of different reports namely: (i) monitoring reports; (ii) progress reports; (iii) IFAD Results and Impacts Management System (RIMS); and (iv) completion reports, as well as for background analysis for *ad hoc* needs and for developing the AWPB. The Project has not yet identified outcome indicators for RIMS. *The mission recommends that (i) the Project immediately commence work to define outcome indicators for inclusion in the 2014 RIMS report; (ii) the Project monitors seed adoption rate through informal distribution channels, and yield increases in comparison to farmers not adopting improved varieties and agricultural practices; (iii) the M&E officers/PCU and SCU should develop a data collection form for capturing details of the seed buyer (incl. name, sex, age, village, crop, variety, amount bought) for use of the M&E responsible of the sub teams; (iv) the State focal point and extension department should conduct a seasonal survey for measuring rate and degree of improved seed adoption among SGGs and GPGs as well as developing crop budget to measure crop productivity per unit for comparison to show profitability of improved varieties; and (v) SDP should in 2017 as part of the impact assessment assess the informal distribution of seed via household/family/clan/friendship linkages, to study the actual outreach to direct beneficiaries.*

80. According to Project design, the PCU will create and maintain a Seed Market Database to collect and process data pertaining to the Project's intervention in the seed market but this has not yet been initiated. The mission recommends that work to develop the Seed Market Database be commenced upon entry on duty of the M&E officer.

81. The position of the M&E Officer is vacant since the former M&E Officer has been appointed as Project Coordinator for SDP and now doubles in both roles. While this ensures good management attention to M&E, it also limits the capacity to develop, maintain and expand the M&E system or to produce analytical reports for stakeholder use. Recruitment for the position has begun and is estimated to complete in January 2015.

²⁴ The Village Surveys collect data such as: access to water, distance to market and bigger population centers, access by road, population, livelihoods, willingness of population to join the Project, access to finance, agricultural conditions, crops grown and livestock maintained etc.

Agreed action	Responsibility	Agreed date
Commence work to define outcome indicators for inclusion in the 2014 RIMS report.	PCU	Immediate
Monitor seed adoption rate through informal distribution channels, and yield increases in comparison to farmers not adopting improved varieties and agricultural practices.	PCU	Immediate
Develop the Seed Market Database.	PCU	Upon entry on duty of the M&E officer in early 2015
Develop a data collection form for capturing details of the seed buyer (incl. name, sex, age, village, crop, variety, amount bought) for use of the M&E responsible of the sub teams.	the M&E officers/PCU and SCU should	Upon entry on duty of the M&E officer in early 2015

82. **Coherence between AWPB and implementation** (*Moderately Satisfactory*). The PCU sent the first draft of the Project's AWPB to IFAD on 25 November 2013. After a number of revisions, the no objection was provided by IFAD on 05 March 2014. The Project has achieved its key target outputs in regard of extension and community development. However, in regard of rural finance and private sector engagement there is very limited progress.

83. **Gender focus** (*Satisfactory*). The objective of gender mainstreaming in the project is to ensure equitable access of women and youth to more remunerative opportunities in seed production and better access to certified seeds and agricultural services to improve productivity of the cultivated land, leading to increased incomes. Based on accumulated positive experiences on gender mainstreaming from previous rural development projects in Kordofan (NKRDP, SKRDP and WSRMP), the project was able to ensure adequate representation of women and youth in the project beneficiaries' structural set-up. As initial guidance, the communities have been well prepared to represent women and youth in the SGGs and GPGs at levels that should not be less than 30% and 20% for these groups respectively. The project data revealed that the actual representation is 49% for women and 43% for youth, a remarkable achievement for the project. Field visits and interaction with the communities showed a high a commitment of women in all development activities, as well as youth. At the same time sufficient space is created for women to express issues of concern to them.

84. Capacity building programs for seed growers and institutional management included comprehensive contents that enabled women to be enlightened and to acquire by sufficient skills. The mission rated the gender focus in the project area as **Satisfactory (5)**. However, the mission recommends that (1) *future programs should focus on more gender sensitization at both project management and PIAs to enhance women's involvement in the decision making processes* (2) *capacity building programs should give more attention to selective trainings that will improve in skills in leadership and critical thinking and* (3) *M&E processes should highlight the economies of seed business for women.*

85. **Youth Focus.** Through extension and community mobilization programs, the project has achieved youth representation in the seed growers groups at an overall level of 43%. In discussions with youth, they have flagged their concerns about poverty and unemployment due to lack of investment opportunities that forced them go for seasonal migration to obtain wage labour and engage in gold mining away from their families. They have some potential for investment in terms of availability of land and ability to organize themselves; some of them are well educated and have a strong belief in agricultural business as a good opportunity for income generation.

86. It is very important for the project to maintain and intensify efforts to attract more youth into the business of seed production by (i) *assisting the assimilation of the youth;* (ii) *selecting special training programs on seed commercialization to develop a market-oriented environment for seed production;* and (iii) *exploring ways to connect youth with financing institutions.*

Agreed action	Responsibility	Agreed date
Conduct a training need assessment for women with the purpose of identifying thematic areas for capacity building of women to enhance their involvement in decision making and leadership	PCU, Women development Officer and Extension teams	Immediately
Develop suitable format and indicators to the economic	Project M&E and	Immediate

Agreed action	Responsibility	Agreed date
returns for women involved in the seed production in a gender sensitive manner.	women development Officer	
Hire a consultant to give advice on how youth can be absorbed within the project activities and structures	PCU	15 December 2014

87. **Poverty focus is moderately satisfactory.** The Project has developed active procedures to strengthen communities' understanding of the importance of improved seed production as a means to generate income and combat poverty. This is indicated by the high awareness on the usage of the right technical packages in agricultural production. The selected SGGs were composed of experienced promoters who are backed-up with essential insurance and service delivery mechanisms. Furthermore, the group membership is characterized by their access to land resources, the tractor-hiring services and knowledge of improved agriculture. The performance of the different growers has already encouraged many neighbours to join the adoption of improved agricultural practices. However, the project should focus its activities to support the development of an efficient seed production value chain that will enhance the livelihood of the participating communities.

88. **Effectiveness of targeting approach is satisfactory.** Targeting in the project is guided by the project design to prioritize communities with previous experience of seed multiplication from IFAD-funded projects in North and South Kordofan, availability of contact farmers, appropriate soils/lands, acceptable rainfall and having Community Development Committees (CDCs). The total number of participants is 8,696, comprising 5,299 males (61%) and 3,397 females (39%) while youth representation from both sexes is 43%.

89. The mission recommends that (i) careful targeting approach should be followed to maintain the engagement of women and youth in the project activities; and (ii) innovative approaches to be explored to overcome obstacles.

90. **Innovation and learning is moderately unsatisfactory.** Project implementation was delayed during the early stages of its effectiveness and as a result to insufficient knowledge and information was generated on good practices and successful stories. This is due to a lack of organizational function for knowledge capture as the extension teams media section didn't go beyond the documentation of activities. Moreover, the M&E processes are supposed to identify success stories to guide the focus of knowledge generation and management. In this regard, the project is lagging behind in realizing the deployment of the success stories and good practices to increase the adoption of more commercialized seed production. However, some good examples have been noticed by the mission such as establishing of a women's cowpea farm in Hafirat Eltomat community to stimulate women participation and that a graduate female seed grower has being elected to chair the group executive committee. The mission appreciated the successful story of one of the youth in Abu Umkherain community who achieved very high production last year and with this revenue he has become a tractor-hiring service provider and with expectations to become a tractor owner.

91. **Climate and Environment Focus is moderately satisfactory.** Climate change has significant impact on the livelihood of communities in the marginal areas that are very much affected by the climate change and desertification. This is reflected in soil erosion, deterioration of soil fertility, decrease in the distribution and amounts of rainfall and shortening of the growing season. The project beneficiaries have tried different coping mechanisms to overcome the consequences of climate change by constructing more reliable facilities including water yards, water reservoirs (hafirs) and digging deep wells. Despite this they sometimes bring water from neighbouring areas or are obliged to use salty water that is normally used only for washing; they also reduce the amount of daily consumption and make frequent repairs to broken hand pumps.

92. However, these coping mechanisms may be insufficient, with the result that there is migration to the urban areas to obtain wage labour (especially the youth) or they may engage in non-agricultural activities such as brick and charcoal making, which contribute to environmental degradation. Community solidarity processes are also evident, (based on the extended family system and sometimes begging), these include money transfers from family members in exile, borrowing from local merchants with low prices when repaying in crops, wild fruit hunting and reducing the number of

meals to one per day. To mitigate climate change impact on its beneficiaries, the project has successfully provided technical interventions that include diversified crops (both cash like sesame and groundnut, and food crops like sorghum and cowpea). It has also supported the dissemination of associated technical packages through demonstrations.

93. Interaction with the beneficiaries during the mission showed great appreciation of the project interventions on promotion of seed production. However the Agricultural Research Corporation (ARC) firmly believe that successful seed production should always be associated with water harvesting techniques in North Kordofan. Rainfed production in South Kordofan may be suitable for the production of sorghum and sesame while groundnut production is more suitable to conditions in North Kordofan due to the predominance of sandy soils.

Agreed action	Responsibility	Agreed date
Integrate climate change parameters in the project M&E system for data processing	PCU, M&E Officer	Immediately

E. Fiduciary aspects

94. **Financial management.** The overall financial management is rated **Moderately Satisfactory**.

95. **Organization and staffing.** The staffing of the financial management team for the SDP is adequate. WSRMP PCU staff are responsible for SDP project as well. The Financial Controller, the Accountant and the Administrative Officer are discharging fiduciary tasks. They all possess the required skills and experience. The mission recommends that project finance staff complete IFAD e-learning training on financial management and submit their certificates to IFAD. Organization and Staffing is rated Moderately Satisfactory.

96. **Accounting system.** The project is adopting an access based single entry accounting software, which is capable of producing accounting journals, withdrawal applications, special account reconciliation, and summary financial progress reports. It is observed however, that the system falls short in producing detailed and cumulative reports. The mission recommends that; the Project should update the program to appropriately produce the required reports and evaluate the results. The mission also recommends that the project considers acquiring a properly functioning accounting system. The accounting system is rated Moderately Satisfactory.

97. **Reporting and monitoring.** The project prepares and submits annual financial reports. Additionally; quarterly reports are prepared for the purpose of –internally- reviewing financial performance. This falls short of meeting IFAD requirements of submitting semi-annual as well as annual financial reports. *The mission recommends that the project prepares and submits a semi-annual report as well.* Reporting and monitoring is rated **Moderately Satisfactory**.

98. **Internal controls.** The project adopts adequate segregation of duties and authorisation process, and adequate controls are in place for approval, payment and recording of expenditure transactions. The project is also maintaining an updated fixed assets register and is adequately managing project fleet of vehicles. *The mission recommends that the custody list be signed by the custodian and the administrative officer and individual assets codes be tagged on respective assets.* Internal controls procedures are rated **Moderately Satisfactory**.

99. **Budgeting.** The project adopts a bottom up approach in preparing annual plans and budgets. Project budget is prepared and approved annually. However, the process for FY 2014 was delayed due to late submission by the project for IFAD approval due to the adoption of a revised procurement plan template (provided by IFAD). Fortunately, this has did not delay the overall implementation of Project activities. *It is recommended that the preparation of the AWPB for 2015 starts early enough to ensure submission for IFAD review in November in order to have the AWPB approved on time.* Budgeting is rated **Satisfactory**.

100. **Disbursement.** Disbursement of the SDP Grant DSF-8094-SD up to September 2014 is SDR 2,425,962, including the initial advance and withdrawal applications yet to be processed. This represents 38% of the total financing provided by IFAD. Without the unused balance the initial

advance disbursement rate is 32%. The project submitted two withdrawal applications covering the period from October to December 2013 and three other applications are being prepared covering the period from January to September 2014 (US\$ 465,139), in addition to direct payment applications for payments of tuition fees for participants to external training. *The mission recommends that the project should submit withdrawal applications –as required by IFAD- within 90 days of the last withdrawal application or when expenditure incurred reaches 30% of the authorised allocation of the project, whichever condition is met first.* Expenditure against FY 2014 is US\$ 836,847, representing 23.2% of budget allocation for the year. The low rate of implementation of the AWPB for FY 2014 is mainly attributed to: (i) delayed activities/procurements to be carried out later in the year; e.g. vehicles/equipment; (ii) postponement of procurements to next year due to non-completion of preparatory work; e.g. training and furniture; and (iii) postponement/cancellation of the selection of the private sector company. *It is recommended that the project update the AWPB to reflect changes encountered during implementation.* Disbursement is rated **Highly Satisfactory**.

101. **Counterpart funds.** Government counterpart fund is dedicated for payment of custom duties/VAT, agricultural insurance as well as contribution toward recurrent cost. Government contribution to date is US\$ 684,463 comprising (i) fund transfers to project account US\$ 265,343, (ii) customs duties of imported vehicles estimate at US\$ 412,245 and (iii) VAT exemption on local project procurement to US\$ 6,875. However, the amounts of customs duties have not been conveyed to the project formally; and thus are not captured on project financial reports –as part of the Government contribution. During the year 2014, the government contribution towards recurrent costs is flowing to the project on a regular basis; mainly for top-up of the project staff and operating expenses. It is worth mentioning that the agricultural insurance premium payment is to commence during the current cropping season, which is supposed to be financed through counterpart funding. The total amount of this item is US\$ 1.57 million. *The project is recommended to (i) maintain regular contact with the federal MoFNE to ensure continuous flow of counterpart fund to the project account; (ii) work with MoFNE to ensure provision of formal information/figures related to exemptions of customs duties and VAT of the project imported goods to be incorporated in the counterpart contribution.* Counterpart funding is rated **Moderately Satisfactory**.

102. **Compliance with grant covenants.** Compliance with loan covenants of the grant is rated as **Moderately Satisfactory**. The project and Recipient have complied with all Grant covenants with exception of procurement, which was rated as moderately unsatisfactory. Appendix 6 to this report shows the status of compliance with Grant covenants.

103. **Internal Audit.** As indicated in the previous supervision report, the project does not have access to an internal audit function because this was not stipulated in the Project design. Also the internal audit function in the Ministry of Agriculture and Irrigation does not conduct internal audit on any of IFAD Projects in the Sudan.

104. **Proceeds of Seeds Purchased and Distributed by the Project.** Due to delay in finding a private sector partner company the Project decided to purchase/distribute seeds to seed grower groups (SGG) within the Project targeted population. Proceeds of the sale of the seeds (SDG 313,247) thus distributed are kept in the project safe. The project is maintaining a register indicating the quantity of seeds purchased, quantities distributed, and relative proceeds of sale, as well as expenditure incurred on processing and net proceeds at hand. *The mission recommends that the project maintains separate records for the proceeds of seed transactions, conducts cash count to verify physical cash with records and deposits the respective money in the project bank account.*

105. **Audit.** The main recommendations of the audit report for FY 2012 have been adopted. The audit report for FY 2013 was submitted in July 2014 to IFAD with an unqualified opinion. This was somewhat later than the deadline required by IFAD (30 June). Also the report did not provide a separate opinion on the SOEs and Designated Account –as required by IFAD guidelines for audit purposes, although statements of the Designated Account and the SOEs are included in the financial statements. Discussion with the management team showed that audit recommendations for FY 2013 have either been or are being implemented, as reflected on the table below. Compliance with audit requirements is rated **Moderately Satisfactory**.

Agreed action	Responsibility	Agreed date
MoFNE should provide the project with the amounts of the taxes and custom exemptions so that it could be captured in the accounting system	MoFNE/FC/Accountant/PCU	Immediately/on-going
Tag asset code to respective assets	PCU/Admin. Officer	By 15 December 2014
Update/fix accounting system to ensure production of required reports. It is recommended that the project considers acquiring a properly functional accounting system.	PCU/FC/Consultant	Immediately/on-going
Follow up to ensure compliance with IFAD requirements for audit report timeliness and quality.	PCU/CCU NAC	30 June 2015 for FY 2014 audits
Follow up to ensure regular/adequate flow of counterpart fund to project account as well as obtaining information/figures on customs and VAT exemptions granted by Government/MoFNE.	PCU/CCU/MoFNE	Quarterly

106. **Procurement.** The overall compliance with procurement is rated Moderately Unsatisfactory.

107. **Procurement at the CCU level.** A significant part of project procurements is carried out following NCB and ICB procedures. All NCBs and ICBs are implemented by the Central Coordination Unit of IFAD Co-financed Project (CCU), which also carries out as well procurements for the vast majority of IFAD funded projects in Sudan. As documented in other projects supervision mission reports, positive developments have taken place at this level since the latest SDP supervision mission of September 2013. New Standard Bidding Documents (SBDs) in Arabic, developed by MoFNE, are being used for national competitive bidding (NCB) and World Bank Standard Bidding Documents in English are used for International Competitive Bidding (ICB). Standard parts of the bidding documents are being adhered to, and efforts are made to ensure evaluations are carried out according to bidding documents.

108. It has been discussed during earlier supervision missions for other IFAD projects (earlier this year) that the CCU should strengthen its procurement team with another procurement officer to allow better responding to the needs of the projects; especially new projects that are expected to start implementation in early 2015. It is strongly recommended that this new officer should be recruited through an open competitive process from the market. In August 2015, a meeting was held with the CCU senior coordinator and the three principal coordinators for all IFAD funded projects in Sudan under direct supervision by IFAD to discuss the need for channelling increased financial resources to the CCU to allow hiring an extra procurement officer for the CCU and supporting the IFAD program level new knowledge management and higher M&E functions to be carried out by the CCU. The CCU senior Coordinator was asked to prepare a full staffing plan with costs, and this is currently under preparation. It is recommended that the CCU coordinator finalises the CCU work plan and required support for endorsement by the different project coordinators. The process of recruitment of the new procurement officer should start no later than mid-November 2014 so that the post is filled by the beginning of 2015. *The mission recommends that the process of recruitment of the new procurement officer be expedited.*

109. **Procurement at the PCU level.** The PCU is responsible for procurement planning and carrying out smaller procurements (shopping and direct contracting) and selection of individual consultants (comparison of CVs and sole source selections). Procurement follow-up by IFAD in 2013 indicated that there were gaps in procurement functions at that level. Observed weaknesses included non-adequate procurement planning, noncompliance with procurement methods; etc. IFAD has discussed with the project management the need for immediate actions to improve the processes for all the projects managed by the PCU in El-Obied (WSRMP; SDP) and it was agreed then that the administrative officer will be assigned procurement functions. It was also agreed that the template for the procurement plan would be changed. In May 2014 (WSRM mission), it was agreed that a procurement consultant will be hired on short time basis to support the administrative/procurement officer initially.

110. IFAD fielded a number of missions to support the PCU in preparation of the procurement plan and number of trainings by an IFAD consultant for the project staff was carried out regarding how to

carry the procurement functions. Three staff from the PCU participated in NEN fiduciary forum in Rome where extensive procurement training was provided.

