

Republic of The Sudan

Seed Development Project (SDP)

Supervision report

Main report and appendices

Mission Dates: 25-Sep-2017 to 10-Oct-2017
Document Date: 20-Oct 2017
Project No. 1612-SD
Report No: 4619-SD

Near East, North Africa and Europe Division
Programme Management Department

Contents

Abbreviations and acronyms	iii
A. Introduction	1
B. Overall assessment of project implementation	1
C. Outputs and outcomes	2
D. Project implementation progress	7
E. Fiduciary aspects	9
F. Sustainability	12
G. Other	13
H. Conclusion	14

List of Figures

Figure 1: IFAD loan/grant disbursement, comparisons between original and revised allocations and actual disbursement	30
--	----

Appendices

Appendix 1:	Summary of project status and ratings	15
Appendix 2:	Updated logical framework: Progress against objectives, outcomes and outputs	17
Appendix 3:	Summary of key actions to be taken within agreed timeframes	21
Appendix 4:	Physical progress measured against AWP&B, including RIMS indicators	25
Appendix 5:	Financial: Actual financial performance by financier; by component and disbursements by category	29
Appendix 6:	Compliance with legal covenants: Status of implementation	31
Appendix 7:	Knowledge management: Learning and Innovation	33
Annexes		35

Abbreviations and acronyms

ABS	Agricultural Bank of Sudan
ABSUMI	Agricultural Bank of Sudan Microfinance Initiative
ARC	Agricultural Research Corporation
AWPB	Annual Work-plan and Budget
CDC	Community Development Centre/Committee
CCU	Central Coordination Unit
CBS	Central Bank of Sudan
DG	Director General
GoS	Government of Sudan
CDC	Community Development Centre
FaaB	Farming as a business
FFS	Farmer Field School
FIG	Full Intervention Group
FSA	Federal Seed Administration
GPG	Grain Producers' Group
IAMDP	Integrated Agricultural and Marketing Development Project
ICB	International Competitive Bidding
IFAD	International Fund for Agricultural Development
LET	Local Extension Team
MoAF	Ministry of Agriculture and Forestry
MoFEP	Ministry of Finance and Economic Planning
M&E	Monitoring and Evaluation
MFI	Microfinance Institution
MSP	Mechanised Service Provider
MTR	Mid-term Review
NCB	National Competitive Bidding
NSC	National Seed Council
NK	North Kordofan
NRM	Natural Resource Management
OFID	OPEC Fund for International Development
O&M	Operation and Maintenance
OPV	Open Pollinated Variety
PC	Principal Coordinator
PCU	Project Coordination Unit
PSC	Private Seed Company
PVP	Plant Variety Protection
QCSB	Quality Cost-Based Selection
SA	Special Account
SCU	State Coordination Unit
SDG	Sudanese Pound
SGG	Seed Growers' Group
SDP	Seed Development Project
SK	South Kordofan
SOE	Statement of Expenditure
SSP	Spraying Service Provider
ToT	Training of trainers
UPOV	International Union for the Protection of New Varieties of Plants
VAT	Value Added Tax
WSRMP	Western Sudan Resources Management Programme

A. Introduction¹

1. The Supervision Mission of the Seed Development Project (SDP or Project) took place in Sudan from 25 September to 10 October 2017. The Mission held consultations in Khartoum starting at the Federal level with Senior Officials of the Government in the Federal Ministry of Agriculture and Forestry (MoAF) the Federal Ministry of Finance and Economic Planning (MoFEP), 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 28 September to 3 October. During these field visits, the Mission met with seed growers, grain growers, Private Seed Companies (PSCs), Service Providers, the Agricultural Research Corporation (ARC), the Extension sub-teams and the Local Extension Teams (LETs).

2. The Mission wishes to express its appreciation to the representatives of the MoAF and MoFEP and other partners who participated in the supervision 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) – and 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 5 October 2017 with representatives of the PCU, SCUs, ARC, NK and SK State Officers as well as other implementation partners, and then at federal level during the official wrap-up meeting on 10 October under the chairmanship of the Director General of the Foreign Finance Directorate of MoFNP with participation from the FMOA, the CCU Senior Coordinator and the PCU.

B. Overall assessment of project implementation

4. 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 smallholders who adopt certified and improved seeds in NK and SK. The Project entered into force in February 2012, closes in September 2018, and comprises four components: Component 1: Strengthening and Development of the Institutional and Regulatory Environment; Component 2: Improvement of the Seed Production System; Component 3: Support Seed Market Development; and Component 4: Project Coordination and Management.

5. The total cost of the Project is USD 17.46 million. Financing is as follows: USD 10.07 million from IFAD, USD 4.14 million from the Government of Sudan, USD 2.47 million from seed growers and grain producers, and USD 1.58 million from the Private Sector Company. By the time of the mission, the total of disbursements, WAs under review and irrevocable commitments amounted to 92.5% of the total allocation. The project is on track for essentially full disbursement by closing.