111. The mission has noticed that there are still gaps such that the administrative/procurement officer is not able to carry out the procurement function effectively because of the heavy workload. The project could not identify a suitable consultant. The project coordinator indicated that he is still carrying out most of the procurement functions. Due to his busy schedule the project has not updated the procurement plan effectively. The PCU also reported delay in carrying out small procurements. The mission and the PCU coordinator discussed possible ways to improve the current situation. *The mission recommends that: (i) the ToR of the administrative officer should be modified to include procurement functions and reduction of administrative functions; (ii) the project should hire an assistant administrative officer to free the administrative/procurement officer for the procurement functions; and (iii) a short-term consultant should be hired to support the procurement function until the end of the year to compensate for any earlier delays.*

112. **Procurement Planning.** As discussed above, the project adopted a new procurement plan template, which was filled for the first time with close support by IFAD team. Due to the staff constraints as discussed above, the PCU was only able to make one incomplete update in July, which did not include progress of on-going procurements. Some of the newer procurements were not included in the plan; even though the vast majority of these items were discussed with missions or with IFAD. However; this does not preclude the need to include them in the procurement plan. *The mission recommends that more care is given to updating the procurement plans.*

113. **Overall Progress of implementation of procurement.** Implementation of procurement is lagging mainly due to changes in plans that led to cancellation or non-completion of pre-requisite activities (preparation of designs and/or ToR). There were few cases where lack of staffing or non-agreement on procurement methods led to delays. There is a substantial number of contracts of small consultancies that are currently underway.

114. **Procurement post review.** Procurement post review, conducted on sample basis for the contracts, carried out over 2013/2014, has shown that: (i) not all procurements are included in the procurement plan even though most of these items received IFAD no objections or were agreed upon during missions; (ii) some procurements that were subject to IFAD prior review as per the procurement reviews (sole source selections of consultants) were not carried out in accordance with the prior review procedures; and (iii) procurement methods sometimes deviates from those listed in the procurement plan; for example using sole source selections rather than comparison of CVs. *The mission stressed that: (i) all procurements should be included in the procurement plan even if they receive IFAD no objection, (ii) the PCU should strictly adhere to prior review requirements; (iii) standard letter format should be used for requesting offers during the use of local shopping procedures; and (iii) strict adherence to the procurement methods in the procurement plans unless IFAD clearance is granted.*

115. **Procurement Filing.** It has been noted by the mission that the PCU keeps separate procurement files for two procurements only out of eight that were reviewed during the mission and that should have files at the PCU level. While the mission appreciates that the process has started, it is important that the PCU should complete the process. This has been hampered by the staffing constraints that are discussed in the previous paragraphs. At the PCU level, separate files are generally maintained for procurements carried out using ICB, NCB, QCBS, etc. The mission stressed that separate files be maintained by the Project to fully document procurement procedures carried out, albeit some improvement is still needed and the tasks that are usually assigned to a procurement assistant needs to be assigned to one of the CCU staff. *The mission stressed that more efforts are still needed to improve procurement related filing.*

116. **Contract Register.** The register of contracts is maintained as part of the PCU files and includes all contracts concluded at PCU. The contract register includes both contracts signed as a result of a formal procurement process, staff (non-consultants or non-service providers) and casual labours. The mission agrees to this methodology; however distinction should be made in the register between

contracts concluded due to formal procurement processes and those for personnel and casual labour. For example; no procurement methods should be listed for casual labour. The contract register is in compliance with the IFAD recommended formats.

117. The mission has rated procurement moderately unsatisfactory because of non-compliance with earlier agreed action that dedicated staff are assigned to procurement. The mission urges the project management to implement this action and others as well those listed in the Aide Mémoire.

Agreed action	Responsibility	Agreed date
Prepare a plan of requirements for procurement and other tasks for approval by the principal project	CCU senior Coordinator	Under preparation
Recruit new procurement officer and carry out tasks for program level support (effective 1 January 2015)	PCU / principal coordinator	15 November 2014
The new procurement officer signs the contract and starts supporting the projects	CCU senior coordinator	1 January, 2015
Recruit a short term procurement consultant to support procurement functions at the PCU level	PCU	7 November, 2014
Update ToR for administrative / procurement officer and recruit an assistant administrative officer to allow the administrative / procurement officer to carry out procurement functions.	SDP / principal coordinator	15 November, 2015
Update procurement plan regularly over the year and include all procurements in the procurement plan.	PCU/CCU support	Quarterly
Complete the filing process and having separate procurement files	PCU	31 December 2014
Adherence strictly to prior review procedures as stipulated in the procurement plan	PCU	immediately
Adhere to procurement methods as stipulated in the procurement plan.	PCU	immediately
Direct contracting and sole sourcing to be carried out only after obtaining IFAD prior approval –regardless of procurement threshold.	PCU/Admin. Officer	Immediately/on-going
Direct contracting and sole sourcing to be carried out only after obtaining IFAD prior approval –regardless of procurement threshold.	PCU/Admin. Officer	Immediately/on-going
Establish proper filing to document procurement procedures/processes to be kept at procurement function	PCU/Admin. Officer	Immediately/on-going

F. Sustainability

118. **Institutions building is moderately satisfactory.** The Project strengthens institutional structures at national level so that they can provide better support to the Project activities, and to the seed industry of Sudan as a whole. The main physical investment is the refurbishment and equipment of a new Central Seed Testing Laboratory in Khartoum, which will greatly improve the capability of FSA to carry out its mandate of seed quality control. Although this work has moved slowly, it is now under way; building work is finished and the equipment will be put out to tender soon. The National Seed Council, established under the Seed Act of 2010, has been very active and has initiated the process for developing a National Seed Policy, which is one of the key objectives of Component 1. ARC has a pivotal role in the seed supply system because it now has a mandate to produce foundation and registered seed of its varieties. This is a substantial expansion of its core research function and moreover, it is essential that a secure water supply is available for these important early generation crops, which should not depend solely on rainfall. To this end, the project has provided supplementary irrigation facilities for ARC land in El Obeid and this represents a significant strengthening of their capacity for seed production in North Kordofan.

119. **Empowerment is moderately satisfactory.** The project beneficiaries' empowerment has gone through important steps including the organization of the grower groups and establishing the associated development structures that have been capacitated with the needed skills and packages. A conducive seed promotion environment has been created for seed production start-up during this phase. However, some challenges attributed to inadequacy of supportive services in terms of credits

and agricultural machinery are not being addressed due to the absence of a private sector partner that could meet the demand for requisite services. At the beneficiaries' level, ground has been covered by establishing a promising background for seed production but the overall environment is challenged by absence of a clear and directive seed policy, effective seed demand and lack of support to capacitate the beneficiaries as dynamic partners of the private sector.

120. **Quality of beneficiary participation is moderately satisfactory.** The farmers engaging in the SGGs, GPGs and FFSs indicate high interest and capacity to adopt the usage of the right technical packages. Moreover, performance of the different growers groups has already encouraged many neighbours to join the adoption of improved agricultural practices. However there is still a lack of sufficient resources (labour, inputs, rural finance) to implement to requisite standards, the farmer crop and technical package related decisions are Project driven, and the Project is yet to develop a strategy to improve the target population's business skills to ensure sustainability.

121. **Responsiveness of private sector partners is unsatisfactory.** The Project has up to date not succeeded in stimulating engagement by the private sector, most notably by private seed companies and providers of rural finance. More generally, the mission observed that the Project design has not been adequate in enabling sustainable linkages with private sector actors throughout the value chain.

122. **Exit strategy (readiness and quality is unsatisfactory.** The inadequate Project approach to engage the private sector has forced the PCU to assume the role as an intermediate between seed sellers and buyers (notably SGGs and GPGs). When, upon completion, the Project will cease its support, farmers will be left without linkages to purchasers and sellers of necessary inputs and the Project's impacts will gradually evaporate. A new private sector engagement approach will have to be developed before the 2015 season and will be tested from 2015 – 2017.

123. **Potential for scaling up and replication is unsatisfactory.** The current lack of private sector engagement and sustainable links between the SGGs and GPGs in the value chain implies that a new private sector engagement should be created. By means of the instruments and mechanisms suggested in this Aide Mémoire, the potential for such sustainable linkages should be identified, then further explored, tested, validated and finally strengthened. Subsequent to this, the Project's scaling up potential can be assessed.

124. **Environmental sustainability is moderately satisfactory.** It is well known that the environmental conditions in the Project area fluctuate widely from one growing season to another. Under the prevailing conditions, the Project in partnership with ARC and extension has set a good foundation for seed production through identification of the technical packages and production methodologies and practices. There are some complementary activities such as participatory research, which can be utilized in the selection of more varieties for multiplication to meet any created demand for seeds. The ARC has sufficient land and supplementary irrigation facilities and is committed to provide the mandated breeder, foundation and registered seeds.

G. Impact

125. The Project development objective is to increase the adoption of certified and improved seeds and thus promote the Project goal to improve food security, expected to increase agricultural production and farm incomes through the use of certified seeds and in this way it would generate employment on smallholder seed farms. The establishment of an organized seed production, processing, marketing and distribution system will also provide a sound foundation for future expansion of the seed industry in the dryland areas.

- a) Some essential infrastructure has been founded to facilitate progress in the implementation of the project interventions and activities. Reasonably good established and equipped/capacitated extension teams, technical structures and engagement of targeted beneficiaries are now fully functioning despite the absence of a supportive policy environment and lack of private sector engagement.

- b) Real investment and capitalization on project interventions is at the earliest stage and the project is not mature yet to have produced relevant outcomes, apart from promising yield increases when comparing SGGs to neighbouring farmers not connected to the Project.
- c) There is a wide acceptance to the use of the certified seeds in the area because of the tangible results obtained from the demonstrations as production under unstable environmental conditions increased up to 100%.
- d) Increased food crop production is a safeguard for food security and feedback from the communities indicated a growing demand for certified seeds. Moreover, inclusion of cash crops in the cropping pattern is an expanded opportunity for seed growers to generate more income.
- e) The policy environment is not favourable to the seed industry and more efforts should be made to ensure proper implementation of the regulatory measures and procedures to ensure quality throughout the seed production and marketing chain.

H. Conclusion

126. The mission observed that several key concepts of the current Project design are not effective. These include the absence of a functional private sector engagement strategy for creating sustainable markets for certified and improved seed; weak mechanisms for engagement of actors along the value chain with SGGs and GPGs; and insufficient empowerment of SGGs and GPGs to act as partners within the seed value chain. The Project approach needs to be revised and a number of initial key actions need to be undertaken for the Project to embark on a sustainable development path:

- (a) **Engagement with the private sector.** Revise the current Project approach to engage with the private sector. This includes abandoning the requirement that the PSCs be required to purchase and sell seeds locally. Rather, the Project will partner with seed companies to create demand for improved varieties, and explore opportunities throughout the value chain for sustainable partnerships between SGGs, GPGs, private seed companies, finance providers and input suppliers.
- (b) **Seed growers.** To strengthen seed production in the project area, (i) commission studies to identify sites suitable for successful seed production that are not susceptible to adverse weather events for establishment of future SGGs, and (ii) enable medium-sized farmers with suitable plots and skills for seed growing, to join the Project on a pilot basis.
- (c) **Rural Finance.** To start the lending operations in the Project area, support ABSUMI to start normal savings and credit activities in SDP villages through SCGs, and restructure SGGs and GPGs to make them compatible with ABSUMI seasonal loan guidelines. Likewise, in South Kordofan, support and improve coordination with Bara'ah and develop a joint credit outreach plan for the SDP villages.
- (d) **Value chain studies.** Commission value chain studies to identify key value chain actors, marketing and supply channels and financial institutions that will help to enhance the Project's capacity to explore opportunities and sustainably links between SGGs and GPGs with the private sector.
- (e) **Strengthen Project Management.** Strengthen the PCU with a PPP consultant who will oversee the commissioning of the value chain study, identify opportunities and engage with private sector actors, and support the Project in negotiating the terms for the Project's engagement with private sector actors. Strengthen the extension teams to increase the capacity of the SGGs and GPGs for farming as a business.
- (f) **Launch a mission to revise Project design.** Launch a joint IFAD and Government of The Sudan mission in early 2015 to revise the Project design following recruitment of the PPP consultant.

127. The Government of The Sudan and IFAD endorse the findings of this Mid-term Review Mission.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Sudan			Project ID	1612	Loan/DSF Grant No.	8094
Project	Seed Development Project					Top-up Loan/DSF Grant	
Date of Update	30-Nov-2014						
Supervising Inst.	IFAD/IFAD						
No. of Supervisions	2	No. of Implementation Support/Follow-up missions	2				
Last Supervision	30 Oct 2014	Last Implementation Support/Follow-up mission	13-29 Oct 2014				

					US\$ million	Disb. rate %
Approval	13-Dec-2011			Total financing	17.46	22.2
Agreement	24-Feb-2012	Effectiveness lag	2.4	IFAD Total	10.07	37.3
Entry into force	24-Feb-2012	PAR value	-----	IFAD loan		
First disbursement	23-Oct-2012			DSF grant	10.07	37.3
MTR		Last amendment		IFAD grant		
Original completion	31-Mar-2018	Last audit	6 Jul 2014	Domestic Total	7.39	1.7
Current completion	31-Mar-2018			Beneficiaries	2.57	2.57
Original closing	30-Sep-2018			Government (National)	3.42	1.40
Current closing	30-Sep-2018			Private Sector Local	1.40	3.42
No. of extensions	0			External Cofinancing Total		

Project Performance Ratings

B.1 Fiduciary Aspects	Last	Current	B.2 Project implementation progress	Last	Current
1. Quality of financial management	4	4	1. Quality of project management	4	4
2. Acceptable disbursement rate	4	6	2. Performance of M&E	3	5
3. Counterpart funds	3	4	3. Coherence between AWPB & implementation	4	4
4. Compliance with financing covenants	4	4	4. Gender focus	4	5
5. Compliance with procurement	2	3	5. Poverty focus	4	4
6. Quality and timeliness of audits	3	4	6. Effectiveness of targeting approach	4	5
			7. Innovation and learning	3	3
			8. Climate and environment focus	4	4
B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Institutional and Regulatory Environment	4	4	1. Institution building (organizations, etc.)	4	4
2. Seed Production System	3	3	2. Empowerment	4	4
3. Seed Market Development	3	2	3. Quality of beneficiary participation	4	4
4. Project Management and Coordination	4	4	4. Responsiveness of service providers	4	2
			5. Exit strategy (readiness and quality)	4	2
			6. Potential for scaling up and replication	4	2

B.5 Justification of ratings

Disbursement rate (6): Disbursement of the SDP Grant DSF-8094-SD up to September 2014 is SDR 2,425,962, including the initial advance and withdrawal applications yet to be processed. This represents 38% of the total financing provided by IFAD. **Counterpart funds** (4): During the year 2014, the government contribution towards recurrent costs has flowed to the project mostly on a regular basis. **Audits** (4): The main recommendations of the audit report for FY 2012 have been adopted. The audit report for FY 2013 was submitted in July 2014 to IFAD with an unqualified opinion. This was somewhat later than the deadline required by IFAD (30 June). Also the report did not provide a separate opinion on the SOEs and Designated Account –as required by IFAD guidelines for audit purposes, although statements of the Designated Account and the SOEs are included in the financial statements. **Procurement** (3): As documented in other project supervision mission reports, positive developments have taken place at this level since the latest SDP supervision mission of September 2013. New Standard Bidding Documents (SBDs) in Arabic are being used, standard parts of the bidding documents are being adhered to, and efforts are made to ensure evaluations are carried out according to bidding documents. **Performance of M&E** (5): The M&E system is properly used for planning and management purposes at all stages of the implementation, and comprises all aspects of physical outputs and outreach. **Gender focus** (5): the project was able to ensure adequate representation of women and youth in the project beneficiaries' structural set-up. **Effectiveness of targeting** (5): Targeting in the project is successfully leveraging previous experience of IFAD projects to target farmers interest to participate in the seed value chain. **Seed Market development** (2) is unsatisfactory due to poor engagement of the private sector. **Responsiveness of service providers** (2) is unsatisfactory as the private sector actors have not been responding to the project's initiatives for engagement. **Exit strategy** (2). The current design is not conducive to a sustainable exit as the PCU is in the absence of private sector response – engaging with the beneficiaries and purchasing their output. For the same reason, **potential for scaling up** of the current design is rated at 2.

Overall Assessment and Risk Profile

	Last	Current
C.1 Physical/financial assets	4	4
C.2 Food security	4	4
C.3 Quality of natural asset improvement and climate resilience	4	4
C.4 Overall implementation progress (Sections B1 and B2)	3	3

Rationale for implementation progress rating

The low project performance rating is a consequence of many factors, chief of which is the failing project strategy to engage with the private sector, notably the private seed companies. Other contributory factors is the slow progress in rural finance, and the low sustainability of the seed growers' groups..

C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	3
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Rationale for development objectives rating

Under the initial design, the project would have low chances to attain the development objectives due to its low potential to attract the interest of the private sector. However, the MTR identified opportunities to engage with the private sector and revised the design accordingly. The follow up mission scheduled for February 2015 will be able to assess whether the new approach has potential to create the intended positive dynamics for the seed value chain.

C.6 Risks Short description of major risks for each section and their impact on achievement of development objectives and sustainability	
Fiduciary aspects	Procurement follow-up by IFAD in 2013 indicated that there were gaps in procurement functions at PCU level. Observed weaknesses included non-adequate procurement planning, noncompliance with procurement methods; etc. Some weaknesses still remain due to the overload on the procurement officer.
Project implementation progress	Slow start up of rural finance operations. The capacity of the PCU to stimulate take-off in the project region of ABSUMI and Baraa'ah operations remains yet to be proven.
Outputs and outcomes	There is a risk of willingness by PSC's to engage in the groundnut and sesame value chain. This will be mitigated by engaging with rural finance providers who are purchasers of seed for purposes of their lending operations.
Sustainability	Lack of private sector engagement in the value chain may lead to insufficient demand for farmer output in terms of seed.