6. The Mission deems that implementation progress is Moderately Satisfactory. The project lost almost half of the effective implementation period by missing out on its first two seasons seeking to

¹ Mission composition: Mr. Donald Greenberg, Rural Business Specialist; Mr. Robert Dolve, Agriculturalist; Mr. Swandeep Sinha, Rural Finance Specialist; Mr. El Fadul Ahmed Ishag, CPA; Ms Sara Lili, Financial Management Specialist and Mr. Mikael Kauttu, IFAD Programme Officer and Team Leader. The IFAD Country Programme Manager for Sudan, Mr. Tarek Ahmed joined the mission in El Obeid and the field 2-5 October, participated in the meetings with the Government authorities and in the wrap-up meeting at the State and Federal levels. On the Government's and Project's side, the following participated in the mission: Mr. Hassan Mohamed Ahmed Hassan -CCU deputy coordinator, Mr. Mohammed Abdulmutalib – Federal Ministry of Agriculture, Mr. Asaad Mohammed Hassan, Ministry of Agriculture, Miss. Omaira Abulgadir, Federal Seed Administration FSA, Miss. Fawziya Bushara, Federal Ministry of Finance, Mr. Salah Ankoosh, Federal Ministry of Finance, Mr. Mohammed Yousif Elnour (PCU – Project Coordinator); Mr. Rabie Abd Elatif Rizgalla (PCU – Seed Specialist); Mr. Tarig Amin Abu Elbasha (PCU - Senior M&E 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. Eltag Mohammed Hussein (North Kordofan State Focal Point - SDP State Coordinator); Mr. Musa Eldaw Mohammed (North Kordofan State Focal Point – SDP State M&E Officer), Mr. Abu Elgasim Khamis (PCU – M&E Specialist).

implement the original project design's private sector partnership, which the private sector decisively kept refusing. The MTR revisions of 2014 turned the situation around: in the three seasons since the project has matured into a sustainable partnership between relevant private sector actors and farmers.² As a result, farmers are now adopting a more modern farming approach that revolves around sustainable supply of farm inputs to smallholders (services, seed, agrochemicals) from the private sector. In the project villages this is reversing the trend of decreasing cultivated areas (6% increase over the last three years in the graduated project villages, as opposed to 5% reduction in control villages), combats adverse effects on yields of more erratic rain patterns through technologies that improve water retention and adoption of more resilient varieties (40% avg. improved yield in project villages with improved and certified varieties over local varieties in years 2015 and 2016). In combination with reduction of cost, average farm profits are close to doubling.³ Results are expected to improve when the successful implementation year 2017 is taken into consideration. Adoption of improved seed since project start needs robust quantification in connection with PCR, but village interviews during the 2016 and 2017 supervision missions indicate steep increase in this time period; 70-90% of adoption of improved varieties in villages where demonstrations had been held.

7. The positive results at farm level are reciprocated by the private sector where, according to mission interviews, actors at all levels have plans to expand their operations in the rainfed project areas. This is a dramatic difference from the pre-MTR when the PSCs expressed the opinion that SK and NK held little commercial market potential. The mission deems that the new project concept is mature and fully validated by mission observations, and that the Project is on a sound development path for phasing out successfully. Outreach remains however limited being the reason for only a Moderately Satisfactory rating at this point. This was caused by the stalling of the project until MTR and resultant loss of almost half of the project's implementation period.

C. Outputs and outcomes

Component 1 - Strengthening and Development of Institutional and Regulatory Environment

8. **Component Description.** This component will create and strengthen institutional and regulatory frameworks that will provide a favourable environment for a sustainable seed industry. This component has activities to: (i) introduce legislation for the seed industry focusing on development of the Seed Policy and related laws; (ii) improve the capacity of the Federal Seed Administration (FSA) to carry out its legal mandate of seed quality assurance at Federal and State levels; and (iii) establish and support a multi-stakeholder forum of Government, the private sector, NGOs and farmers to discuss issues around seed and the seed industry. Progress in the implementation of this component is rated **moderately unsatisfactory**.

9. **Development of a National Seed Policy and Plan (Policy).** The Policy is pending final signature by Minister of Agriculture since mid-June 2015. The mission recommends that the project in cooperation with the Ministry of Agriculture clarify the status and reasons for the delay, and map out further action needed for Policy to move forward.

10. **Plant Variety Protection and Seed Laws.** The Seed Act of 2010 covers the conventional marketing aspects of seeds and Plant Variety Protection but does not comply with requirements of the International Union for the Protection of New Plant Varieties (UPOV), therefore barring Sudan from UPOV membership and exchange of protected varieties with other UPOV members. The GoS is still not considering UPOV membership. A new Plant Variety Protection Law is currently under preparation and review by the Ministry of Justice (MoJ). The main motivation for this new law is its requirement as

² The original SDP design for private sector partnership focused on identifying a PSC to buy SGG-produced seed from ARC registered seed, process it, and then market to the GPGs. This original partnership arrangement was refused by the PSCs, and no progress had been made. During the 2014 MTR it was agreed that it be re-designed to: (i) develop effective demand for a wider range of certified seeds, as well as other key agricultural inputs such as agrochemicals and mechanized services with involvement of the private sector; (ii) improve farmer access to seed and other agricultural inputs, services, and finances; (iii) continue to encourage PSCs to contract for seed production from SGGs, but remove restrictions on the source of registered seed provided to farmers, or the marketing of seed purchased from the farmers by the PSCs.