Proposed Follow-up

Issue / Problem	Recommended Action	Timing	Status
Engagement with the private sector	Revise the current Project approach to engage with the private sector. This includes abandoning the requirement that the PSCs be required to purchase and sell seeds locally. Rather, the Project will partner with seed companies to create demand for improved varieties, and explore opportunities throughout the value chain for sustainable partnerships between SGGs, GPGs, private seed companies, finance providers and input suppliers		
Seed growers	To strengthen seed production in the project area, i) commission studies to identify sites suitable for successful seed production that are not susceptible to adverse weather events for establishment of future SGGs, and ii) enable medium-sized farmers with suitable plots and skills for seed growing, to join the Project on a pilot basis.		
Rural Finance	To start the lending operations in the Project area, support ABSUMI to start normal savings and credit activities in SDP villages through SCGs, and restructure SGGs and GPGs to make them compatible with ABSUMI seasonal loan guidelines. Likewise, in South Kordofan, support and improve coordination with Bara'ah and develop a joint credit outreach plan for the SDP villages.		
Value chain studies	Commission value chain studies to identify key value chain actors, marketing and supply channels and financial institutions that will help to enhance the Project's capacity to explore opportunities and sustainably links between SGGs and GPGs with the private sector.		
Strengthen Project Management	Strengthen the PCU with a PPP consultant who will oversee the commissioning of the value chain study, identify opportunities and engage with private sector actors, and support the Project in negotiating the terms for the Project's engagement with private sector actors. Strengthen the extension teams to increase the capacity of the SGGs and GPGs for farming as a business.		
Launch a mission to revise Project design	Launch a joint IFAD and Government of The Sudan mission in early 2015 to revise the Project design following recruitment of the PPP consultant.		

Additional observations

Revisions to the Project approach are necessary in order to embark on a sustainable development path. The MTR missions proposed modifications do not significantly change the nature of the Project. However, they require a markedly higher understanding and capacity by the Project management to interact with the private sector.

Appendix 2: Updated logical framework: Progress against objectives, outcomes and outputs

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Goal:			
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	<ul style="list-style-type: none"> Prevalence of malnutrition in children under age of five years reduced : rate reduced from 3% to 2% (RIMS) Improved food security: food insecurity reduced from 55% to 40%.(RIMS) Increase in HH asset index: production 5 fed in qoz soils, 3 fed in gardud soils and 10 fed in clay soils doubles. 	<ul style="list-style-type: none"> RIMS baseline survey and impact survey Anthropometric and UNICEF periodic surveys Official government statistical yearbooks; censuses HH income and expenditure surveys 	<ul style="list-style-type: none"> Macro-economic stability Contained insecurity events
Project Development Objective			
Increased crop productivity for about 100,000 smallholders using certified and improved seeds in North and South Kordofan	<ul style="list-style-type: none"> 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. 70,000 smallholder men and 30,000 smallholder women reporting increase in yields for all crops disaggregated by gender (RIMS) 	<ul style="list-style-type: none"> Baseline survey, Mid Term Review (MTR) and completion assessments Ministry of Agriculture crop cutting surveys and annual crop assessment Agricultural Research Corporation (ARC) and Federal Seed Administration (FSA) reports 	Expanding access to input suppliers, extension advisory services, credit and insurance
Component 1 – Strengthening and Development of Institutional and Regulatory Environment			
Outcome: Conducive policy and institutional environment for the seed industry in place	<ul style="list-style-type: none"> By laws of Seed Act 2010 in place by mid-2012 and fully enforced by 2012 Operational self-sufficiency for FSA by 2014 (RIMS) 	<ul style="list-style-type: none"> Client survey Institutional performance assessment Record on law enforcement 	<ul style="list-style-type: none"> FSA operates in an autonomous way Government phases out distribution of free or subsidized seeds Seed policy for the UN agencies operating in Sudan is harmonized
Outputs: 1.1 Plant variety protection legislation drafted, approved and enforced. 1.2 Federal Seed Administration (FSA) is capacitated to effectively monitor the multiplication and certification standards. 1.3 Multi-stakeholder policy dialogue, with participation from youth and women in seed sector is established.	<ul style="list-style-type: none"> PVP legislation promulgated by end 2012. 70 FSA staff and extension agents trained (RIMS), 30% women 1 central laboratory at the Federal level accredited to the International Seed Testing Association (ISTA) standards by 2014. 2 laboratories established and equipped in North and South Kordofan States. Bi-annual forums convened regularly from 2012 at National and State levels. At least 50 persons attend each multi-stakeholder forum. 	<ul style="list-style-type: none"> Legislation document Federal 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 National seed policy document Proceedings of bi-annual meetings 	<ul style="list-style-type: none"> Seed Council is timely appointed by the Government (target date: end 2011).

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Component 2 - Improvement of the Seed Production System			
Outcome: An economically viable seed production system that meets farmers' expectations and demands in place	<ul style="list-style-type: none"> 8 SGG operational in 2014 4 medium sized farmers operational in 2017 All seed growers selling to private sector Cash returns per seed growing Hhd reach SDG1700/Hhd/yr in 2014 and SDG 2800/Hhd/ yr in 2017) 	<ul style="list-style-type: none"> Surveys at MTR and completion 	Interest of the seed companies to develop seed retail market for smallholders
Outputs 2.1 ARC capacitated for implementation of participatory breeding research	<ul style="list-style-type: none"> Appropriate sorghum seed variety and cultivation practices for gardud soils tested and ready for dissemination by 2014 At least 1 new variety of millet in NK, and sesame for NK and SK Number of participatory research committees in place for ARC stations in El Obeid and Kadugli. 	<ul style="list-style-type: none"> ARC reports on number of varieties released per year and maintenance record of released varieties 	Procedures for ARC-ASARECA collaboration timely implemented
2.2 High quality and sufficient quantity of breeder/foundation/registered seeds produced by Agricultural Research Corporation (ARC).	<ul style="list-style-type: none"> Production of 23 MT of registered seeds in 2012, 90 MT of registered seeds produced for 2013 and 2014. 	<ul style="list-style-type: none"> ARC activity report on breeder/foundation/registered seed production statistics for the two States; frequency of varietal replacement in the national varietal catalogue; record of national seed standards in project years 	ARC adequately equipped to produce sufficient quantities of breeder & foundation/registered seed
2.3 The extension system is strengthened to support target seed producer enterprises.	<ul style="list-style-type: none"> 30 men and 15 women extension agents trained on seed production and marketing one operational/field manual developed and distributed to all seed growers 	<ul style="list-style-type: none"> Project monitoring reports 	Sufficient human resources for two 4 member team mobilized
2.4 Seed growers are enabled to produce certified seeds of improved and traditional varieties.	<ul style="list-style-type: none"> 400 MT of certified seeds produced by 2014, and 2500 MT produced by 2017 100 women and 220 men accessing advisory services for seed production by 2014 	<ul style="list-style-type: none"> Baseline survey, MTR and completion assessments Project monitoring reports on quantity and quality of seed produced by groups in project years 	SGGs are established in sustainable conditions
2.5 Private sector value chain actors engaged in project to buy and sell certified and improved seed	<ul style="list-style-type: none"> Private sector value chain actors purchase 90% of seed produced by seed growers by 2018 	<ul style="list-style-type: none"> Project monitoring reports 	
Component 3 - Support Seed Market Development			
Outcome: Improved seed supply system with improved market delivery mechanisms in place.	<ul style="list-style-type: none"> 105 000 fed cultivated with certified and improved seeds in the project area in 2014; 690 000 fed in 2017 and 1 million by 2018 (RIMS) 10 500 farmers use certified and/or improved seeds and SWC by 2014 in project area and 69 000 farmers by 2017; 30% women (RIMS) 	<ul style="list-style-type: none"> Baseline survey, MTR and completion assessments 	Seed companies able to mobilize SDG 6 million for scaling up phase

Narrative Summary	Key Performance Indicators	Means of Verification	Assumptions (A) / Risks (R)
Outputs			
3.1 Marketing of certified seeds to smallholder producers established	<ul style="list-style-type: none"> Number of farmers reached through the PSC marketing: 10 500 in 2014 and 69 000 in 2017 ; with 30% women 	<ul style="list-style-type: none"> Seed company reports Client survey for farmers 	Farmers satisfied with quality of seeds provided by licensed seed agents
3.2 Farmers empowered to use certified and improved seeds and improved techniques.	<ul style="list-style-type: none"> Demand for certified and improved seeds reaches at least 300 MT in 2014 and at least 2200 MT in 2017 	<ul style="list-style-type: none"> Baseline survey, MTR and completion assessments 	Farmers access to credit and insurance facilitate purchase of certified seeds

Appendix 3: Summary of key actions to be taken within agreed timeframes

Action Area	Agreed actions	Responsibility	Agreed date	Progress
Component 1	Continue development of a National Seed Policy through consultation with stakeholders in a second national seed forum; prepare the final policy document for ratification by Government.	PCU/SCUs/NSC/State & Local Governments	By 15 March 2015	
	a) Assist the government to implement plant variety protection legislation for the domestic seed industry and b) advise on the preparation of a new PVP which will enable Sudan to apply for UPOV membership.	PCU//NSC/FSA/MoA	By 15 December 2014	
		PCU/IFAD	15 March 2015	
	Finalize the bidding document(s) with proper lotting. Issue the bidding documents using the right procedures	CCU/PCU/IFAD	Immediate/continuing	
Component 2 - ARC	Reactivate high-level discussions with MoA to find a long term solution for seed quality control within SDP which makes full use of staff based in Kordofan, in collaboration with FSA	PCU /PCC/NSC/FSA/	Immediate	
	Distribute the report on participatory research results so the evaluation criteria, particularly including gender specific indicators, and research results can be evaluated	ARC	1 April 2015	
	Produce an operations manual detailing their participatory approaches, including criteria to be used with communities to evaluate the trails	ARC	15 March 2015	
	Specification for seed processing equipment to be provided to SDP so procurement can be initiated	ARC	15 December 2014	
	Submit a request for a consultant to support them in additional training in participatory research approaches	ARC	Immediate	
	Introduce and demonstrate animal drawn and hand drawn implements for planting and weeding.	ARC	30 June 2015	
	Study tour for two members of ARC to India to learn more about participatory research for target crops.	IFAD/PCU	By 1 February 2014	
Component 2 - SGGs	Carry out an adoption survey among SGGs and GPGs	the state focal units, extension departments	15 January 2015	
	Prepare and distribute the operational field manual to all seed grower groups	PCU, Focal point, ex. Dept.	15 March 2015	

Component 3 - PSC	ARC staff will participate actively in the training of extension teams and in the preparation of materials for Farmer Field Schools	Extension dept. Focal unit, sub- teams	1 April 2015
	Farmer Field Schools will be reduced to meetings every two weeks	The extension dept. The focal unit, the sub teams	1 April 2015
	Production data of the demonstration plots to be recorded for this season	The extension dept. The focal unit, the sub teams	15 April 2015
	An annual diagnostic survey will be conducted to measure rate of adoption and constraints encountered in the application and use of the technical packages.	The extension dept. The focal unit, the sub teams	30 April 2015
	WSRMP rural finance and marketing officers at the State level will support the sub- teams to provide the SGGs with advice regarding rural finance to strengthen the sub-team in this area.	The extension dept. The focal unit, the sub teams	1 April 2015
	MoAI media and information centre will develop a media strategy for diffusing messages about certified seed and to stimulate demand.	The extension dept. The focal unit, the sub teams	Immediately
	Modify SGG and GPG structures to include a business chair/manager who may not be a farmer.	PCU, FSUs; sub teams, MDEts	15 December 2014 for PCU FAAB consultant
	Withdraw the SDP from any direct value chain activities such as input provision, financing, or purchases after 2014 commitments have been met, and communicate this clearly to the SGGs and GPGs and other partners.	PCC, PCU, sub teams, MDEts	Immediate
	Engage with PSCs to develop demand-creation based PPPs focused on the group demonstration plots (SDP with IFAD support, by Mar 14): produce a project map showing current and planned SGGs and GGGs to provide to PSCs and ISECs for partnership planning purposes by end Nov 14; enter into one or more PPPs or partnerships with PSCs for the next planting season.	PCU, sub teams, MDEts	15 Mar 2015
	Include pearl millet as one of the crops to be promoted, and included in the demonstration plot PPPs described above, after interest by PSCs has been confirmed	SDP	15 Nov 2014
	Introduce the Farming as a Business concept in the project strategy and staffing, group extension materials services and group structures and membership.	PCU, FSUs; sub teams, MDEts	15 Dec 2014
	Incorporate FAAB concepts in Extension materials and methods by adaptation of internationally tested materials and methods	PCU, FSUs; sub teams, MDEts	15 Dec 2014

Component 3 - GPGs	Draft TORs and commission value chain studies of the key SDP commercial crops of sorghum, groundnut, sesame, and pearl millet.	PCU	VC studies completed by 1 Apr 2015,
	Organize Value Chain workshops with broad stakeholder participation to disseminate and ground-truth findings, and lay out next steps.	PCU	1 May 2015
	Facilitate financing and marketing options for seed and grain and grain marketing	PCU, FSUs; sub teams, MDETs	Ongoing
	Pursue ABS Input finance/marketing opportunity for the 2014 crop, based on a specific request made by the ABS Kordofan region management during the MTR to link SGG groundnut and sesame seed production to the ABS input financing programme, which may also be facilitated by the Connecting Farmers to Markets program.	PCU	Contact ABS GM 30 October 2014
	Facilitate PSC sorghum and millet breeding activities oriented towards crops with potential for rain fed small scale farmers.	PCU, ARC	15 Nov 2014
	Involve PSCs in the design and implementation of SDP participatory research (SDP, immediate).	PCU, ARC	15 Nov 2014
	Commission a study and workshop that consolidates and disseminates key information on Sudan sorghum and millet varieties.	PCU	15 Nov 2014
	Revise the training needs assessment study to see the adequacy of capacity building plan designed, based on that revisions develop a comprehensive training plan for the next three years.	PCU, the focal unit, ext,Dep.	Immediately
	Prioritize the training needed along with the project activities.	Extension dep. (contacting training institution); ext. training officer (implementation of the training plan)	Immediately
	Production data of the demonstration plots to be recorded for this season.	Focal unit, MDET	Immediately after harvesting

	Contact farmers should conduct a harvest day at their plots.	Ex.dept. focal unit, MDET	During harvesting
Component 3 – Rural Finance	Sign MoU between SDP and ABS with the following salient points a) ABSUMI will disburse 7,800 seasonal agricultural loans amounting to SDG 9.8 million (US\$1.7 million) in three years to the restructured SDP groups. b) ABS will be responsible for mobilising SDG 5.3 million (US\$ 0.97 million) as credit funds for meeting the disbursement needs from its own funds or from partners such as CBS. c) SDP will allocate US\$ 0.5 million to support the establishment of two more ABSUMI units in Abu Gubeiha and Al Rahad. d) Arrangement of temporary vehicles by SDP and ABS to support the new units till procurement of dedicated vehicles and equipment are completed.	ABS and SDP with IFAD facilitation where needed	Immediate
	Expedite the procurement process for supporting the ABSUMI Sheikan Unit	SDP	Immediate
	Coordinate with Bara'ah to develop Bara'ah credit outreach plan in SDP villages in Abassiya Locality and later in Abu Gubeiha locality once Bara'ah gets license to operate in Abu Gubeiha. Supply temporary vehicles to Bara'ah to achieve outreach target. Include Bara'ah staff in training, capacity building and exposure trips.	SDP	15 March 2015
	Form women's savings and credit groups in the SDP villages. Encourage SCGs to invest internal funds in GPG/SGGs.	SDP	Start 1 Nov 2014
	Start normal ABSUMI savings and credit activities in SDP villages through SCGs.	ABSUMI	1 Dec 14
	Restructure SGGs, GPGs to make them compatible with ABSUMI seasonal loan guidelines	SDP	Start in Nov 2014
	Start savings linkage to the restructured SDP groups	ABSUMI	1 Jan 15
	Disburse seasonal loans to seeds groups	ABSUMI	July-Aug 2015
	Enable insurance support to ABSUMI portfolio	SDP	July-Aug 2015
	Deploy rural finance manager	SDP	15 Dec 14

Project Management	Form two separate coordination committees: one for SDP and another for WSRMP and the ABSUMI Grant, with a composition and specialisation that matches the requirements of each project.	PCC	Immediate
	Complement PCU staffing with a Rural Finance Specialist, Accountant and Administrative Assistant, while the current Administrative Assistant would be upgraded to Procurement Officer.	PCU	Immediate
	Recruit a PPP consultant on a retainer basis, through sole sourcing, to support the project to i) oversee the value chain study; ii) engage with private sector actors; and iii) identify opportunities and support the Project coordinator in negotiating the terms for the Project's engagement with private sector actors. Complement with allocation for international consultancy to support the PPP.	PCU	Immediate
M&E	Commence work to define outcome indicators for inclusion in the 2014 RIMS report.	PCU	Immediate
	Monitor seed adoption rate through informal distribution channels, and yield increases in comparison to farmers not adopting improved varieties and agricultural practices.	PCU	Immediate
	Develop the Seed Market Database.	PCU	Upon entry on duty of the M&E officer in early 2015
	Develop a data collection form for capturing details of the seed buyer (incl. name, sex, age, village, crop, variety, amount bought) for use of the M&E responsible of the sub teams.	the M&E officers/PCU and SCU should	Upon entry on duty of the M&E officer in early 2015
	Project to conduct a training need assessment for women with the purpose of identifying thematic areas for capacity building of women to enhance their involvement in decision making and leadership	PCU, Women development Officer and Extension teams	Immediately
	Project M&E should develop suitable format and indicators to the economic returns for women involved in the seed production in a gender sensitive manner.	Project M&E and women development Officer	Immediate

Financial Management	The project to hire a consultant to give advice on how youth can be absorbed within the project activities and structures	PCU	15 December 2014
	Climate change parameters should be integrated in the project M&E system for data processing	PCU, M&E	Immediately
	MoFNE should provide the project with the amounts of the taxes and custom exemptions so that it could be captured in the accounting system	MoFNE/ FC/ Accountant / PCU	Immediately/on-going
	Tag asset code to respective assets	PCU/Admin. Officer	By 15 December 2014
	Update/fix accounting system to ensure production of required reports. It is recommended that the project considers acquiring a properly functional accounting system.	PCU / FC/ Consultant	Immediately/on-going
	Follow up to ensure compliance with IFAD requirements for audit report timeliness and quality.	PCU/ CCU / NAC	30 June 2015 for FY 2014 audits
	Follow up to ensure regular/adequate flow of counterpart fund to project account as well as obtaining information/figures on customs and VAT exemptions granted by Government/MoFNE.	PCU/ CCU / MoFNE	Quarterly
Procurement	The CCU should prepare a plan of requirements for procurement and other tasks for approval by the principal project	CCU senior Coordinator	Under preparation
	The PCU increases support to the PCU to be able to recruit new procurement officer and carry out tasks for program level support (effective 1 January 2015)	SDP / WSRMP principal coordinator	15 November 2014
	The CCU starts recruitment of new procurement officer	CCU senior Coordinator	15 November, 2014
	The new procurement officer signs the contract and starts supporting the projects	CCU senior coordinator	1 January, 2015
	Recruit a short term procurement consultant to support procurement functions at the PCU level	PCU	7 November, 2014
	Update ToR for administrative / procurement officer and recruit an assistant administrative officer to allow the administrative / procurement officer to carry out procurement functions.	SDP / WSRMP coordinator	15 November, 2015

Update procurement plan regularly over the year and include all procurements in the procurement plan.	PCU/CCU support	Quarterly
Complete the filing process and having separate procurement files	PCU	31 December 2014
Strict adherence to prior review procedures as stipulated in the procurement plan	PCU	immediately
Strict adherence to procurement methods as stipulated in the procurement plan.	PCU	immediately
Direct contracting and sole sourcing should be carried out only after obtaining IFAD prior approval –regardless of procurement threshold.	PCU/Admin. Officer	Immediately/on-going
Direct contracting and sole sourcing should be carried out only after obtaining IFAD prior approval –regardless of procurement threshold.	PCU/Admin. Officer	Immediately/on-going
Establish proper filing to document procurement procedures/processes to be kept at procurement function	PCU/Admin. Officer	Immediately/on-going

Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Institutional support	Unit	AWPB 2013	Actual 2013	%	Total Progress 2013	%
Government officials and staff trained- agricultural extension/technology(men)	number	4	2	50%	2	4%
Government officials and staff trained- agricultural extension/technology(women)	number	5	2	40%	2	8%
Government officials and staff trained- agricultural extension/technology(men/women)	number			0	0	0
Other productive infrastructure constructed/rehabilitated	number	3	2	67%	2	67%
Seed production/multiplication						
Agricultural/livestock production groups formed/strengthened	number	6	6	100%	6	19%
People in agricultural/livestock production groups(men)	number	168	153	91%	153	17%
People in agricultural/livestock production groups(women)	number	72	90	125%	90	23%
People in agricultural/livestock production groups(men/women)	number			0	0	0
People trained in crop production practices and technologies- seeds(men)	number	168	89	53%	89	10%
People trained in crop production practices and technologies- seeds(women)	number	72	49	68%	49	13%
People trained in crop production practices and technologies- seeds(men/women)	number			0	0	0
Staff of service providers trained- research(men)	number	15	12	80%	12	30%
Staff of service providers trained- research(women)	number	10	8	80%	8	53%

Sudan
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Appendix 4: Physical progress measured against AWP&B, including RIMS indicators

Institutional support	Unit	AWPB 2013	Actual 2013	%	Total Progress 2013	%
Staff of service providers trained- research(men/women)	number		0		0	0
Marketing inputs/outputs						
Marketing groups formed/strengthened- crops	number	220	102	46%	102	46%
Marketing groups with women in leadership positions	number		0		0	0
People accessing facilitated advisory services(men)	number	3500	3241	93%	3241	11%
People accessing facilitated advisory services(women)	number	2000	1654	83%	1654	13%
People accessing facilitated advisory services(men/women)	number		0		0	0
People in marketing groups formed/strengthened(men)	number	3500	3241	93%	3241	11%
People in marketing groups formed/strengthened(women)	number	2000	1654	83%	1654	13%
People in marketing groups formed/strengthened(men/women)	number		0		0	0
People trained in post-production, processing and marketing(men)	number	0	0	0	0	0%
People trained in post-production, processing and marketing(women)	number	0	0	0	0	0%
People trained in post-production, processing and marketing(men/women)	number		0		0	0
Outreach indicators						
Communities receiving project services	number	110	105	95%	105	48%
Households receiving project services	number	11000	5049	46%	5049	21%
Individuals receiving project services(men)	number	36000	15582	43%	15582	21%
Individuals receiving project services(women)	number	33000	16218	49%	16218	25%

Appendix 5: Financial: Actual financial performance by financier; by component and disbursements by category

Table 5A: Financial performance by financier

Financier	Appraisal (US\$ '000)	Disbursements (US\$ '000)	Per cent disbursed
IFAD loan			
IFAD grant	10,070	3,755	37.4
Co-financier		0	
Government	3,420	129	3.0
Domestic ¹	3,970	0	0.0
Total	17,460	3,884	22.2

¹ Domestic includes private sector and seeds growers groups.

Table 5B: Financial performance by financier by component (US\$ '000)

Component	IFAD loan			IFAD grant			Co-financier			Government			Domestic 1			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
Institutional and Regulatory Environment Strengthening				1,320	409	31.0				0	8	0.0	0	0		1,320	417	31.6
Improvement of Seeds Production System				1,340	646	48.2				0	24	0.0	1,029	0		2,369	670	28.3
Seeds Market Development Support				4,020	625	15.5				1,570	32	2.0	2,941	0		8,531	657	7.7
Project Coordination and Management				3,390	723	21.3				1,850	65	3.5	0	0		5,240	788	15.0
Initial Deposit					1,352	0.0											1,352	0.0
Total				10,070	3,755	37.3				3,420	129	4.0	3,970	0		17,460	3,884	22.2

¹ Domestic includes private sector and seeds growers groups.

Table 5C: IFAD loan disbursements (SDR, as at SDR, as at 30/09/2014)

	Category description	Original Allocation	Revised Allocation	Disbursement	W/A pending	Balance	Per cent disbursed
I	Civil Works	150,000	150,000	99,482	10,496	40,022	73.3
II	Fund	330,000	330,000	37,592	21,851	270,557	18.0
III	Vehicles	550,000	550,000	353,022	0	196,978	64.2
IV	Equipment	760,000	760,000	150,743	60,082	549,175	27.7
V	Technical Assistance						
a.	International TA	220,000	220,000	0	0	220,000	0.0
b.	National TA	1,100,000	1,100,000	111,598	100,635	887,767	19.3
VI	Training	1,800,000	1,800,000	137,984	138,118	1,523,898	15.3
VII	Contracted Services	210,000	210,000	68,832	53,146	88,022	58.1
VIII	Recurrent Costs	630,000	630,000	122,761	80,811	426,428	32.3
	Unallocated	600,000	600,000		0	600,000	0.0
	Initial deposit			878,809	0	(878,809)	0.0
	Total	6,350,000	6,350,000	1,960,823	465,139	3,924,038	38.2

Table: 5D Summary of Proposed Annual Budget by Category for Year 2014 (Amount in US\$)

Category Code	Category Description	IFAD 2014	Government 2014	Domestic ¹ 2014	Project Total
I	Civil Works	63,509	0	0	63,509
II	Fund	245,491	26,193	131, 579	403,263
III	Vehicle	157,895	0	0	157,895
IV	Equipment	761,663	0	0	761,663
V. a	Technical Assistance – International	150,000			150,000
V. b	Technical Assistance – National	380,531			380,531
VI	Training	722,860			722,860
VII	Contracted Services	130,895			130,895
VIII	Recurrent Costs	292,505	549,684	0	842,189
	Total	2,905,349	575,877	131,579	3,612,805

Table 5E: Summary of Proposed Annual Budget Year 2014 by Component (US\$)				
#	Component	IFAD	Federal GOS	Domestic ¹
		2014	2014	2014
1	Institutional and Regulatory Environment Strengthening	633,972	0	0
2	Improvement of Seeds Production System	738,439	0	0
3	Seeds Market Development Support	876,295	26,193	131,579
4	Project Coordination and Management	656,643	549,684	0
	Total	2,905,349	575,877	131,579

Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due Date	Compliance Status/Date	Remarks
Section B.3 and 4	The PCU shall open and maintain a designated account in Euro for the initial advance and also a project account in local currency.	At the project start	Complied with	Both the designated account and project operating are opened and maintained
Section B.5	GOS is to provide counterpart financing to the project equivalent to US\$ 3.42 million. This is to cover: duties and taxes US\$ 1.46 million; insurance premium US\$ 1.57 million, following GOS policy; and contribution to recurrent costs US\$ 0.39 million		Complied with	GOS is fulfilling its commitment regarding duties and VAT as well as contribution toward recurrent cost. However, insurance premium is yet to be covered –as respective activities have not yet materialized.
Schedule 1, Para 7	The project shall be managed by the PCU of WSRMP. The composition of the PCU will be expanded to reflect the technical and financial expertise required to implement the project. The composition of the PCU will be detailed in PIM.		Complied with	WSRMP PCU is managing the project and composition thereof is detailed in SDP PIM
Schedule 1, Para 9	Project AWPB shall be prepared at locality level at the 3 rd quarter of each year for the following year. The project AWPB shall submitted for IFAD no objection in November of each year		Complied with	The project prepares and submits AWPB annual on schedule. In FY 2014 AWPB was submitted late as all projects had to adopted a newly introduced procurement plan template
Schedule 1, Para 10	The M & E system of WSRMP shall be expanded to incorporate the project. The M & E system shall be elaborated in the PIM		Complied with	The M & E system is fully in place; reporting channeled from CDC to LET team leader, to state focal point M & E and then to PCU for compilation and consolidation. BLS, and RIMS surveys have already been carried out.
Schedule 1, Para 11	The project implementation manual (PIM) shall be formulated, validated by the national and state government levels and submitted to IFAD for no objection within 6 months from the date of entry into force		Complied with	The PIM draft has been approved by IFAD. The manual has been distributed to different project implementation partners and is now being used in the daily project operations. However, the intended launching workshop was not held
GC, Section 7.05	Procurement of goods, works and services shall be carried out in accordance with the provisions of Recipient's procurement regulations to the extent that such regulations are consistent with IFAD procurement guidelines. Each procurement plan shall identify procedures which must be implemented in order to ensure consistence with IFAD procurement guidelines		Not fully complied with	Procurement review rated procurement as moderately unsatisfactory.
GC, Section 8.03 (a)	Progress reports shall be submitted to IFAD on semi-annual basis		Complied with	Project is submitting progress reports to IFAD on semi-annual basis
GC, Section 8.03 (c)	A mid-term review (MTR) shall be carried out jointly by the Recipient and IFAD		Complied with	The MTR exercise is being carried as part of this supervision mission



Investing in rural people

Sudan

Seed Development Programme (SDP)

Mid Term Review report

Working papers

Working Paper 1: Rural Finance

1. **Steps to be adopted by SDP after the MTR:** The details of the steps to be adopted by SDP immediately after the MTR for ensuring rural finance supply in the project areas are presented below.
2. **Step one: Formation of savings and credit groups:** SDP should immediately mobilise its extension officers to form savings and credit groups (SCGs) in all the project villages. The SDP management and extension officers are already familiar with the structure of SCGs formed under WSRMP and the same criteria should be used in the SDP villages. These include (i) only women members; (ii) up to 20 members per group; (iii) only one representative per household; (iv) members drawn from the same neighbourhood; (v) willingness to guarantee loans of one another; (vi) willingness to practice internal savings and lending; and (vii) willingness to follow ABSUMI rules and regulations for external linkage.
3. The system of community trainers adopted in WSRMP villages for maintenance services and expansion of SCGs should also be adopted by SDP. Once the SCGs have been formed in a community, the project will initiate the formation of community investment committee (CIC) comprising representatives from each SCG in the village. In the future the CIC will be responsible for taking decisions on joint investments, management and profit-sharing from the deployment of internal funds from multiple SCGs in the village in common activities such as the financing of GPGs and SGGs. The CIC will collaborate with the Village Development Committee (VDC) to take the investment decisions. It should be noted that the formation of the CICs is also mandated in the WSRMP extension phase (village level association of SCGs) as well as in the upcoming LMRP. SDP efforts in developing CICs will assist the potential integration of these villages in future IFAD programmes.
4. The SDP extension officers should aim to form as many SCGs possible in each project village so that the number of households are represented in these are maximised. It is expected that each village will have 4-5 SCGs. Effort should also be directed towards maximising group savings. The overall target SDP target will be approximately 500 SCGs and 75 to 100 CICs over three years in 100 villages. In the SDP Localities which overlap with the WSRMP Localities the project will explore the possibility of collaboration with the WSRMP for the formation of SCGs. The reporting criteria on SCGs used for WSRMP should be adapted for SCG reporting in SDP.
5. The SDP extension workers will undergo refresher training on SCG formation and management and will also be supported with exposure trips to strengthen their understanding and capacity related to the formation of SCGs.
6. **Step two: Initiate ABSUMI and Bara'ah operations in the SDP villages:** SDP will strongly follow up with ABSUMI and Bara'ah for these suppliers to initiate their normal women's group based savings and credit operations in the SDP villages at the earliest. The specific steps that will be taken according to SDP Locality are as follows.
7. **Sheikan Locality, North Kordofan State:** Although SDP was supposed to contribute towards the establishment of this unit, so far the unit has received support only from the ABS. The gap in the number of vehicles and office infrastructure due to delay in SDP support can affect the capacity of the Unit to expand outreach to the SDP villages. SDP will therefore expedite the process of procurement of vehicles and other office infrastructure to ensure that the Sheikan unit is adequately resourced before the end of year 2014. This ABSUMI unit will then be expected to start operations in the SDP villages by January 2015, by linking to the SDP promoted SCGs. It will be SDP's responsibility to ensure that the ABSUMI unit is immediately supplied with sufficient infrastructure as otherwise ABSUMI linkages to SCGs in SDP villages will be delayed.
8. **Al Rahad Locality, North Kordofan State:** SDP will supply office infrastructure and vehicles to establish a new ABSUMI unit in Al Rahad Locality. The procurement of these vehicles and office infrastructure will be undertaken on most urgent basis. In the interim period the ABSUMI activity in Locality will be ensured through the following steps:
 - SDP will coordinate with ABS to ensure that the ABSUMI unit in the adjoining Um Ruwaba Locality supports the preparatory activities related to ABSUMI linkage with SCGs in the SDP villages in Al Rahad Locality.

- In coordination with ABS the SDP will ensure that till the time dedicated vehicles are procured and deployed, the Al Rahad Unit has access to vehicles on temporary basis supplied by SDP to meet the needs for outreach to the SDP villages.
9. ABSUMI linkage to SCGs in SDP villages should be started by January-February 2015 either directly by the ABSUMI Al Rahad unit or indirectly through the Um Ruwaba unit. SDP will have the responsibility to ensure that ABSUMI has access to the required infrastructure to start its activities in the SDP villages on time.
10. **Abu Juibeha Locality, South Kordofan State:** SDP will supply office infrastructure and vehicles to establish a new ABSUMI unit in Abu Juibeha Locality. The procurement of these vehicles and office infrastructure will be undertaken on most urgent basis. Till the time that dedicated vehicles are procured and deployed in the Unit, ABSUMI will be responsible for ensuring that the transportation needs of the unit had met through assistance of project vehicles on temporary basis to the ABSUMI Credit Officers. SDP will also be responsible for coordination with ABSUMI to ensure that linkage between the unit and the SCGs in the SDP villages are initiated by March 2015.
11. **Abassiya Locality, South Kordofan:** Bara'ah will serve as the main microfinance partner in this Locality. SDP will be responsible for jointly developing an outreach plan for Bara'ah in the SDP villages. SDP will extend credit support of at least SDG 300,000 from its already available credit resources to members of SDP groups in Abassiya Locality corresponding to financing for between 20-25 groups. Based on requirement, SDP will supply project vehicles to Bara'ah on temporary basis to ensure that the outreach targets are met in the SDP villages. SDP will also involve relevant Bara'ah staff members in training, capacity building and exposure activities organised for extension workers and ABSUMI staff. SDP will also support Baraah's future portfolio financing application through the CBS. If Baraah's is successful in obtaining license for operations in the Abu Juibeha Locality, then SDP will consider supporting the establishment of the Baraah branch in this Locality through vehicle and office infrastructure financing based on the availability of resources.
12. **Technical assistance to ABSUMI:** SDP will provide technical assistance to relevant ABSUMI staff members in the relevant Locality Units and in the ABSUMI national coordination unit through training, capacity building and exposure visits. In addition, technical assistance related to the strengthening of management systems and adoption of technology will also be supported. SDP will follow up with ABSUMI to develop an annual technical assistance and training plan for all ABSUMI staff members and then will coordinate with ABSUMI to select the items to be financed through SDP. The supply of technical assistance to ABSUMI will be coordinated through the ABSUMI National Coordination Unit.
13. **Support to the ABSUMI National Coordination Unit:** The ABSUMI National Coordination Unit will have a key role in planning and coordinating all ABSUMI interventions in the project area. The SDP will contribute to the strengthening of the National Coordination Unit by providing technical assistance support for training capacity building and management systems strengthening. SDP will also contribute to office equipment and furnishing for expansion of the National Coordination Unit to meet the needs of the SDP, beyond the limits supported through the extension phase of the WSRMP. A vehicle will be supplied to the National Coordination Unit in order to enhance its mobility to expedite the establishment and monitoring of the new ABSUMI units.
14. **Step 3: Restructuring of the GPGs and SGGs:** SDP will be responsible for the restructuring the GPG and SGGs to make them compatible with ABSUMI group lending guidelines. Accordingly the focal areas for restructuring the groups will be as follows (i) group size of up to 20 members; (ii) all men members with one representative per household; (iii) members drawn based on their previous experience of seasonal agricultural production and not merely by their poverty status; (iv) preference to those households which already have representation in the women's SCGs; (v) group members should be ready to start regular internal savings and credit activities as well as regular savings activities with ABSUMI; (vi) members should be ready to bear joint liability for repayment of loans accessed by any member of the group; and (vii) willingness to follow ABSUMI rules and regulations related to external credit linkage.
15. SDP should coordinate with the relevant ABSUMI unit and involve the credit officers in the GPG/SGG restructuring process to ensure that ABSUMI is fully aware of the inputs by SDP to the groups.

16. **Step 4: ABSUMI linkage to restructured GPG and SGGs:** ABSUMI will develop a seasonal agricultural product targeted at men's groups. The details of the product are summarised in the table below. If needed, ABSUMI will be responsible for further refinement of this product before delivery for the first time in July August 2015.

Loan purpose	Seasonal agricultural activity			
	Year	Loan per feddan (SDG)	No of feddans	Credit limit
Loan amount	1	500	2	50-60% of total costs
	2	600	2	Same as above
	3	700	2	Same as above
Duration	Up to 10 months.			
Repayment frequency	End of the season on harvest.			
Collateral	<ul style="list-style-type: none"> - Direct group liability by grain or seed growing groups. - Indirect group liability by SCGs in the village with members from SGG/GPG client households. - Savings deposits of the grain and seed growing groups and the SCGs. - Offtake agreements with seed company other buyers where relevant. - Crop insurance through an insurance company. 			
Profit margin	30% declining balance.			
Lending mechanism	Combination of Murabaha, mugawala and salem financing depending on the opportunities.			
Delivery methodology and loan management	<p>Client: Men's groups with average size around 20 members. Loans given to each individual in the group.</p> <p>Appraisal: This will be against (a) cash flow assessment of the activity and of household income to determine repayment capacity (b) regular savings by SGG/GPG and related SCGs (c) contractual offtake agreements with seed company, other buyers including ABS where relevant (d) extension and TA supply from SDP to seasonal loan clients.</p> <p>Delivery of loan: In kind for murabaha; payment to service provider for mugawala; in cash for salem lending.</p> <p>Supply of improved, certified seeds: While ABSUMI will be responsible for providing credit, SDP will be fully responsible for ensuring the access of the farmers to certified or improved seeds in collaboration with ABSUMI where relevant.</p> <p>Loan repayment: To credit officers visiting the villages after harvest; through seeds company, other buyers where relevant.</p> <p>Monitoring and supervision: On monthly basis through ABSUMI Credit Officers who service the ABSUMI loans to SCGs in the same villages.</p> <p>Reporting: As a part of regular ABSUMI reporting system with data collected and supplied to ABSUMI through the Credit Officers.</p>			

17. **Crop Insurance Support:** SDP will support crop insurance to secure the repayment of the loans disbursed by ABSUMI and Bara'ah to the restructured SGG and GPGs in the event of crop losses. SDP in coordination with ABSUMI will be responsible for selecting the insurance company for this purpose. SDP has already partnered with the Watania Cooperative Insurance Company and insurance cover for the ABSUMI and Baraah loans through the same company will be given priority in order to save time. However, in coordination with ABSUMI, SDP will also explore the possibility of insurance linkage through other Insurance companies with more favourable terms. In this context, SDP will take into account the experiences of the IFAD supported SUSTAIN which has partnered with Sheikan Insurance Company. The total insurance premium of 7% will be shared equally between the Government of Sudan and SDP for the remaining three years.