³ TBC in light of farm budget analysis pursuant to recommendations in the M&E section.

part of WTO membership. The draft Seed Law has been developed by the NSC and is also with the MoJ for review.

11. **Federal Seed Administration central laboratory and ISTA accreditation.** FSA has pointed out that some of the laboratory equipment supplied does not comply with bidding document. FSA and PCU should clarify for each piece of equipment whether incompliance is with bidding documentation or contract, and then pursue bidder pursuant to its incompliance with contract. FSA has refused to sign the delivery documents for the equipment before this is sorted out, whilst the company wants the delivery receipt signed before it can change the equipment. The consultant for preparing the lab manual was not contracted as expected in October 2016 and another consultant has been identified with an agreed ToR and their contract should be signed in October 2017. Due to the delays in the procurement and establishment of the lab it is now not possible for the lab to be ISTA accredited before the end of the SDP.

12. **Strengthening of quality control activities in Kordofan:** The laboratory equipment has arrived in both State laboratories but has not been installed yet. In the current season the trained State seed inspectors have not been delegated by the FSA, and none of the State staff have been involved in seed certification activities. Rather the FSA has sent teams directly from Khartoum without involvement of the State staff.

Agreed actions	Responsibility	Agreed date*
Ascertain the precise status of the policy and map the way forward.	PCU Seed Specialist, Ministry of Agriculture	30 Nov 2017
Finalise receipt and corrections needed to the laboratory equipment order	FSA	End of October 2017
Refer ISTA subscription 2018 for payment by Gov	PCU	1 January 2018
Finalise the laboratory manual	FSA	End of March 2017
Install State laboratory equipment	FSA	End of December 2017
Prepare seed testing protocol	FSA	End of October 2017
Delegation of State staff to allow them to conduct seed inspections	FSA	End of October 2017

Component 2 - Improvement of the Seed Production System

13. **Component Description:** The component comprises the following key activities: (i) ARC should be capacitated to carry out SGGs and GPGs demand-driven participatory research, (ii) the SGGs should supported to access inputs, finance and crop insurance via ABSUMI and Bara'ah, and (iii) a FFS and FAAB curriculum should be implemented for training of extension teams and farmers. Progress in the implementation is *Moderately Satisfactory*.

14. **ARC participatory research.** ARC continues to conduct on-station research in SK and NK to look at interactions between varieties and technologies before including the most appropriate of these in on-farm mother-baby participatory trials. Unfortunately the ARC's work is still not linked to the SDP demo and PSC demo sites, nor are their results influencing the SDP field demos. ARC has produced the participatory research manual. PCU sought external reviewer's comments that are now shared with consultant to finalise the manual. Once done it is suggested to share this with PTA in IFAD. Once finalised the manual should be translated into Arabic and developed into extension courses that can be used for training.

15. **Private Sector Breeding Initiatives.** Three PSCs are developing new varieties of sorghum (OPV and hybrid), sunflower, and pigeon pea that were evaluated on the SDP/PSC demonstration plots. Farmers are quite interested in these new varieties, and encouraged that the PSCs are interested in the rainfed sector. ARC has not demonstrated genuine commitment to work with PSCs to support their breeding efforts, despite encouragement from SDP and substantial support for their PVR program.

Agreed action	Responsibility	Agreed date
Finalise the participatory approaches manual	ARC	31 st Dec 2017
Based on multi-year on-station and PR, produce technical papers, extension recommendations and identify new articles for release	ARC	31 st March 2018
ARC in NK and SK should hold a final review meeting covering all their work	ARC	31 st March 2017

16. **Extension sub-teams.** The two State extension sub-teams continue to support the two SGGs (106 members) in NK and four SGGs (83 members) in SK. The sub-teams used FFS to train farmers on seed crop production and supported linkages to the PSCs and the certification process by FSA.

17. **Seed Grower Groups (SGGs).** SGGs membership is down (NK: 106 in 2016 vs. 58 in 2017; SK: 114 vs. 83) reflecting a maturing in the group as only committed households carry on with seed production. Demand for seed is up: for 2017 in NK RANS increased their contract for certified groundnut production from 200 to 380 feddan and ASSCO increased from 50 to 103 feddans. Two new SGGs were formed in SK and one is growing 50 feddan of groundnut for ASSCO this season. A summary of production and sales/distribution for seed produced in 2016 is given in the table below:

	Groundnut NK		Sesame SK		Sorghum SK	
	Seed (kg)	%	Seed (kg)	%	Seed (kg)	%
2016 production	86,212		9,075		58,671	
Purchased by PSCs in 2017	57,998	67	0	0	0	0
Sold as grain in 2017	16,315	19	7,333	81	48,521	83
Distributed informally in 2017	11,899	14	16,408	19	10,150	17

Component 3 – Support Seed Market Development

18. **Component Description.** This component will: (i) develop effective demand for certified seed and other relevant agro-inputs and services; (ii) link farmers to financial institutions and input and service suppliers; (iii) enable the private sector to develop effective marketing channels for certified seeds and other relevant agro-inputs and services to small-scale farmers and (iv) empower farmers to plan their businesses and access necessary inputs. The progress is *Moderately Satisfactory*. The project is successfully implementing the private sector strategy. In the same time, rural finance has stagnated in the season 2017, and cumulative outreach is still falling short of project targets due to the short implementation period since MTR.