18. **Summary of ABSUMI outreach and financing target:** The disbursement targets for the ABSUMI seasonal agricultural loan in the SDP villages is summarised below:

Details	2015	2016	2017	Total
No of groups financed	70	120	170	
No of members with credit linkage	1,400	2,400	3,400	7,200
Average loan size per feddan	500	600	700	
Total loan amount disbursed (SDG)	1.4 mn	3.1 mn	5.3 mn	9.8 mn
External portfolio funds needed (SDG)	1.4 mn	1.7 mn	2.2 mn	5.3 mn

Assumptions: Av group size = 20 members; average area cultivated 2 feddans per member;

Working Paper 2: Development of the Institutional and Regulatory Environment (Component 1)

I. INTRODUCTION

1. This component includes all the activities carried out at national level to improve the policy and regulatory environment of the seed sector. Although the final goal of the project is to benefit small farmers in Kordofan, interventions at the national level are justified by the urgent need to rehabilitate some essential facilities related to quality control and to strengthen the regulatory framework for seeds and varieties. From a relatively strong position in the 1980s, NSA/FSA has been progressively weakened due to lack of resources and recruitment and this is a threat or constraint for the entire seed sector.

2. More specifically, the seed production and marketing activities of the project will have to comply with the seed regulations and will depend on the services of FSA for certification, which is a key element. The project will also be influenced by policies affecting the overall development and management of the seed sector, especially since it is seeking innovative approaches to seed supply at the community level and in challenging rainfed areas.

3. Taking account of these needs, the project design document defined the outcome of Component 1 as follows:

4. *Conducive policy and institutional environment for the Seed industry in place. This component will work to introduce appropriate legislation for the seed industry particularly in relation to plant variety protection; improve the National Seed Administration's (NSA) capacity to carry out its legal mandate of monitoring the national seed system; and establish a multi-stakeholder dialogue forum that brings together Government, the private sector, NGOs and farmers to discuss seed policy issues on a regular basis.*

5. The outputs required to achieve this outcome were summarized under three headings in the revised project logframe (September 2013) as shown below; the current status of each output is reviewed in Section 2.

Outputs	Key performance indicators	Means of verification	Assumptions & risks
1.1 Plant variety protection legislation drafted, approved and enforced.	<ul style="list-style-type: none"> PVP legislation promulgated by end 2012. 	<ul style="list-style-type: none"> Legislation document. 	<ul style="list-style-type: none"> Seed Council is timely appointed by the Government (target date: end 2011).
1.2 National Seed Administration (NSA) is capacitated to effectively monitor the multiplication and certification standards.	<ul style="list-style-type: none"> 70 NSA staff and extension agents trained (RIMS), 30% women. 1 central laboratory at the Federal level accredited to the International Seed Testing Association (ISTA) standards by 2014. 2 laboratories established and equipped in North and South Kordofan States. 	<ul style="list-style-type: none"> 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. 	
1.3 Multi-stakeholder policy dialogue, with participation from youth and women in seed sector is established.	<ul style="list-style-type: none"> Bi-annual forums convened regularly from 2012 at National and State levels. At least 50 persons attend each multi-stakeholder forum. 	<ul style="list-style-type: none"> National seed policy document. Proceedings of bi-annual meetings. 	

6. Section 3 provides a discussion of various issues arising from the component and based on this discussion, Section 4 contains a summary list of recommendations. Finally section 5 lists the agreed actions. This review does not foresee any major changes in the direction of Component 1, just regular monitoring to maintain momentum and avoid slippage.

II. Review of Progress

7. **Support to the Legal Framework:** The Seeds Act²⁵ of 2010 covered both the conventional aspects of market regulation, ultimately aimed at safeguarding farmers when they buy seed, and plant variety protection, which provides an intellectual property right to breeders. These are very different types of legislation and it is generally considered better to address them in separate laws, however the Act has been passed and for the time being we have to work with it. The Act is very brief, amounting to only seven pages in total and the PVP elements are dealt with in Chapter IV, articles 14-20. Outcome 1.1 in the table above was satisfied in principle by the passing of the Act but in fact this was already done by the time the project was finalised so this is not a useful measure of progress.

8. For practical application of the Act, the next key step is to design and approve the necessary secondary legislation and this was done in 2012 with the publication of the Seeds & Plant Variety Protection Regulations, in which Chapter IV, articles 18 - 30 deal with plant variety protection. Since that time, it appears that no substantive steps have been taken to implement these regulations. For conventional seed matters, regulations and procedures still exist from the previous 1990 Seeds Act and these continue in use until updated. However, setting up a PVP system would require additional resources and some completely new procedures and these have not yet been initiated. Besides the domestic implications of PVP legislation, there was an expectation in project documents that this Act would provide a basis for Sudan to become a member of the International Union for the Protection of New Plant Varieties (UPOV). These issues are discussed in more detail in [para.21-24](#).

9. **Support to the Federal Seed Administration**²⁶: The key project activity here is the refurbishment of the National Seed Laboratory in Khartoum. Previously, the main laboratory of NSA was in Sennar but with the establishment of a head office in Khartoum it was decided to locate the national seed laboratory on the same site and IFAD agreed to support this work as part of SDP. Unfortunately, progress has been slow and the laboratory was completed only recently. The preparation of equipment lists for the laboratory has likewise been subject to long delays and these have only recently been finalised, though still with some points to be resolved prior to tendering. Despite these constraints, the project has paid for the existing laboratory to become a member of ISTA; this enables them to participate in the proficiency testing programme between member labs and for staff to attend ISTA training courses. Plans have been made for three members of staff to participate in ISTA training courses in India and Indonesia in November 2014 and it hoped that these do materialise.

10. The process of ISTA accreditation (a key performance indicator) cannot begin until the laboratory is fully established because the key task is the preparation of a quality manual covering every aspect of laboratory management. These procedures must therefore be developed and implemented by the laboratory staff before they can be documented in the manual. The project is currently recruiting a consultant to draft the manual but this must relate to the equipment that is actually installed, it is not a generic document. Therefore given the delays mentioned above, it is very unlikely that the accreditation visit by ISTA auditors could take place until 2016. Some further information about ISTA accreditation is provided in [para. 25-28](#).

11. Upgrading of the seed testing laboratories in North and South Kordofan is also being supported by the project to provide a much faster response time for testing of seed samples as part of the certification process; at present all seed samples are sent to the labs in Khartoum or Sennar for testing. The equipment for these two state labs is included in the tender for Khartoum and will therefore follow the same timetable for bidding, procurement and installation. Two staff from each of these state labs are supposed to have been trained but FSA said they could not undertake this training until the new lab is established in Khartoum, so this activity is also delayed until 2015.

12. To summarise, all aspects of the support to FSA quality control activities are well behind schedule due to delays in establishing and commissioning a new Central Seed Testing Laboratory in Khartoum. This has had a knock-on effect on many other activities.

²⁵ Full title is "The National Seeds and Varieties Protection Act". Acts are the primary legislation approved by parliament and signed by the President; this is British terminology for what would be called a Law in most other countries. In this paper it is referred to as the Seeds Act.

²⁶ In the project document the former title of NSA was used; subsequently the term Federal Seed Administration came into use, reflecting the more devolved governance structure. However, the abbreviation 'NSA' was familiar to all and is still widely used. In fact within the Federal Ministry it is simply known as the Seed Administration.

13. A related element is the outposting of FSA field staff to El Obeid for the purposes of crop inspection and seed lot sampling, as part of the certification process. Until now, no staff have been assigned for this work so all inspections of ARC and SDP crops are being undertaken by staff from other FSA offices who travel on extended missions to Kordofan during the cropping season. This is wasteful of their resources because of the travel time and it limits the scope for more frequent interaction between inspectors and seed growers, for example for problem solving or re-inspection. It is said that FSA staff are reluctant to accept this outposting because of the domestic disruption but there are also administrative difficulties between the federal and state governments. Therefore in the short term, it seems unlikely that there will be any change in this situation and alternative solutions should be sought, as discussed in [para.29-32](#).

14. **Support to a National Seed Policy:** The logframe makes reference to a multi-stakeholder dialogue within the seed sector and with the proposal that there should be bi-annual consultation meetings at both National and State levels. This process has not been launched and it would be extremely burdensome to conduct such meetings on a regular basis. However, the project did support a National Seed Policy Workshop in January 2014 to initiate the preparation of a draft policy document. A national consultant was also hired by the project as a facilitator and to write up a draft document based on the discussions in the workshop. When submitted, the NSC members felt that this draft did not fully reflect the workshop discussions and a sub-committee was formed to revise it. A second draft is now almost finished but it exists only in Arabic so it is not possible for the project to comment or contribute until it has been translated into English; this should be a priority because the policy should address several key issues that affect project activities.

15. **National Seed Council (NSC):** The NSC was established by authority of the 2010 Seed Act (Chapter II) and met for the first time in 2011. It is intended to be a high-level advisory body to the Minister or Ministry on all matters relating to the seed sector. This Council has been energetic and productive due to the personal commitment of its members. It prepared the regulations to implement the Seed Act that were approved in 2012 and within the current year it has played a key role in the seed policy, as described in the following section. The activities of the Council were not reflected in the project design, except that its formal establishment was foreseen as an indicator of progress and that has been fully achieved.

16. It has been suggested that the project should provide operational funding to the Seed Council but its needs are relatively modest and should be covered from the government budget. However, if the Council can actively promote the adoption and implementation of an effective seed policy by the ministry, this should certainly be considered for project support, and likewise the annual 'Seed Forum'. Further discussion of the role of NSC is provided in [para.33-35](#).

III. DISCUSSION OF ISSUES RELATING TO COMPONENT 1

17. **Overview of Seed Legislation and Policy Status:** Component 1 brings together both policy and regulation under one umbrella but their function and status are quite different; this sometimes causes confusion. The policy should cover every aspect of the seed sector (formal and informal) and should provide guidance to the Government and stakeholders to ensure consistent decision-making. It is a statement or declaration of intent by the Government on the way the sector should develop in the medium to long term. The policy does not itself have the force of law, but its enforceable elements are included in the regulations, for example seed quality standards and variety release procedures. Ideally, the Seeds Act should include a clear reference to the policy in order to provide recognition and authority but obviously this cannot be done retrospectively. As noted in [para.7-8](#), the legal and regulatory framework already exists, although it has not necessarily been implemented, while the seed policy is still in preparation. The functional relationship between policy and law is illustrated in Figure 1.

18. **Implementation of Plant Variety Protection in the Sudan Seed Industry:** The granting of a Plant Breeders Right has both technical and legal dimensions. It is necessary to confirm that the variety is distinct, uniform and stable (DUS), and that it is new. There must be a testing system to assess these criteria and also an office to handle all the administrative and legal aspects. In principle, FSA should probably do the physical testing although it has no specialised experience in this, while a new registry must be established to keep all records and grant the rights.

19. The main justification for PVP is to promote private sector investment in plant breeding, particularly in those self-pollinating crops where F1 hybrids are not an option. By granting a property

right, the breeder can charge a royalty for the use of a protected variety and this income finances future breeding. However, this only works if there is a robust system of enforcement and royalty collection; given the predominance of informal seed supply in the rainfed areas this would be very problematic. Private breeders of sorghum, millet and sunflower will always choose the option of F1 hybrids, for which seed must be purchased each year and thus have a biological protection. These are the only crops that would be likely to attract the interest of private breeders.

20. There is very little prospect that private breeders would be tempted to breed self-pollinating crops like legumes or sesame simply because a PVP system exists in the law. Moreover, if ARC were to obtain rights on its varieties they would have the same problems of royalty collection and could also be criticised for imposing a tax on poor farmers. In other words, the products of public breeding would no longer be a public good and this is controversial.

21. **International aspects of Plant Variety Protection:** The project documentation makes reference to membership of the Union for the Protection of New Plant Varieties (UPOV) and this is achieved by having a PVP Law compliant with the requirements of the 1991 UPOV Convention. In 2013, after the supervision mission, there was a brief exchange of correspondence with the UPOV Secretariat in which they explained in detail the application process (see email dated 08 October 2013 from Peter Button, Vice-Secretary General).

22. The first step in this process is to submit the national law to UPOV for a preliminary review and for this purpose it is necessary for the law to be translated into English. The original translation was not good and a revised version has been prepared but was not seen during the mission. This can certainly be submitted to UPOV however there is no possibility that the Seed Act in its present form could satisfy their requirements because it lacks many essential elements. It should be emphasised that UPOV considers only the law itself, not the subsidiary legislation that may implement the law. If the Government has made a policy decision to become a member of UPOV, then it should prepare a new law that substantially complies with the 1991 Convention and the UPOV Secretariat would provide guidance on that. It would be preferable to make this a separate PVP law, not linked to seed legislation, and this would therefore imply a complete revision of the existing Act.

23. Plant Variety Protection does not have an immediate impact on project implementation but it is an area in which support could be provided to the Ministry. To obtain practical benefits from PVP (with or without UPOV membership), the Ministry would still have to establish the technical and administrative procedures for variety protection and an effective royalty collection system.

24. *Recommendation: In order to advance the issue of PVP domestically, the project may provide specific advice to the Ministry on the steps that will be required to implement the 2012 Regulations. To proceed with UPOV membership, a new Law should be prepared.*

25. **Accreditation of the National Seed Testing Laboratory by ISTA:** This is foreseen as a key outcome in the project documents and it is one of the triggers for progression from the calibration phase to intensification after two years. It should be emphasised that the process of accreditation is very demanding; every procedure used in the laboratory must be documented and there must be clear evidence that staff are using these procedures through routine record keeping. The new laboratory will not be commissioned until early 2015 and it would probably take one year to develop the manual and bring all procedures up to standard before an ISTA audit could be requested. The standard fee for the audit is about 13,000 Swiss Francs (approximately US\$ 14,000) and this covers all the costs of two auditors – one for systems and one technical. Once accreditation is granted, an annual membership fee of 1,200 CHF must also be paid.²⁷ The audit must be repeated every three years to maintain accreditation of the laboratory.

26. ISTA accreditation enables a laboratory to issue the 'Orange International Certificate' (OIC), which is the standard quality declaration for seed lots moving in international trade. It is therefore essential for seed exporting countries to have an accredited laboratory. However, there is no history of seed export from Sudan and little prospect that this trade will develop in the foreseeable future. Another more general benefit of accreditation is that it provides one laboratory of international standard as a competent benchmark within the country, at which training can be provided to staff of other labs. In practice, this would be the more tangible benefit for Sudan and the project in the short term.

²⁷ The figures quoted here for ISTA fees are indicative; actual payment will depend on the annual review of fees to reflect inflation and the exchange rate between Swiss Francs and the US dollar.

27. *Recommendation: The project should closely monitor the procurement and installation of laboratory equipment in order to avoid further delays.*

28. *Recommendation: The project should monitor the progress of the laboratory manual during 2015 in order to plan a suitable time for the ISTA accreditation audit. The manual can only be finalised once the laboratory is fully operational.*

29. **Recognition of State Seed Laboratories by FSA:** With the implementation of a federal system of government, the relationship between federal and state organs must be defined. In the specific case of SDP, the laboratories in North and South Kordofan should be recognised by FSA because they are far away from the main areas where certified seed is produced under irrigation. To avoid confusion at a later stage, this relationship should be clearly defined in the seed policy. The two main options would be:-

- FSA is a truly federal body with direct responsibility for seed quality control facilities throughout the country so FSA staff must be based in Kordofan, OR
- FSA recognises the laboratories and staff in other states through an evaluation/validation process, backed up by training and routine monitoring.

30. Previous project reports have highlighted this issue but it seems there is still no clear ruling and for the time being, all certification is being done by FSA staff from other offices. This is inefficient and it limits the opportunity for more regular contact between FSA staff and the extension functions of the project.

31. *Recommendation: In consultation with the National Seed Committee, the project should arrange a high level meeting with FSA and the concerned Ministries (Federal and State) to clarify and resolve these issues.*

32. *Recommendation: In view of the continuing problem with outposting staff, FSA should consider licensing state-based staff to carry out specific tasks such as crop inspection and seed sampling while FSA retains a supervisory role.*

33. **Role of the National Seed Council:** Establishment of a National Seed Council was a key part of the 2010 Seed Act, and this has been actively implemented. NSC is considered to be a high-level advisory body but in fact it has taken on executive tasks such as the formulation of the Seed Regulations and preparation of the draft Seed Policy. Previously NSA was the only national seed body and was assumed to have an oversight function in the sector but with the establishment of the Seed Council, the role of FSA is now limited to quality control matters.

34. An effective Seed Council can play a pivotal role in managing the seed sector provided that it truly reflects all different interests among its membership and in its deliberations. It should not be a rubber stamp for the Ministry but rather a source of good advice so that the Ministry makes wise and balanced decisions to solve immediate problems and to promote the long-term development of the seed sector. The Council should have a lead role in preparing and reviewing the seed policy, and finally recommending it to the Ministry for approval. This is now in progress.

35. Thereafter the Council should monitor all developments in the seed sector against the statements contained in the policy and particularly note any contradictions that may arise. FSA should act as a secretariat to the Council to support its meetings and provide necessary information, for example by summarising key national seed statistics. It may be helpful to prepare a Terms of Reference for the Council to define their remit in full, unless this is already covered by a Decree. It has been suggested by NSC that they should be in some way 'represented' in the states but this would imply that they have an executive role and could cause confusion. They should only provide authoritative advice.

36. **Need for a National Seed Policy:** The preparation of this policy is of great importance for the project and for the development of the whole seed sector. It should provide clear guidance both for the Ministry and for all stakeholders to ensure consistency in decision-making. It is therefore recommended that, before final approval, this document should be circulated to stakeholders and should be discussed at another workshop to ensure that it has broad support among all the interested parties. The project should support this review process, and the preparation of the final document after approval, provided it is a document of high quality.