Extension and private sector strategy

19. **Local Extension Teams (LETs).** Three new staff were added to each LET (M&E, mechanisation and crop protection) to support the PSCs and on-farm demos.

20. **Private sector company and SDP input and equipment demonstrations.** Six private companies provided inputs to demonstrate new seed varieties, seed dressing, herbicides, and mechanization. All 90 planned PSC demo plots were established (51 in SK and 39 in NK).

21. In general, the quality of the 2017 PSC demonstrations was a significant improvement over the 2016 experience. However, there are still shortfalls; preparation of lead farmers for the demonstrations, and most seriously, planting was delayed. For both SDP and PSC demonstrations, there was inadequate use of control plots, making comparison of the improved packages demonstrated with traditional practices in the communities less clear. The notable exception was the SDP demonstrations on sorghum *striga* control, well thought through with adequate controls.

Agreed action	Responsibility	Agreed date
Organize a meeting with PSCs in Khartoum with SCU heads and LET leaders to address how to improve the timeliness and planning of PSC demonstration implementation	PCU – PSC, SCU heads	31 December 2017

22. **Grain Producers.** In 2017 the LETs worked in 78 exposure communities with 9,874 households, in 29 full intervention communities with 820 households and in 12 graduated

communities with 2,163 households (see annex for methodological outline of Exposure, FIG and graduated communities). During this mission it was noted that the extension processes and demonstration plots were much better established and managed than in the previous season. More demo plots were planted on time, more field visits were held at land preparation, planting, mid-season, and will be conducted in the future at harvest.

23. **Full Intervention Group (FIG) farm demonstrations.** In a highly satisfactory manner, the project took stock of last season's mistakes and learnt its lessons: the FIGs were prepared for service providers, particularly the MSPs. In NK there were 13 FIGs and SK had 16 FIGs, covering 388 households (on 984 feddan) in NK and 432 (on 1,099 feddan) in SK. The trials in the FIG demos were on improved varieties, use of DAP micro-dose, and pre- and post-emergence herbicides.

24. **Business Analysis of SDP, private sector, and on-farm demonstrations.** A continued weak point of implementation is the lack of business analysis of the results of all demonstrations. The business analysis is important for enhancing the business decision-making skills and knowledge base of farmers, and it is also important for project M&E purposes.

Agreed action	Responsibility	Agreed date
Undertake cost and <i>expected</i> revenue analysis for all important FIG, SDP, and PSC technology demonstrations using farm budget cash flow methodology	PMU – M&E consultant with PSC	31 December 2017
Finalize <i>actual</i> cost/revenue analysis using actual crop yields and received prices, using farm budget cash flow methodology	PMU – M&E consultant with PSC	28 February 2018

25. **Mechanized Service Providers (MSPs).** The 2017 experience mobilizing, training, and ensuring that MSPs are equipped was a marked improvement over 2016, due to SDP's careful review of the lessons learned. The MSPs provided the following services this season: i) heavy/light chisel land preparation; ii) disc harrowing; iii) planting; and iv) weeding (inter-row cultivation and herbicide application from tractor-mounted boom-sprayers). MSPs and farmers alike were highly positive about their experience, and outlined plans for continuing with service provision/purchase independent of SDP in season 2018.

26. **Spray Service Providers (SSPs).** As with the MSPs, the 2017 experience mobilizing, training, and ensuring that SSPs were equipped was a marked improvement over 2016, due to SDP's careful review of the lessons learned. SDP trained five SSPs in each FIG and equipped the two most qualified with sprayers. Farmers appreciate the cost savings. Mission findings in graduated village testify that SSPs continue providing the service independent of SDP.

27. **Agrodealers.** The project organized exposure visits for selected agro-dealers to agro-input suppliers in Khartoum, with business deals struck by many of the agro-dealers. During field visits both visited agro-dealers reported at least a 50% increase in their business over the last few years, and both had a plan to expand the number of villages they covered by attending local market days and by going directly to communities.

28. **Graduated villages and Business Development Agents (BDAs).** In 2017, in graduated communities SDP has identified, trained, and facilitated BDAs to bridge the gap between smallholders, SSPs, MSPs, agro-dealers, and micro-finance institutions. A total of 16 BDAs were selected and trained. The effectiveness of the BDAs has varied significantly. One BDA in NK, for example, was highly active, brokering loans from ABSUMI, supplying seed from ASSCO, providing MSP services and earning commercial fees for these services. There are many however who have been struggling to develop a profitable business platform, even as they have been very supportive to farmers. From mission visits it seems that the more successful BDAs were usually MSPs or agrodealers (or both), and were older, respected, and experienced businessmen in the community who had the gravitas, confidence, and connections to negotiate with service providers, suppliers, or financial institutions outside the community.

Agreed action	Responsibility	Agreed date
Analyze Private Sector Service Provider performance in FIG and Graduate communities	PMU – M&E consultant with PSC	31 December 2017
Ensure that Agro-Dealer Study Tour to India incorporates visits to areas where the key SDP crops are grown and covers important business topics (marketing, credit, technical support, demonstrations, sub-agents, etc)	PMU – PSC	31 October 2017
Undertake an analysis of the effectiveness of the BDA concept	PMU, M&E consultant	28 February 2018

29. **Farming As a Business (FAAB) and Service Provider Business Training.** Overall, the FAAB activities are underperforming, due to a combination of factors including contractual issues with the national consultant, his limited time and experience, and the hiatus in IFAD funding. The FAAB consultant assessed the previous season FAAB training through sessions in the five 2016 localities with 164 farmers. This report did not include lessons learned or changes were made in the FAAB ToT/training materials as a result of the assessment. The FAAB TOT was provided to the newly recruited LET FAAB specialists, and the farm planning FAAB module was delivered by the LETS to 288 farmers in 2017, bringing total coverage to about 85% of farmers.

Agreed action	Responsibility	Agreed date
Finalize updated manuals, and implement business training for 1) SSPs, 2) MSPs and 3) Agrodealers	PMU – PSC -- FAAB national consultant/ specialized national consultants/ private companies	SSP – 30 October 2017 MSP – 28 February 2018 Agrodealer – 31 March 2018
Ensure that the FAAB 1) post-harvest and 2) marketing and crop choice decision making ToT and trainings respond to real farm business choices	PMU – PSC –FAAB national consultant	Post harvest assessment 30 November 2017 Marketing/ Crop Choice 30 January 2018

Rural Finance

30. **Outreach performance.** The September 2016 SDP supervision mission recommended a disbursement target between 4,000 – 4,500 seasonal loans for the 2017 agricultural season. The targets were subsequently reduced to several reasons that emerged since supervision: i) 30% overdue arrears at time of applicant mobilisation due to poor harvest in 2016 (almost fully recovered, but only after season was over); ii) temporary stoppage of lending to non-registered groups pursuant to recent decree requiring registration of farmer associations; and iii) departure of Rural Finance Coordinator in spring 2017 without replacement which reduced coordination, caused failure to address the seasonal loan transaction cost by trimming requirements pursuant to Implementation Support Mission recommendations, and reduced efficiency of BDAs to link with ABSUMI. Eventually the outreach exceeded the reduced expectations with 1,168 loans in the amount of SDG 2.4 mln (up from last year's 1,150 loans and SDG 1.3 million).

31. **BDA.** The introduction of the BDA reduced the dependence of the credit officers on extension officers almost by half. This is borne by the fact that the BDAs mobilised 446 loan applications i.e. almost half. The BDAs who operated on commercial basis made profits by adding markups to the costs of mechanised services, seeds and other agro inputs delivered through them to the seasonal loan clients. Consequently, the cost of these services to the final borrower was much higher compared to their prices in the open market. Nevertheless, with the growth in business volumes and competition amongst BDAs in the future these margins are expected to reduce. The introduction of the BDAs have also reduced the transaction cost of the credit officers. In some cases, ABSUMI has independently identified BDAs and have organised training for them through the BDAs trained by the project.

32. **Replication without project support.** Some of the ABSUMI units have started replicating the seasonal loans without project support. The seasonal loans in the non-SDP villages have supported the same improved technology packages as promoted in the SDP villages. This is a positive change compared to previous seasons when ABSUMI credit officers were sceptical about the benefits of the improved technologies and were unwilling to push their adoption through the seasonal loans.

33. **Machinery and equipment loan.** The project mobilised a list of service providers and agrodealers interested in obtaining loans for purchasing machinery and equipment promoted by project. However, at a later stage most of the applicants pulled out. Yet, as a result of the SDP efforts 2 tractors in the project area have been financed from ABS loans one each in North and South Kordofan. During the mission field interviews, several MSPs expressed their interest to acquire the machinery with their own resources or supported by loan. In view of the significant quality improvement of demonstrations, the MSP perception of the business case for equipment has been significantly boosted. The project should continue promoting linkage with ABS.