37. The MTR has highlighted several key policy issues which impact on the project in different ways, examples include:

- the continuing practice of free/subsidised seed distribution by government and NGOs that may undermine the commercial objective of the project;
- the way in which outputs from participatory research are distributed, released and multiplied within the community; (see also 3.8); and
- the allocation of responsibility and resources between federal and states, most notably in the case of quality control functions. (as discussed in 3.5).

38. Based on discussions in the federal level wrap-up meeting, it seems that the development of the seed sector is currently viewed as a high priority by the Government. This should provide additional momentum to complete the policy process in a satisfactory way and to ensure that its provisions are respected by all the concerned parties. It also provides an opportunity for SDP to influence this process.

39. ***Recommendation:** The project should maintain regular contact with the National Seed Council to monitor the progress of the draft policy.*

40. ***Recommendation:** When finalised, the project will arrange for translation and should support another stakeholder forum to ensure that it covers all activities and institutions involved in the seed sector. The project will provide an international consultant to facilitate this process.*

41. ***Recommendation:** The previous proposal for bi-annual stakeholder meetings should be replaced by an annual national seed forum once the policy has been approved.*

42. **Regulatory Aspects of Material from Participatory Research:** The project is supporting participatory research by ARC and much of this work relates to new varieties. They are doing both breeding (PPB) and selection (PVS) using lines already developed by ARC. Some lines under evaluation are already approaching release so these may be considered as farmer verification trials. The use of PVS raises issues for the project regarding the multiplication and dissemination of promising lines that have not been formally released.

43. In principle, it is not possible for un-released lines to be certified, so they would fall outside the project's current remit with its seed grower groups. On the other hand, it is wasteful for varieties/lines already identified as having merit for farmers to be stalled in the variety testing and release process for two or more years, thereby delaying their beneficial impact on farming communities. Moreover, since the selected material is already in the hands of farmers, it will surely be assimilated into the informal system within communities, regardless of what ARC or the Variety Release Committee decides. This relationship with the formal seed sector is a fundamental dilemma faced by participatory programmes; it is too big a topic to discuss here but ideally there should be an official recognition of the role played by farmers and a fast track release mechanism. This is a clear example of an issue that needs to be addressed by the seed policy.

44. ***Recommendation:** The project should facilitate a dialogue between NSC, ARC and FSA to find a pragmatic approach for the multiplication and diffusion of varieties arising from participatory research initiatives.*

45. **Progress from Calibration to Intensification Phase:** The project design identified seven pre-conditions or 'triggers' for progression to the intensification phase after 2014, namely:

- i. Net profits of the private seed company reach SDG 245,000 by 2014;
- ii. Cash returns per seed growing household reach SDG 1700/HHd/yr in 2014;
- iii. Yearly net demand for certified seeds by GPG and other farmers is at least 300 MT;
- iv. 10,000 smallholders purchase certified seeds in 2014;
- v. ARC has on hand 2 years' supply of registered seeds required by PSC, equivalent to about 90 MT for the period 2013-2014;
- vi. PVP legislation promulgated in 2012 and in full enforcement in 2014; and
- vii. NSA laboratory receives ISTA accreditation.

46. Regarding item vi, the PVP legislation has been promulgated through the Seed Act of 2010 and subsequently elaborated in the Seed Regulations of 2012, however no steps have been taken towards implementation. Regarding item vii, ISTA accreditation has not been achieved and it is unlikely that this will be done until 2016, depending on the time taken to fully equip and operationalize

the new laboratory in Khartoum. Therefore neither of these triggers have been satisfied, although in both cases there are explanations.

47. **Update on Previous Agreed Actions and Deadlines for Component 1:** The supervision mission in September 2013 and follow up mission in March 2014 both produced lists of agreed actions and deadline dates, which reflected their concerns at the time. For convenience these are reproduced in Table 1 with comments on progress.

Table 1: Overview of agreed actions from previous missions and status in October 2014

Agreed action (+ status comments in italics)	Responsibility	Agreed date	% done
Supervision mission of September 2013			
1. Production of a revised national seed legislation and PVP legislation or a two-one legislation (law/PVP) <i>Legislation exists but has not been revised</i>	FSA/NSC/MoA/PCU	January – May 2014	50%
2. Produce the National Seed Policy and Plan document to guide orderly development and growth of the commercial seed sector through the modality of national seed forum. <i>Policy in preparation, no Plan yet</i>	NSC/MoA/PCU	Jan-May 2014	50%
3. Commence the processes for the development of a National Seed Policy and Plan through state and national seed forum and a seed policy document prepared for ratification of Government. <i>Forum held in February, 2nd draft of policy document in preparation; no plan yet (this ± duplicates #2 above)</i>	PCU/SCU/NSC/State & Local Governments	By April 2014	60%
4. Contact UPOV to assist in reviewing and developing a comprehensive legislation to cover seed and plant variety protection concerns. <i>No contact yet made with UPOV but this will be done soon</i>	PCU/IFAD HQ/NSC/FSA	By April 2014	0%
5. Problems of locating the FSA agent in North Kordofan should be reported to the highest authorities in the Ministry of Agriculture for immediately resolution. <i>Issue still unresolved - not known what efforts were made</i>	PCC/FSA/PCU	Immediate	0%
Follow-up mission of March 2014			
6. Provide written comments on the draft seed policy document to pave the way for integration of further comments and feedback from the stakeholders <i>In progress, now in hands of NSC, awaiting 2nd draft</i>	PCU Seed Specialist	Immediate	60%
7. Share the Arabic version of the draft seed policy document, when available, with all stakeholders to have their inputs for the consolidation of the document. <i>Latest draft with NSC, but not yet shared</i>	PCU, NSC, FSA	April 2014	0%
8. Establish a biannual multi-stakeholder Seed Forum as regular platform for discussion for the development of the seed sector <i>Only one policy forum held, as above</i>	PCU, NSC, FSA	By June 2014	0%
9. Submit the revised Seed Act to UPOV <i>No further contact with UPOV (action pending)</i>	NSC	Mid-April	0%
10. Contract a consultant/UPOV to support the revision of the National Seed Act in accordance to PVP international standards <i>No revision initiated yet (Has the Ministry accepted this?)</i>	PCU	June 2014	0%
11. Procure the benches for the central lab <i>All benches installed, but some concerns about quality</i>	PCU	April 2014	100%
12. Continue to support FSA with the payment of the annual subscription to ISTA which provides FSA access to ISTA technical training and annual meetings <i>ISTA membership fee was paid for 2014</i>	PCU, FSA	By April 2014	100%
13. Finalize the laboratory manual required for ISTA accreditation <i>Consultant is being recruited, cvs received and reviewed; manual cannot be finalised until new lab is operational</i>	FSA	End of May 2014	10%

48. **Summary of MTR Recommendations for Component 1:** For convenience, the following table summarises all recommendations made in this section of the report.

1	National Seed Policy <ul style="list-style-type: none"> <i>The project should maintain regular contact with the National Seed Council to monitor the progress of the draft policy.</i> <i>When finalised, the project will arrange for translation and should support another stakeholder forum to ensure that the policy covers all activities and institutions involved in the seed sector. The project will also provide an international consultant to facilitate this process.</i> <i>The proposal for bi-annual stakeholder meetings is too demanding and should be replaced by an annual national seed forum once the policy has been approved.</i> 	
2	Plant Variety Protection <ul style="list-style-type: none"> <i>In order to advance plant variety protection in the domestic seed industry, the project should provide specific advice to the Ministry on the steps that will be required to implement the 2012 Regulations.</i> <i>To advance UPOV membership, a new Law should be drafted to comply with the UPOV 1991 Convention</i> 	
3	Support to FSA <ul style="list-style-type: none"> <i>The project should closely monitor the procurement and installation of equipment at the new FSA laboratory in order to avoid further delays.</i> <i>The project should closely monitor the progress of the laboratory manual during 2015 in order to plan a suitable time for the ISTA accreditation audit. The manual can only be finalised once the laboratory is fully equipped and operational</i> 	
4	Outposting of FSA Staff / delegation of quality control responsibilities <ul style="list-style-type: none"> <i>In view of the continuing problem with outposting staff, FSA should consider licensing state-based staff to carry out specific tasks such as crop inspection and seed sampling while FSA retains a supervisory role.</i> <i>In consultation with the National Seed Committee, the project should arrange a high level meeting with FSA and the concerned Ministries (Federal and State) to clarify and resolve these issues.</i> 	
5	Multiplication and diffusion of varieties from participatory selection <ul style="list-style-type: none"> <i>The project should facilitate a dialogue between NSC, ARC and FSA to find a pragmatic approach for the multiplication and diffusion of varieties arising from participatory research initiatives.</i> 	

IV. PROPOSED LIST OF AGREED ACTIONS IN THE AGREED AIDE MEMOIRE

49. From among the above list or recommendation as a shorter list was presented in the MTR Aide memoire as 'agreed actions' for Component 1, and with a deadline, as follows:

Agreed actions	Responsibility	Agreed date
1. Continue development of a National Seed Policy through consultation with stakeholders in a second national seed forum; prepare the final policy document for ratification by Government.	PCU/SCUs/NSC/State & Local Governments	By March 2015
2. Assist the government to implement plant variety protection legislation for the domestic seed industry and b) advise on the preparation of a new PVP which will enable Sudan to apply for UPOV membership.	PCU/NSC/FSA/MoA	By December 2014
	PCU/IFAD	March 2015
3. Finalize the bidding document(s) with proper lotting. Issue the bidding documents using the right procedures	CCU/PCU/IFAD	Immediate/continuing
4. Reactivate high-level discussions with MoA to find a long term solution for seed quality control within SDP which makes full use of staff based in Kordofan, in collaboration with FSA	PCU /PCC/NSC/FSA/	Immediate

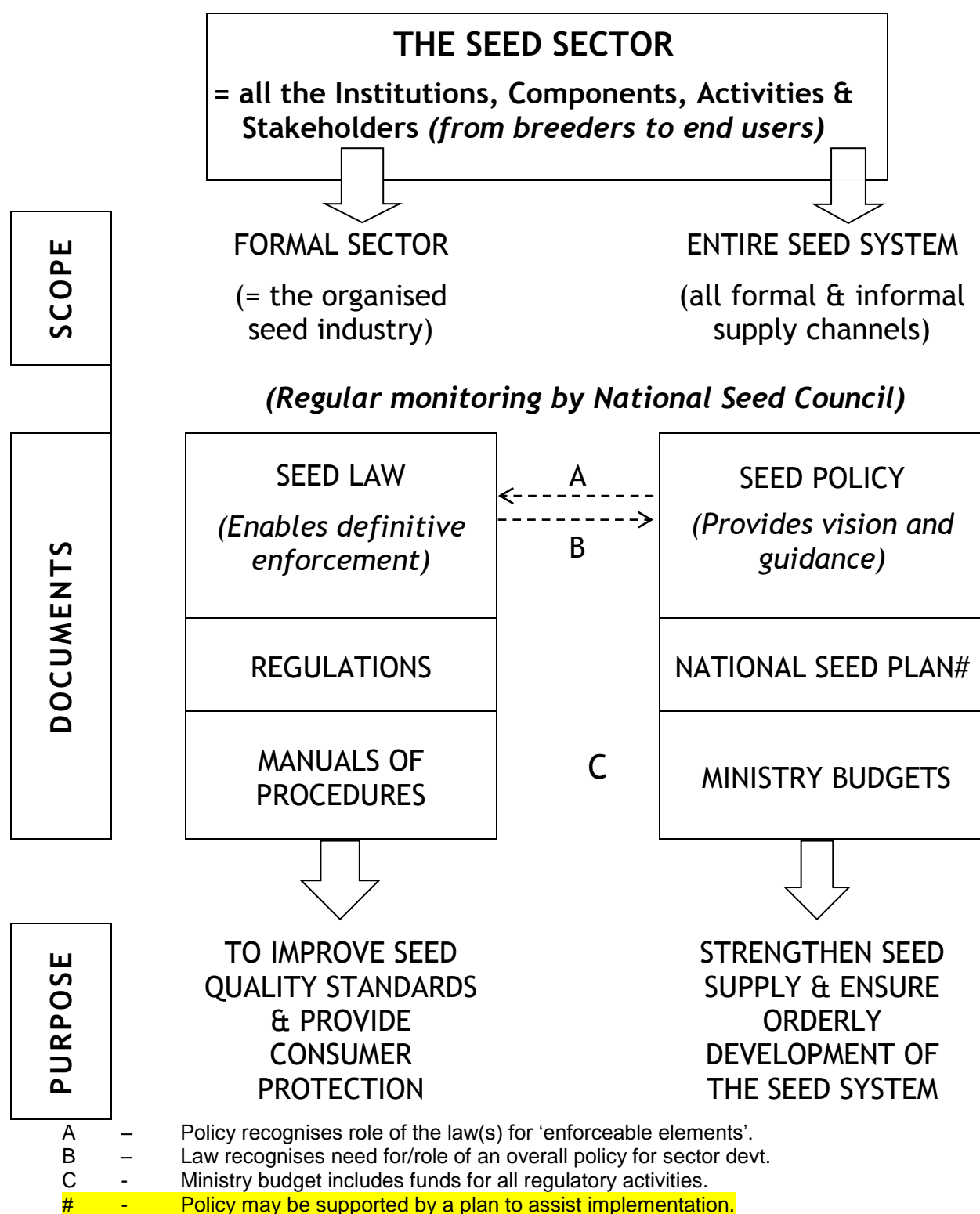
V. COST IMPLICATIONS

50. The MTR does not envisage any major changes in the direction of this component. However, the following items may require minor budget adjustments.

- Addition of one international consultancy for the second National Seed Policy Forum, to be held in early 2015. Other regulatory matter could be covered in the same mission.
- Include a provisional budget line in 2015 for printing and dissemination of the National Seed Policy, once it is approved.
- Reduction of the budget for bi-annual stakeholder meetings from 2015 – 18 because these will be reduced to one national seed forum per year
- Rescheduling of ISTA accreditation audit and associated costs to 2016.
- When the new FSA seed testing laboratory is fully operational and staff have established their new routines, it would be helpful to have an experienced seed analyst from an ISTA accredited lab to spend one month working with the staff to ensure that all the management routines are in place and working effectively. This could appeal to a senior analyst who has recently retired and ISTA may be able to assist in identifying a suitable person.

51. Rescheduling of a consultancy on matters relating to Plant Variety Protection depending on the outcome of discussions with UPOV and the Government's intentions to go ahead with a domestic PVP system.

Figure 1: Policy and Laws in Seed Sector Development



Working Paper 3: Private Sector Engagement in the SDP

Executive Summary

1. Private sector participation in the SDP program has great potential to achieve project objectives sustainably.

However, the original PPP model envisioned in the PDR is critically flawed, as it does not recognize and incorporate:

- the commercial realities of the certified seed business in Sudan, and
- agronomic characteristics of the seed crops chosen

2. A new Private Sector Engagement Strategy is recommended for SDP, with the objective of creating demand for, and enabling the use of certified seeds and improved inputs. The principles of the strategy are:

- Demand for certified and improved inputs by small-scale rain-fed farmers can be demonstrated convincingly in partnership with the private sector; if this achieved, private seed companies (PSCs) will find a way to obtain and market seed and inputs cost-effectively.
- Sustainable adoption of certified seed by farmers requires access to appropriate agronomic expertise, inputs, equipment, finance and the management skills and organizational structures to accomplish this. The private sector should be engaged wherever possible to achieve this.
- The production and supply of certified seed is the core domain of the PSCs, and SDP should be involved only when a clear market failure is demonstrated.

3. The key components of the new Private Sector Engagement Strategy are:

- Demand Creation.** Develop partnerships with PSCs and Input Supply and Equipment Companies (ISECs) to design, implement, and evaluate demonstrations of PSC-produced certified or imported seeds, ISEC improved inputs, and improved agronomic methods. SDP can give invaluable input to the PSCs and ISECs on how to cost-effectively reach target farmers (e.g. smaller package sizes, building a local agro-dealer network, etc.). **Annex One to this working paper provides an initial draft of a sample MOU laying out the terms of partnership between the SDP and a PSC.**
- Value Chain Finance.** Work with financial institutions to develop financial services *beyond* micro-finance production credit, such as post-harvest marketing credit, or supply chain credit for agro-dealers. **Annex Two outlines a post-harvest seed marketing financial package proposed by the El Obeid branch of the Agricultural Bank of Sudan.**
- Market Opportunities.** Commission sorghum/millet, groundnut, and sesame value chain studies that will identify key marketing channels, players, and demand factors for the various end-uses of grain and identify partnerships for developing market opportunities for SGGs and GPGs. **Annex Three contains an initial draft Terms of Reference for the value chain studies.**
- Management Skills and Organizational Structures.** Provide Farming as a Business Training to the SGG and GPG groups. Restructure SGGs and GPGs to incorporate a business chair or business manager, who will be the focus of FAAB training and in group negotiations with PSCs, ISECs, financial institutions, etc.
- Commercial development of New Seed Varieties.** Support PSC efforts to develop improved varieties of sorghum and millet varieties suitable for target farmers. This can be done through commissioning studies and a matching grants program.
- SDP Private Sector specialist.** Recruit a Private Sector specialist consultant or staff member responsible for guiding and managing the private sector engagement strategy, and ensuring integration with other SDP components.

I. The current SDP PPP Model of Private Sector Engagement

4. Under Component 3 – “Support Seed Market Development” – the SDP design specified that a private sector seed company (PSC) would “create a marketing channel for certified seeds” through the following tasks:
 - (i) Contract SGGs for supply of certified seed, providing them with necessary inputs and technical advice to grow seed. The inputs could be provided directly by the PSC or through a third party such as bank.
 - (ii) Provide each SGG with the training required to run the seed production as a business venture.
 - (iii) Comply with seed inspection, seed testing, and certification and the timely payment of certification fees
 - (iv) Develop a marketing network for certified seed in the target localities as well as North and South Kordofan states.
 - (v) Assess the profitability of the seed production model based on contracting SGGs; and
 - (vi) Report on the progress in implementation against approved business plan.
5. Other PSC requirements:
 - (i) Registered seed for multiplication to be obtained from ARC.
 - (ii) The “cumulative profit margin” from the first two years to be reinvested in the business by the third year.
6. The PDR estimated that the PSC business plan would require approximately \$4.5 million, of which project grants would provide \$0.38 million, or 7.5% of total estimated costs. The balance of the \$4.5 million was to be mobilized by the PSC. The \$0.38 million grant was expected to cover:
 - (i) 50% of the cost of purchasing certified seed
 - (ii) 50% of the interest cost of borrowing to purchase certified seed (i.e., if desired, the PSC would have an interest free loan for half the costs of purchasing certified seed), and
 - (iii) Presumably, any other costs if funds were remaining after i) and ii).
7. The SDP would provide the following services in addition to the grant:
 - (i) assist in organizing SGGs, providing them with extension services,
 - (ii) (ii) create demand for certified seeds in GPGs through “empowering and awareness raising” and by facilitating access to credit
8. A draft MOU²⁸ was prepared by the project that concretized the PPP concept. The draft MOU imposed further restrictions on the PSC:
 - (i) PSC would bear the operating costs of one vehicle per extension sub-team providing the SGGs with extension services;
 - (ii) PSC would give priority to marketing SGG-produced seeds to GPGs, and only sell outside of SDP project localities with prior permission of SDP; and
 - (iii) PSC would purchase seed at harvest time at a pre-determined “top-up” price.²⁹

²⁸“Memorandum of understanding (MOU) between Seed Development Project (SDP) and Arab Sudanese Seed Company (ASSCO)”, SDP draft, undated.