Agreed action	Responsibility	Agreed date
Target 3,500 to 4,000 seasonal loan disbursement in the 2018 season	ABSUMI, Baraah and SDP	Start preparation immediately
Organise review meeting with BDAs and training sessions ensure that all the 12 graduated villages have active BDAs in the 2018 season	Led by SDP PCU and State coordinators	15 December 2017
Support group formation and mobilisation of potential list of applicants in SDP villages in preparation for 2018 season.	Led by SDP State coordinators in coordination with ABSUMI and Baraah	15 December 2017
Support ABSUMI to sensitise and raise awareness of the seasonal loans in the non SDP villages.	Led by SDP State coordinators in coordination with ABSUMI	15 January 2018
Continue efforts to link MSPs and agro dealers to loans for machinery and agro-input stocks	SDP State coordinators and extension officers	Continuous

D. Project implementation progress

34. **Project Management** is *Satisfactory*. The management structure of the Project comprises the PCU, and State Coordination Units (SCUs) embedded in the State Ministries of Agriculture, one in NK and one in SK that report directly to the PCU coordinator. The structural reorganisation agreed on during 2016 supervision has markedly increased the project's capacity to take stock, learn, improve and successfully implement the demanding private sector strategy, as proven by the successes of the 2017 season.

35. For the remaining project period, the mission recommends retaining key well performing staff, most notably the Principal Coordinator, Operations' Coordinator and M&E specialist as well as mandatory functions such as financial management at the PCU level; and the coordinators and extension team members at State Level, to be determined with IFAD in view of the extent allowed by remaining financing and support needed for activities (see section 72).

Agreed actions	Responsibility	Agreed date*
Retain key staff needed for bridging activities.	PCU	Continuous till project closing

36. **Monitoring & Evaluation (M&E)** is *Satisfactory*. The M&E specialist and team successfully conducted the annual assessment, seed tracking and adoption survey. In the remaining project period the mission recommends that a further annual assessment and adoption survey take place, covering all typologies of villages that are exposed to SDP: seed growers, Graduated, FIG, Exposure, SDP demos (all types undertaken from 2013-17); PSC demos; as well as villages susceptible to adopting seed/technical packages thanks to a vicinity of 10km or less to any of the above. The annual assessment should also cover the technical packages used besides yields, and seek to map out situation at project start-up in 2012 on recall basis. For SGGs the project should undertake yet another seed tracking survey.

37. The M&E should also undertake case studies for BDAs, SSPs, MSPs and Agrodealers, as well as of farm models – as detailed elsewhere in the report and WPs. For quantifying outreach, the M&E specialist should compile a database where project villages are listed, indicating year and type of intervention as well as population, as well as their coordinates.⁴ M&E should also estimate the amount of villages susceptible to adoption. The M&E function should share questionnaires and sampling with IFAD prior to start of field activities.

⁴ Seed growers, Graduated, FIG, Exposure, SDP demos (all types undertaken from 2013-17); PSC demos.

Agreed actions	Responsibility	Agreed date*
Draft a complete village database covering all village types.	M&E specialist and team	31 December 2017
Develop a service provider database with coordinates.	M&E specialist and team	31 December 2017
Conduct the annual assessment and seed tracing survey	M&E specialist and team	28 February 2017
Conduct the adoption survey	M&E specialist and team	30 July 2018
Conduct case studies for BDA, SSP, MSP and Agrodealers	M&E specialist and team	31 December 2017
Conduct farm model analysis	M&E specialist and team	31 December 2017

38. **Coherence between AWPB and implementation** is *Satisfactory*. The PCU sent the first draft of the project's AWPB to IFAD on 8 January 2017. After incorporation of comments, IFAD provided final no objection on 16 January 2017. The AWPB is of good quality. The AWPB 2017 has been implemented 67% by end August 2017. The mission assessment in conjunction with SDP management indicates that the AWPB will be implemented without significant shortfall by end of the year.

39. **Gender and Youth focus** is rated as *Satisfactory*. Women and youth participation in SDP activities has been successful with 37% of the farmers participating in full intervention activities being women (814 total: 301 female, 513 male and 42% of the contact farmers being women (73 total: 31 female, 42 male). Moreover, 75% of the contact farmers are youth. Finally, access to rural finance through ABSUMI and Bara'ah has had a positive effect on women empowerment. Women have participated actively in farmer organisations (25% women participation). There are however still challenges concerning women and youth inclusion in leadership and decision making roles at community level as well as high illiteracy rates among female beneficiaries.

40. **Poverty focus** is rated as *Moderately Satisfactory*. Through the SDP project communities' understanding of the importance of improved seed production as a means to generate income and combat poverty has been strengthened. This is indicated by the high awareness of the usage of technical packages in agricultural production and some communities reporting increased productivity and higher incomes from farming activities. Women and youth participation project activities is high and in line with the project objective of specifically targeting women and youth in seed production processes so as to increase their resilience and livelihood opportunities.

41. **Effectiveness of targeting approach** is *Satisfactory*. The targeting strategy underpinning SDP is building on previous and ongoing IFAD funded operations. For greater impact, the project has refined its targeting by tailoring its support based on communities' maturity and experience, categorised into (i) exposure, (ii) full intervention and (iii) graduation villages. It resulted in a total outreach to 119 communities (compared to last year's 74) with a total of 12,830 farmers. The approach, in combination with demonstrations has transformed the level of seed adoption, as well as adoption of machinery and spraying services.