²⁹ The top-up price that the PSC paid the was not specified, but because of SDP stepping in and purchasing seed from SGGs, they have come to expect a top-up premium of 15% above the market price of grain.

II. Status of the Original SDP PPP Model for Private Sector Engagement

9. Four PSCs were shortlisted in June 2013 as potential partners by the “Assessment of Seed Companies Study”.³⁰

- Nile Sun;
- Agribusiness Sudan;
- Nectar; and
- Arab Sudanese Seed Company (ASSCO).

10. The normal competitive process of selecting one of these shortlisted companies was not followed. Only one PSC, ASSCO, was formally approached by SDP in an effort to speed implementation. However, all short-listed firms were generally aware of the PPP and the MOU.

11. The PPP structure envisioned by the project as presented to ASSCO through the MOU was not acceptable. At the time of the MTR, in fact, ASSCO did not wish to hold any further discussions on the matter. The other three short-listed PSCs were interviewed by the MTR team, and also found the envisioned PPP unacceptable.³¹

12. The lack of PSC interest is due to two main factors; PPP structure and crop choice.

- (i) The current PPP structure mandates certified seed production by isolated groups of small rain-fed farmers, with sale of the certified seed limited to SDP designated GPGs or the project area. This was seen to present a high level of production risk, low expected margins, a burden on scarce management resources, and reliance on over-stretched FSA resources for inspection.
- (ii) Three of the four crops chosen – groundnut, sesame, and especially cow pea -- are not of major interest to private sector seed companies for contract production for commercial sales. These crops are highly self-pollinating, and therefore farmers, with reasonable care may retain harvested grain to use as seed for many seasons without deterioration of varietal characteristics. Farmers therefore do not buy seed consistently, in comparison with OPV or hybrid³² varieties that deteriorate rapidly and must be purchased every season. Therefore, groundnut sesame and cow pea are a low priority crop for PSCs. Groundnut has an additional handicap in that seeding rates required are quite high – approx. 25 kgs/feddans, so the costs of purchasing commercial seed are high on a per feddan basis. In Sudan, only sorghum and to some extent millet seed has serious commercial interest from the PSCs.³³

13. Looking at the problem more broadly, one can argue that there is a market failure in the commercial supply of groundnut, sesame, and cow pea as these do not attract strong interest from PSCs. However, the solution is not to subsidize PSC involvement in production and distribution of these seeds, as they will not continue activities when subsidies are removed. The solution is to rather find means where organized SGGs can find and serve markets for production of improved seeds. For sorghum and millet seeds, however, there is no intrinsic market failure in production and distribution, but there is a perception that there is no commercial demand for seed amongst the target farmers because of subsidizes distribution of seed by the GOS and donors.

14. Not surprisingly, to the PSCs found that the drawbacks of the proposed PPP were not sufficiently counterbalanced by the relatively small grant offered by the SDP (an estimated 7.5% of business plan costs).

³⁰ “Assessment of Seed Company Study – Final Report”, Gro Consult & Services Company, 4 June 2013

³¹ Comments on the PPP structure were provided in mid-October 2014 to the SDP by Dr. Salah Awad Omer, owner of Nectar.

³² PSCs do respond to GOS, donor, and NGO tenders for groundnut sesame and cowpea seed. Despite what may be in the tender documents, it is highly likely that much – if not most – of what is sold is.

³³ There are some interesting exceptions to this general rule. In Zambia, for example, there are limited quasi-commercial sales of groundnut seed to small-scale farmers in Zambia that have promising but initial results. The marketing channel is from the PSC to an agricultural social enterprise (COMACO) and a provincial level farmer's cooperative, and then to farmers. The PSC (and its competitors) are involved with developing and maintaining improved groundnut varieties. See “Value Chain Analysis of the Groundnuts Sector in the Eastern Province of Zambia”, Working Paper no. 78, IAPRI, September 2013.

15. As a consequence, there has been no PSC contracting for certified seed production by the SGGs as envisioned by SDP, and no PSC marketing by the seed to the GPGs. A fundamental part of Component Three has not been implemented.

16. In order to meet project targets and to continue to motivate the SGGs, the project has stepped in and supplied registered seed from ARC to the SGGs on an in-kind loan basis, and, has agreed to buy all certified seed produced by the SGGs at the market price plus 15%.

17. The project's direct involvement in seed production and marketing has crowded out private sector involvement and gives the SGGs with unrealistic and unsustainable expectations about the viability of producing seed on a commercial basis.

III. A New Private Sector Engagement Strategy for SDP

18. The current private sector engagement strategy of SDP was not acceptable to any qualifying PSCs. Even if it had been acceptable, the structure was flawed, as the PSC would have been motivated to act more as a service provider, than a partner with a commercial interest in continuing project activities after the subsidies were removed. Therefore, the current SDP private engagement strategy should be revised.

19. In its place, a new SDP "Private Sector Engagement Strategy" (PSES) is proposed that will both reflect the commercial realities of the seed business in Sudan, and SDP objectives.

20. The core of the PSES is the development of partnerships that sustainably and cost-effectively achieve the sustainable adoption of certified (or improved) seed by small-scale rain-fed farmers.

21. The core principles of the PSES are:

- **Demand for certified and improved inputs by small-scale rain-fed farmers needs be demonstrated convincingly; if this achieved, the PSCs will find a way to obtain and market seed and inputs cost-effectively.** It is neither necessary nor desirable to provide operational subsidies for this. PSCs and other private companies will evaluate the costs and benefits of marketing directly, through agents, agro-dealers, traditional seed dealers, the CTCs, or any other suitable channels. SDP can advise and encourage PSCs to adopt more cost-effective means of serving target farmers (e.g. smaller packaging sizes). South Kordofan presently presents challenges because of the security situation, but intrinsically it is an attractive market to the PSCs because of the agronomic potential, and there is interest in serving this market on a commercial basis.
- **The production and supply of certified seed is the domain of the PSCs (sorghum and millet).** This activity is the core business of PSCs. The range of varieties and quality of certified seed provided by PSCs will be superior to that produced by SGGs, and the cost will likely be lower because of economies of scale. The production of *hybrid* sorghum or millet varieties, which may be the best option for some target farmers, is far beyond the capability of SGGs. If hybrid seed proves to be an attractive option for target farmers, it may be initially more cost-effective to import than produce locally, even on irrigation schemes, until a critical level of sales is reached³⁴. Production of groundnut and sesame by SGGs could be feasible, but this must be driven by commercial principles and not dictated by SDP.

22. **Sustainable adoption of certified seed by farmers implies access to appropriate agronomic expertise, inputs, equipment, finance and the management skills and organizational structures to accomplish this.** The private sector can be engaged as partners to provide access to the above wherever this will help SDP achieve its objectives, and where commercially interesting to the private sector. SDP partnerships need not be limited to PSCs. Financial institutions, input supply companies, and grain buyers are also potential partners. Value chain studies (discussed below) will be an invaluable means to identify potential partners and their roles in the SDP (as well as for the upcoming livestock project).

³⁴ For example, the sorghum hybrid Pannar 606 is currently released for Sudan, and may be appropriate for use in the higher rainfall areas of S Kordofan or under supplemental irrigation in N Kordofan. CTC is exploring importing Advanta hybrid sorghum and millet seeds, some of which may also be applicable for target farmers.

IV. Components of the Private Sector Engagement Strategy

23. Creating demand for and enabling the use of certified seeds and improved inputs is the main objective of the PSES. The key drivers of demand for certified seed and inputs are:

- awareness and knowledge about improved seeds, inputs, and agronomic methods
- finance for the production/marketing cycle, to allow farmers to plant, harvest, and market properly and at the right time
- market opportunities for grain production; without this farmers cannot afford to purchase or finance improved inputs.
- management skills and structures to put all of the above into practice.

24. Therefore, the components of the PSES are organized based on the drivers of demand:

25. **Demand Creation.** Through the GPG demonstration plots, the SDP is working to develop awareness of improved varieties, inputs, and agronomic methods, however not in a systematic way that demonstrates the difference between traditional and improved practices. There are not side-by-side comparisons under controlled circumstances. The results need to be interpreted in terms that are meaningful to farmers looking to make cropping decisions; for example, what are the production quantity, quality, revenues and expenses of improved versus traditional methods? This has been addressed in the Aide Memoire and is a crucial underpinning of the PSES. PSCs and Input Supply/Equipment companies (ISECs)³⁵ can play a critical role in improving the quality and impact of the demonstration plots and other awareness building activities, and this should be a focus of SDP's partnership strategy. All four PSCs and the one ISEC interviewed by the MTR team endorsed the potential of this approach.

26. There is a perception that free or subsidized distribution of seed by the GOS and donor relief programs has crowded out the commercial suppliers. The impact of these programs may be overstated; SGGs and informal seed traders interviewed by the MTR indicated that there is some commercial demand for improved seed by small-scale farmers.

27. **Recommendation:** Develop partnerships with PSCs/ISECs to design, implement, and evaluate practical, controlled field demonstrations of PSC-produced certified or imported seeds and ISEC improved inputs and agronomic methods.

28. Support the NK and SK MoAI extension department media and information centre to incorporate the results of demonstrations in to their extension brochures, posters, farmer publications, and radio/TV spots, etc.

29. Provide input for PSCs and ISECs how to cost-effectively reach smaller scale farmer. For example, smaller packaging sizes, building up networks of local agro-dealers, or bottom of the pyramid (BOP) distribution schemes using GPG lead farmers as agents. Annex One to this working paper provides a sample MOU between the SDP and a PSC.

30. **Recommendation:** Provide detailed production information over a five year period for North and South Kordofan for the SDP crops, disaggregating production by the SDP target farmers; larger rain-fed farmers, and from irrigated lands.

31. **Recommendation:** Commission an analysis of the extent of free/subsidized seed and input distribution in North and South Kordofan, and its impact on the commercial marketing of certified seed to target farmers.

32. **Value Chain Finance.** When farmers are convinced about improved varieties and methods, they require cash to access inputs, equipment and labour when required. The MTR mission Rural Finance team has made key recommendations to continue to improve access to micro-finance by GPGs and SGGs for production costs through ABSUMI. However, there are at least two important needs for finance in which other financial institutions may play valuable role:

- **Post-harvest finance.** For GPGs and SGGs, post-harvest finance covers the period between harvest and marketing of crops. GPGs may wish to store grain for a time until prices rise after the immediate post-harvest glut, and this require financing. SGGs may

³⁵ In fact, all short-listed PSCs except ASSCO also function as ISECs.

need to store seed produced until farmers are ready to buy inputs for the coming season, and this would also require finance.

- **Supply chain finance.** To ensure that the necessary inputs are with agro-dealers when farmers require them, or that tractors/plows are available for hire at the village level when required, finance may be required.

33. **Recommendation:** SDP will identify and work with interested financial institutions to provide post-harvest finance to complement production credit. Annex Two provides background to a possible post-harvest seed marketing financial package that was discussed by the MTR team with ABS. The results of the Value Chain studies may also indicate additional areas such as supply chain finance solutions for SGGs and GPGs suppliers.

34. **Market Opportunities.** Without market opportunities, GPG and SGG farmers' interest and ability to move from subsistence to commercial farming is limited. For the GPG farmers, there is a ready market for grain at the weekly local markets or at the El Obeid central market, and farmers seem well aware of prices at these markets and costs of getting grain to market. There may be more stable and lucrative opportunities available by marketing more directly to end-consumers. If quality, quantity, and price points can be achieved, then GPGs producers could produce under contract to end consumers. For SGGs, because the direct contract option by PSCs may not be feasible, SGGs need to be linked to opportunities for their seed production. For all farmers, off-take marketing contracts would also be helpful in obtaining finance, as the bank would have the security in knowing there is a reliable market, and could be repaid by deductions taken from the buyers' payments to farmers.

35. **Recommendation:** SDP to undertake value chain studies that will identify key marketing channels, players, and demand characteristics for the various end-users of grain:

sorghum/millet	-	seed, grain, flour, animal feed
sesame	-	seed, confection, oil, animal feed (seedcake)
groundnuts	-	seed, confection, oil, animal feed (seedcake)

A draft TOR for value chain studies is contained in Annex Three.

36. **Management Skills and Organizational Structures.** Farming skills, access to inputs, finance and market opportunities are essential but not sufficient; farmers need to have the management skills and organizational structures to identify opportunities, negotiate with partners, plan their businesses, etc.

37. The SGGs and GPGs were found to have little understanding of basic business concepts and their application to farming as a business. Crop choice and decision making were mostly driven by project incentives. Without a business-minded approach to farming, it is difficult for farmers to evaluate certified seed and improved input packages. Without business skills and organizational structures, they cannot be expected to be successful partners of PSCs, as well as financial institutions, formal sector crop buyers, etc.

38. SDP extension services provided to the SGGs to not include Farming as Business Principles. Recognizing this, the original SDP PPP MOU stipulated that the PSCs "would provide each SGG with the training required to run the seed production as a business venture". No PPP deal was struck, however, and in any event PSCs are not equipped nor motivated to provide business training, and thus this is not realistic to expect this as part of a PPP agreement.

39. The current structure and membership of the SGGs and the GPGs are not conducive to their operating in a business-like fashion. The groups appeared to have no leadership or systems for the business decisions of the group. The groups have been formed primarily to receive project inputs and advice, and have no clear means of collectively analysing and making business decisions, nor any concrete means of incorporating business advisory services the project may provide. In Sudan and elsewhere, groups with business leaders (which may be one of the farmers with business aptitude and interest, or a community member respected and trusted by the group such as a merchant or school teacher) have proven invaluable to achieving commercial success of farming initiatives.

40. **Recommendation:** Evaluate international models, adapt to the Sudanese context, and implement Farming as a Business Training to the SGG and GPG groups. One option is to build the capacity of the GPG MDET and the SGG extension sub-teams to deliver this training. This method

has been used by IFAD elsewhere in Africa (e.g. in Malawi through the Rural Livelihoods and Economic Enhancement Programme). Another option is to partner with an NGO that has developed Farming as a Business Training and contract them to deliver the training to the SGGs and GPGs (examples of this include ACDI/VOCA, Village Enterprise). In either case, the FAAB training should use seed and grain production as a business case studies as part of the curriculum.

41. **Recommendation:** The SGGs and GPGs should include a either a business chair or arrange for a business manager (initially part-time and compensation based on performance). These individuals should be selected based on interest, aptitude/experience in business affairs, and credibility with the group members. The business chair or business manager will be the lead contact for the group for the Farming as a Business Training. The business chair or business manager will act on the group's behalf in negotiations with suppliers, lenders, and buyers of product.

42. **Recommendation:** The SDP should encourage seed production only if it is shown to be the best option for farmers. For sorghum and millet, it is unlikely that SGGs on their own will be competitive providers of certified seed given commercial realities. For groundnuts and sesame, SGGs as well as GPGs may be competitive producers of improved seed. SDP should encourage SGGs and GPGs for sesame and groundnuts to carefully evaluate the risks and rewards of producing for the seed versus the grain market, and committing resources to the best option (which could be partially for seed and partially for grain). The FAAB training will be the primary tool for this analysis.

V. Commercial Development of New Seed Varieties

43. The SDP support of the development of new appropriate seed varieties is currently focused on ARC. However, ARC, as a research institution, does not have a strong inclination or motivation to develop and promote new varieties with commercial potential.

44. In contrast, PSCs that have a commercial motivation to breed varieties which are marketable, at least for sorghum and millet. If commercial demand by the target farmers can be demonstrated, PSCs will get the seed out to the farmers. All PSCs interviewed by the MTR team requested support for their own breeding activities.

45. Nile Sun, for example, are working on early-maturing *striga*-resistant hybrid varieties, and evaluating hybrid pearl millet varieties. Agribusiness Sudan is working on developing early maturing OPVs with high sugar content in grain and stalk for animal fodder and brewing as well as food. ASSCO is evaluating a Turkish-supplied hybrid pearl millet. Given Sudan's relative isolation, and exchange controls, local PSCs appear to have restricted access to international sorghum and millet germplasm from the ICRISAT network and other research stations

46. All PSCs indicated that their breeding activities would be greatly supported by a better understanding of sorghum varieties, their characteristics, where they are grown, and the history of earlier varietal releases. Some mentioned a strong interest in participating in the participatory research activities of SDP.

47. **Recommendation:** *Support PSCs efforts to provide or develop appropriate varieties of the commercial sorghum and millet varieties.*

- a) *Commission a study and workshop identifying Sudan's sorghum and millet land races and released improved varieties; their characteristics, where they are grown, amounts grown, adoption track record, etc.*
- b) *Involve PRC's in the design, implementation, and information sharing of SDP participatory research.*
- c) *Enhance access to international germplasm on a matching grant basis.*

48. **Recommendation:** *SDP support to ARC research and development be focused on the crops of great economic importance that are less interesting to PSCs; groundnuts and sesame.*

VI. Private Sector Engagement Strategy Management

49. Implementation of the Private Sector Engagement Strategy, and ensuring its seamless integration with other SDP components, requires a level of expertise and experience not found in the current makeup of the SDP PCU.

50. Recommendation: A Private Sector specialist be recruited with responsibility for guiding and managing the private sector engagement strategy and ensuring integration with other SDP components. Until this position can be opened within the PCU, this support could come through a part or full time consultancy contract. Consideration may be given to combining the position of a Rural Finance specialist with the Private Sector engagement specialist.

Annex 1: Sample MOU between SDP and SEEDCO (a PSC)

The following is an initial draft of an MOU between SDP and a PSC (“SEEDCO”) to cooperate in a partnership to demonstrate improved seeds and inputs that can be used as the basis of discussion with one or more PSCs.

MOU between SDP and SEEDCO
to enter into a partnership to
Demonstrate Certified Seed and Improved Inputs
In South Kordofan and North Kordofan States

PREAMBLE

This Memorandum of Understanding is made in this day/...../2013, between the Seed Development Project Co-financed by IFAD in Sudan, headquartered in El Obeid, Republic of Sudan (hereafter referred to as SDP), and SEEDCO Sudan Ltd, headquartered in Khartoum, Republic of Sudan (hereafter referred to as SEEDCO)

WHEREAS, SDP is a rural development project co-financed by the International Fund for Agricultural Development (IFAD) and the Government of Sudan with the objective of increasing the use of certified seed and improved inputs by the target farmers (small-scale farmers on rain-fed land), and thereby increasing their income. The SDP is initially operating in four localities in North and South Kordofan.

WHEREAS SEEDCO is a private seed company (PSC) based in Sudan, which is in the business of importing, producing, and supplying certified seed directly or indirectly to farmers in Sudan.

WHEREAS Grain Grower Groups (GPGs) are groups of up to 80 target farmers organized by SDP to promote the increased use of certified seed and improved inputs in the SDP project area.

WHEREAS SDP and SEEDCO have a common objective in increasing the quantity of certified seed used by the target farmers, and wish to complement each other efforts in these areas;

NOW, THEREFORE, SDP and *SEEDCO*, in view of their common objectives, have reached a mutual understanding to enter into a partnership as set out in this memorandum of understanding.

Partnership Objectives

The partnership will develop, implement, and evaluate practical, controlled demonstration plots of PSC-supplied certified seeds and improved inputs and agronomic methods at one or more mutually agreed GPGs. The partnership will be in effect until December 2015, at which time it may be renewed upon mutual agreement.

The objective of the partnership will be to:

- i. demonstrate to **target farmers** the relative benefits of using certified seed and improved methods compared to traditional seed and methods
- ii. **obtain better information** about the relative effectiveness of certified seed and improved in actual field conditions, to strengthen each partners development and business programs.

Article One: Selection of GPGs, seed varieties and input packages for partnership demonstration plots

1. SDP will provide to SEEDCO information on the current and new GPGs planned for 2015 cropping season, including:

- Crop to be promoted
- Number of farmers
- Area to be planted with crop, total area farmed by members
- Location of group
- Any other relevant agro-climactic information, soil type, rainfall, topography, etc.

SDP will provide any necessary facilitation for SEEDCO to visit any of the current or proposed sites, although the visits will be made at SEEDCO's expense.

2. SEEDCO will provide to SDP:

- A list of GPGs in which the SEEDCO proposes the partnership will operate
- Any suggestions for the location and make up of current and new GPGs, which SDP will consider to the extent practical and possible
- Seed varieties to be demonstrated, and the input package recommended.
 - The seed varieties may be OPVs in the public domain, proprietary OPVs protected by breeder's rights, or proprietary hybrid seeds, depending on the PSC's assessment of the commercial potential under small-scale rainfed conditions.
 - The seed varieties for should have been released for use, or currently being evaluated for release.
 - No other limitations will be placed on the PSCs concerning the source of certified seed demonstrated.
 - The input package recommended may include agro-chemicals currently approved for use in Sudan, and should be developed with the constraints of small-scale rain fed farmers in mind.

3. SDP and SEEDCO will then jointly agree on the following:

- GPGs to be included in the partnership
- Seed varieties to be tested, in consultation with GPG members
- Input Package to be tested
- Key liaison person in both organizations for the partnership

Article Two: Design of Demonstration Plot Program

1. SDP will provide SEEDCO with the proposed demonstration plot schematic layout, showing what varieties and methods will be tested, area of the demonstration plot, etc.

2. SEEDCO will provide any input to the draft to ensure that the objectives of the demonstration are met, which SDP will accept when the input at a minimum does not hinder the cost-effective achievement of results.

Article Three: Implementation of Demonstration Plot Program

1. Preparation and Management of the Demonstration Plots

SEEDCO will provide:

- certified seed and recommended inputs for testing to the SDP head office well in advance of land preparation
- 1 advanced training in certified seed to relevant SDP extension and GPG leadership at the relevant SDP regional headquarters
- 1 or more field trainings at GPG field locations

SDP will provide, through the SDP extension program and designated GPG leadership:

- explanation of demonstration plot program and its objectives to GPG lead farmers, other members, and interested stakeholders in the local community
- supervision of all aspects of preparing and managing the demonstration plot
- organization of at least two field days per GPG demonstration plot

2. Results – Analysis, Interpretation, and Feedback to GPG

SDP will provide, through the M&E and Rural Business Specialist

- qualitative and quantitative analysis of the results of the demonstration plot

SEEDCO will provide:

- feedback on the SDP analysis

SDP will then organize a report out session for each GPG group, including members and interested community stakeholders:

- provide a summary of the results from the agronomic and financial/economic perspective of the target farmers
- Obtain feedback from the farmers on the management of the plot, the results, and their own views and perspectives on what was learned
- include feedback from the report out session in the final results analysis

Article Four: Dissemination of results of Demonstration Plots and other Communications

SDP will:

1. Work with the NK and SK MoAI extension department media and information centre to incorporate the demonstration results in their media strategy and extension messages e.g. revising extension leaflets, developing posters, TV and radio messages prepare one or more communications packages suitable for target farmers, extension workers, agro-dealers, and other stakeholders.
2. Place the communications packages in the appropriate media and forum for maximum dissemination of results to target farmers and other interested stakeholders.
3. Organize a state-wide demonstration program results workshop (which may incorporate other SDP demonstration plot results).

SEEDCO will:

1. Be free to use without restriction the results of demonstration plots in advertising and promotional campaigns, as long as the messages delivered fairly reflect the results of the demonstration plots.
2. Participate as desired in the state-wide demonstration results workshop.

Article Five: Marketing Certified Seed

SDP will:

- suggest possible marketing channels based on contacts and knowledge of the GPG areas and the state to suggest marketing channels for SEEDCO.
- provide SEEDCO input into means of reaching target farmers cost-effectively that have been successfully introduced elsewhere, such smaller package sizes, simpler labelling and instruction on packages or agro-dealer training programs.
- consider partial support of pilot supply chain development programs of SEEDCO based on evaluation of proposal prepared by SEEDCO.

SEEDCO:

- based on results of demonstration plots and other assessments, will market certified seed varieties and other products.
- has no special rights or exclusivity to market the certified seed tested, beyond that given by current Sudan laws (breeders' rights, etc.).

Article Six: Other Points of Agreement

Both SDP and SEEDCO are free to do any other certified seed or other demonstration programs jointly, individually, or with other partners at any time during this partnership agreement, but should communicate their intent to do so to each other.

Regular progress meetings at SDP headquarters in El Obeid or in Khartoum will be held with the SDP and SEEDCO liaison personnel, and any issues or disputes should be resolved in this forum. Any issues which cannot be resolved will be taken to the MD of SEEDCO and the SDP Project Coordinator.

Annex 2: A proposed Groundnut and Sesame Seed Storage, Credit, and Marketing Partnership with the Agricultural Bank of Sudan, Private Seed Company, and SGGs

Summary of Benefits:

Seed Grower Groups:

- 1) Collection of seed crop immediately after drying, so a greatly reduced need for proper seed infrastructure and handling.
- 2) Able to realize 50% of value of crop plus WFP grain, or, 70% of value of crop immediately after acceptance of crop at commercial stores.
- 3) Ability to finance stored seed crop from harvest to market (a gap of 4 plus months) at attractive terms with bank sharing risks as well as rewards.
- 4) Opportunity to sell seed crop at grain prices plus 15% (or other negotiated terms).

Agricultural Bank of Sudan:

- 1) Additional financing business at low risk to ABS, because:
 - a. The seed acts as collateral for the loan as it is inspected and in secure storage before initial funds are advanced to the farmers.
 - b. A maximum of 70% of value of seed as grain is paid out at time seeds collected, so the bank has an effective collateral of at least 130%.
- 2) Ability to loan seed in-kind to their groundnut and sesame farmer customers (currently they are only able to offer cash and equipment in-kind credit).
- 3) Build future customers for ABS itself and for their ABSUMI division by strengthening the SGG's seed businesses.

Private Seed Company:

- 1) Earns revenue through handling, processing, and storage of seed.
- 2) Learns about capabilities of SGGs to produce quality seed reliably on a relatively risk-free basis.
- 3) Possible access to certified seed and the ability to respond rapidly to commercial and tender opportunities.

Background: The original idea was proposed in a discussion in El Obeid on 20 October with the manager of the ABS El Obeid branch and the ABS Regional Manager for Kordofan and Darfur States. The regional manager mentioned that they ABS has financed significant commercial production of the groundnuts, sesame, sorghum and millet in the 2014 season through its 8 branches in the region. As part of this finance, ABS provides cash as well as equipment in kind, such as tractors and groundnut and sesame harvesters warehoused in the 3 depot (which includes the one the MTR team inspected in El Obeid). It would be advantageous to ABS to provide other inputs in kind, but because of earlier bad experiences with hybrid sunflower and wheat seed, current ABS policy does not allow seed in-kind credit.

When the MTR team mentioned that the SGGs would have significant quantities of sesame, groundnut, and sorghum seed this season, the Branch Manager became quite interested and outlined the "Connecting Farmers to Market (CFM)" program, managed by ABS with Central Bank financing and WFP collaboration.

In the CFM program, farmers deposit their grain at the ABS depots, and receive 50% of the current value of their grain in cash. In addition, WFP provides the farmer with some grain for consumption (probably as a grant but this needs to be confirmed). The bank takes responsibility for the proper storage of the grain, charging 0.75 SDG per bag per month. The farmers may sell the grain when prices are higher after the post-harvest glut (presumably at the auction in the El Obeid grain market), and then receive the market price, less the 50% advance, storage cost, transport, and profit share accruing to ABS.

The ABS El Obeid Branch manager believed that the Connecting Farmers to Markets program could also be used by the SGGs for their seed production. The concept would basically be the same; seed is deposited by the SGGs at the ABS depot and they receive 50% of market price, to be sold later when markets are found (and prices are higher). ABS would also use the seed as in-kind input finance for its commercial farming customers. Because current ABS policy precludes seed storage, he suggested that IFAD might help by financing dedicated ABS seed storage facilities (either stand alone, or co-located at their existing depots).

As an alternative, the mission team proposed that instead of ABS, a PSC receive the seeds, and act as an agent and handle the transport and storage of the seed. This would avoid problems with ABS policy, ensure seed quality, and avoid IFAD involvement financing infrastructure. At a meeting in Khartoum on 22 October, Nile Sun expressed interest in doing just this, and also in buying the seeds when marketed.

Outline of transactions under the proposed seed finance model:

- 1) After certification by FSA, the SGGs deliver seed to the nearest weekly market or other spot agreed to by the PSC.
- 2) PSC does quality control of delivered seed, and if acceptable assumes responsibility for any further processing and storage of the seed, at a pre-negotiated rate (at cost for cleaning, 0.75 SDG/bag for storage and handling. Any amounts of seed rejected by the PSC can be sold at the weekly auction.
- 3) When PSC assumes control of seed, ABS advances either:
 - a) 50% of the value of the grain at current market prices plus WFP grain to the SGGs (if Connecting Farmers to Markets is a partner); or
 - b) 70% of the value of the grain at current market prices.

In either case, ABS collateral requirement are limited to the stored seed.

- 4) When the seeds are sold (either to ABS, or the PSC, or other marketing channels), ABS releases the full market price to the SGGs, less:
 - a) the 50% or 70% advanced to the SGGs;
 - b) storage and handling costs of the PSC;
 - c) profit share accruing to banks.

Issues:

- 1) Does it make sense to involve the Connecting Farmers to Markets program, given the extra complications and the time sensitive nature of this for the 2014 crop?
- 2) Will the PSC agree to handle the seed at terms acceptable to ABS and SGG?
- 3) Is ABS a reliable partner (and are there any viable alternatives)?
- 4) Will ABS agree to the collateral being limited to the stored seeds, and agree to advancing 70% of the value of the seed (note that this is compatible with their normal 130% collateral policy).
- 5) Should only certified seed be allowed?
- 6) Analyse the implication of the seed being sold as grain. Need to know more about the level and volatility of grain prices through the year, and over many years, to assess this risk.

Annex 3: Value Chain Studies of Sorghum/Millet, Groundnut, and Sesame

The mission recommends that rapid, commercially-focused value chain studies be commissioned on sorghum/millet, groundnuts, and sesame.³⁶

Value chain studies are important because they will identify private sector partners and partnership opportunities throughout the value chain. These partnerships will enable farmers to have better access to seed, inputs, agronomic methods, business expertise, finance, and markets for their produce. These partnerships will increase farmer household incomes, smooth cash flows through the year, and minimize risk.

The value chain studies will also provide insight on the commercial demand for certified or improved seeds in North and South Kordofan, very useful information for the SDP as well as PSCs. The value chain studies will also flag key policy issues for SDP engagement, with a focus on the private sector's role in policy dialogue.

Draft Schematic TOR for Value Chain Studies

Goal: The goal of the VC studies is to help SDP identify private sector partnerships to increase farmer productivity and livelihoods through increased use of improved seeds, inputs, and agronomic methods.

Methodology

The following steps will be undertaken by the contractor:

1. Data Collection and Research.
 - 1.1 Review existing literature, starting with documents contained in the TOR
 - 1.2 Develop an initial interview schedule and itinerary
 - 1.3 Targeted Interviews, field visits
2. Value Chain Analyses.
 - 2.1 End market/demand and production analyses
 - 2.1.1 End market analysis including local, national, and export markets for the following:

sorghum/millet	seed, grain, flour, animal feed
sesame	seed, confection, oil, animal feed (seedcake)
groundnuts	seed, confection, oil, animal feed (seedcake)
 - 2.1.2 Production of crops (tonnes, hectares under cultivation), disaggregated by key variety type (e.g. brown sesame varieties for oil, white sesame varieties for confection). Area under cultivation over the past five years. Detailed analysis for North and South Kordofan (incorporate SDP production study if already undertaken). Analysis volume and quality of crops consumed by households.
 - 2.2 Vertical links -- Map and analyze the players in the vertical links in the chain from North and South Kordofan farmer to final consumption (or export).
 - 2.3 Horizontal links amongst farmers (associations, unions, cooperatives, etc.)
 - 2.4 Supporting markets/services
 - 2.4.1 inputs (volume and value of inputs, including seed)
 - 2.4.2 advisory (agricultural extension, business advisory, etc.)
 - 2.4.2 relevant financial services
 - 2.4.3 transport, processing, storage, etc.
 - 2.5 Value chain governance
Identify and analyze key relationships amongst the buyers, sellers, service providers and regulatory institutions that operate within or influence the value chain. Include an assessment of strengths and weaknesses major private associations (seed, agro-inputs, farmers, etc) as well as government departments.

³⁶ In the agricultural context, a value chain is the full range of activities — such as inputs, production, distribution, processing, marketing and the supporting services such as finance — required to bring a product from farm to market.

Identify analyze risks along the value chain from farmer to consumer.

2.6 Business enabling environment.

Identify key policies that affect value chain (e.g. export/import restrictions, subsidized inputs), private sector views and interest in these issues, ability/interest of GOS or state/district governments to accept and implement policy change.

3. Identify and Prioritize Opportunities and Constraints to achieve SDP goals.

3.1 Lead Firms: Identify the most promising lead firms who are sourcing sorghum or supplying inputs, services, finances who are interested in working directly or indirectly with SDP farmers, or in ways that will benefit the SDP farmers.

3.2 Partnerships: Identify possible win-win sustainable partnerships between these lead firms and the SDP, or SGG/GPGs, or other organizations representing or acting on behalf of farmers that will achieve SDP objectives.

3.3 Policy Advocacy: identify key policy issues prioritized by a) estimated impact on farmers, b) level of private sector for active advocacy, and c) probability of GOS adoption and implementation.

4. Develop a draft VC report for review by SDP and project stakeholders.

5. Design and Implement Value Chain Workshops that will review findings with stakeholders, and build consensus on prioritized next steps.

5.1 Identify potential co-sponsors

5.2 Jointly develop workshop agenda

5.3 Conduct 2 major workshops one each in Khartoum and El Obeid.

Support a satellite workshop in Kadugli led by SDP and Sudanese stakeholders.

6. Final VC report incorporating workshop findings, with prioritized action plan for SDP private sector engagement strategy.

Value Chain Study Contractor Staffing and Experience:

1. Value Chain Study Team Leader with experience in designing, leading, and using value chain studies to develop project activities in the agricultural sector. Direct experience in sorghum/millet, groundnuts, or sesame a plus.

LOE 8 weeks total 2 trips

2. Industry Commodity Experts with private sector experience in sorghum/millet, groundnut, sesame). Should have an understanding of IFAD (or other donor) objectives and constraints, excellent analytical and written communication skills. Country knowledge of Sudan and ability to communicate in Arabic a plus.

LOE 3 Industry experts each at 5 weeks total and 2 trips each

3. +/- 2 local researchers per commodity for a total of six. Business and economic educational background, experience in value chain studies or similar industry analyses, excellent research and written communication skills and ability to work quickly, ability to work at a professional level in English. Excellent contacts within the value chain in private and public sectors in Sudan a plus.

LOE 5 weeks each.

Contracting Process:

1. Release an EOI that invites responses from interested firms (or individuals) to show qualifications of firm, proposed Team Leader, proposed Crop Specialists, prior experience with the crops including impact and use of VC studies, prior experience operating in Sudan or similar environments.

2. Select 3 firms for short-listing, request full proposal with any proposed changes in methodology, staffing, budget, deliverables and timeline.

3. Select final contractor and negotiate methodology, budget, deliverables, timeline.

Annex 4: Private Sector Contacts during the MTR Mission

ABSUMI

Ysasaf Mubarak, Financial Controller

Agribusiness Sudan

Abdalla El Tayeb Khalifa, GM

Elharith Mustafa, entomologist

Agricultural Bank of Sudan

Yasin Abdullah Al Sayed, El Obeid Branch Manager, 012 399 9256

Mohamed, Regional Manager for North and South Kordofan and West Darfur states, TBD

Mohamed Ali Musaad, AGM Grain Reserve operations, Khartoum

ASSCO

Muhammed A Bushara, GM

Izzet Mohammed A/Alla, M&E

Abd Alla Sir El Khatim Mohamed, Agricultural Manager

Professor Ahmedi, breeder

Central Trading Company (CTC), inputs and equipment importer and wholesaler

Mahmoun Ibrahim Dawelbeit, Deputy Head Agrochemicals

Tilal Elsheikh Tambal, Senior Sales Agro-Engineer, Seeds

Kenana Sugar Company

Mohammed Mubarak Sanhour, head, livestock operations

Hafiz A.Ibrahim, GM, Animal Feed Business Unit

Ibrahim Mahmoud Shorbagi, Plant Manager, Animal Feed Plant

Nectar Seeds

Salah Awad Omer, MD

Mubarak Elsheikh, consultant

Nile Sun

Zubeir I M Ibrahim, GM

Dr. Mohamed Abdel Farag Khamses, Seed consultant

Somerain International (Pannar agent)

Mohamed Ibrahim, owner

Other contacts interviewed, not identified

Agro-dealer in El Obeid

Seed and grain traders in El Obeid