42. **Innovation and learning** is rated as *Satisfactory*. The project has introduced a more modern farming approach that relies on partnerships between farmers and the private sector (service providers, small-scale retailers of agrochemicals and large-scale companies in Khartoum). This has helped reverse the trend of decreasing farming areas, and combat adverse effects on yields of more erratic rain patterns by improved water retention and more resilient varieties. The partnership has taken root. This is attested by the increased adoption rates of improved packages on a sustainable basis, and the private sector's plans to expand operations in the rainfed project areas that previously were deemed commercially uninteresting.

43. **Climate and Environment Focus** is *Satisfactory*. Communities' resilience to environmental variability increase with the adoption of SDP promoted technologies, more specifically the improved high yielding drought tolerant varieties and timely utilisation of agricultural machineries across the season. The mission observed that crops applying the recommended technical packages were performing better, demonstrating greater coping characteristics. The project is introducing herbicides application. While this is a necessary tool, which has great impact on farm economies that are faced with increasing labour shortage, it needs strong oversight. The project is linking up this activity with the state plant protection department who are providing such oversight on a sustainable basis.

E. Fiduciary aspects

Financial management.

44. Financial management and the quality of the internal control system in place is rated *Moderately Satisfactory (4)*.

45. **Organization and staffing.** The organization and staffing arrangements for the financial unit remains adequate. The distribution of roles and responsibilities is clearly identified and all members of the team are skilled and competent for the position that they cover.

46. **Accounting system.** The accounting software is a customized data base from MS Access which allows only single entry accounting. The project follows a modified cash accounting system. A major challenge is represented by the dependency on the consultant, which designed the system since for any adjustment needed the project has to wait for the consultant to fix the problem.

47. **Asset Inventory.** The asset management is moderately unsatisfactory. The inventory register needs improvements since it lacks the indication of the room or the specific place where the asset is located and the person who is responsible for each specific asset, and it needs an update of the assets which were moved in different places. From a physical verification on sample basis, few discrepancies were noted: some assets were not coded, for some others the code had faded away or it was extremely hard to read, some other assets were not found in place. *The mission recommends the project to improve the information provided in the inventory lists with the additional information mentioned above, to put in place a proper coding and labeling for all the assets with a labeling which is clearly readable, water proof and permanent. A physical verification has to be done by December 2017 to verify all the assets and its findings have to be reflected in the inventory list. In case of missing assets an investigation will have to be put in place.* Strict adherence to the deadline is of capital importance in view of the transfer of assets to the IAMDP (see section 72). The mission also noted the purchase of several assets like laptops, printer, projector which are new and kept unused in the store, especially at the NK focal point unit. To avoid unnecessary spending of public money, *the mission strongly recommends the management carefully evaluates the actual need for asset before purchase.*

48. **Exchange rate.** Since December 2016 the CBoS has been applying only the official rate to the transfers made from the DA to the operating account, in contradiction with the new policy of applying the official rate increased by the incentive rate. Unlike other IFAD projects in Sudan, SDP has been receiving transfers converted at the increased rate from April 2017 onward but for the period November 2016 – March 2017, the transfers have been made only at the official rate. This has been the cause of delays in disbursement since the last two WAs submitted have been kept on hold at IFAD pending the resolution of the matter. A recent agreement has been reached in September 2017 with the approval of the MoF to exchange the transfers retroactively with the additional incentive rate and the CBoS to transfer the money shortly. The project has estimated an amount of SDG 1.8 million to be transferred by the CBoS in to the operating account. Actions have already been taken by both the project and the CBoS at the time of the mission and the transfer will probably be finalized shortly. In the meantime IFAD has canceled both the previous WAs submitted (No. 58 and 59) and the project will have to resubmit the application concerning the expense reporting period of January – April 2017.

49. **Grant disbursement.** The disbursement is rated Satisfactory (5). The amount actually disbursed as at 31/08/2017 is SDR 4,950,410.59 (without the initial advance), which represents 77.96% of the total allocated amount. Including the WAs under review, the WAs under preparation and the commitments, the amount increases to SDR 5,873,750 (without the initial advance), which represents the 92.50% of the total allocation. The left over available balance under the grant is therefore estimated at SDR 476,249.91 (as at 31/08/2017) which corresponds to approximately to Euro 560,000. *Considering the huge impact that the exchange rate applied to the transfers has on the actual grant balance, the mission recommends the project to recalculate carefully the available balance of the grant at the time of preparation of the 2018 AWPB to ensure that the budget is fully covered by the available balance of the grant.*

50. **Recovery of the Initial Advance.** The project has reached the triggering point to start the recovery of the Initial Advance and IFAD has already started the recovery process by applying 100% of recovery to the balance left pending under WA 53 (199,590 SDR). *The mission recommends the project to prepare a recovery plan and submit it to IFAD together with the submission of the next WA.*

51. **Designated and operating account** For the Designated Account the reconciliation as at 31/08/2017 shows a discrepancy of Euro 121.68 which is the result of: (1) bank charges applied during the channeling of IFAD transfers (for Euro 124.20) which the project can claim as expenditures in the next WA; (2) an amount erroneously transferred by the CBoS (Euro 3.49) for which the project has to inform the CBoS to retain the money back; and (3) an amount of 1 Euro which was erroneously under claimed in the form 100 of WA No. 5. *The mission recommends the project to undertake the necessary actions and rectification in the accounting and to claim the eligible bank charges to IFAD.*

52. **Bank Reconciliation at FPU's.** The mission could not verify the reconciliation of the SK focal point unit since no visit was conducted at the SK office, while the reconciliation done at NK unit needs improvements. Although a verification of the balance in the bank is done every month, there is no formal system in place. *The mission recommends both the focal point units to put in place a formal system of monthly reconciliation between the bank balance shown in the accounting system and the bank statement.*

53. **Counterpart funds.** The counterpart funds are rated moderately unsatisfactory (3).

54. **Government contribution.** The total financial contribution received from the government is of SDG 4.118 million, which represents the 20% of the approved AWPBs (2012-2017). However this data reflects a high underestimation of the contribution from the Government. As part of the contribution the Government is also paying for the operating costs for the activities implemented by the FSA and ARC but it is not providing the project with the concerning information and as a result the project is not able to account the actual contribution that the Government is providing. *The mission recommends the project to conduct meetings with the concerning authorities in order to find a solution for the calculation of such contributions and for the releasing of such information to the project.*

55. **Compliance with loan covenants.** The compliance with the loan covenants is rated moderately satisfactory (4).

56. **Financial statements.** The financial statements and the annual audit have been submitted in accordance with the agreement provisions and no major delay has been encountered.

57. **SOE.** The mission has reviewed the expenses under the SOE facility on a sample basis for the applications submitted during the time period from September 2016 till the current mission. The value of the expenses reviewed equals approximately 50% of the total amount claimed under applications WA No. 48, 49, 53, 54, 58 and 59. The documentation is found moderately satisfactory, however some cases were found with missing documentation, as reflected in the table below. *The mission provides the project with a month time in order to collect the missing documentation from the concerning suppliers. If by the end of October 2017 no documentation is submitted to IFAD, the concerning expenditures are considered ineligible, the project will have to find alternative funding for them and deducted them from the subsequent WA sent to IFAD.*

WA No.	Cat.	Item No.	C'cy	Amount	Findings
48	4	7	Euro	4,822.65	Invoice missing
53	6	31	Euro	12,786.11	Voucher and documents were not found
59	6	6	SDG	23,020.00	Flight ticket not attached. Attendance to training cannot be confirmed.

58. In general, all other expenditures reviewed were correctly captured in the accounting system and documented, however, the project should improve in some areas: (a) payments must only be finalized once the invoice has been submitted to the project. No payment must be approved unless the documentation is complete; (b) all payments to consultants should be based on an invoice or a payment certificate submitted by the consultant; (c) the contract payment summary should be prepared for any payment done under any contract; (d) ensure that the DSA rate paid to participants to international training are not unreasonably high; (e) whenever a contract amendment is approved or any extra payment is done under a contract such payment has to be reflected in the contract payment summary; and (f) for the future missions a copy of the SK documentation or the originals brought from the SK unit should be kept ready at the CCU so as the expenditures incurred at the SK focal point unit can also be reviewed by the mission. *The mission recommends that the quality of the SOEs be improved by incorporating such findings.*

59. **AWPB 2016-2017 and preparation of 2018 AWPB.** The budget for all financiers of 2016 and 2017 (up to August) has been implemented at 58% and 67% respectively. The budget for 2018 has

not been started yet. *The mission recommends that the 2018 AWPB is started immediately and sent to IFAD for no-object in due course.*

60. **Audit 2015 and 2016.** The Audit is rated moderately satisfactory (4). The audit of 2016 does not include a separate opinion over the SOE as per IFAD requirements. The mission recommends the project, with the support of the IFAD CCU, to include such requirement in the TORs of the auditor and to ensure that a separate opinion on the SOE is included in the next audit. The findings of the auditors for both the years 2015 and 2016 have been reviewed and discussed with the project. The status of their implementation is summarized in the tables included in the Annex for the Fiduciary Aspects. At the time of the mission all the cases have been solved with the exception of: (1) the expense of SDG 27,378, as per Audit 2015 finding no. 5.4.1_a, which is not provided with an invoice; (2) the expense of SDG 150,000, as per Audit 2016 finding no. 5.2.a, which is not provided with an invoice; (3) the expense of SDG 89,075, as per Audit 2016 finding no. 5.2.e, which is not provided with an invoice; and (4) the expense of Euro 16,887.46, as per Audit 2016 finding no. 5.6.a, whose copy of the tickets has not been collected yet by the project. For all these expenditures the mission recommends that the missing document is collected by the end of October 2017. In the case that the project fails to collect it and send it to IFAD, the concerning expenditure is considered ineligible by IFAD and the project will have to find alternative funding for it and deduct it from the subsequent WA. In addition, for all those expenditures which were not included in the AWPB and therefore were declared ineligible by both the 2015 and 2016 Audit, the project will have to find alternative funding for them, the accounting will have to be adjusted and the amounts deducted with the next WA submitted to IFAD. If they will be charged under the Government contribution the project will have to receive the Government approval.

Agreed action	Responsibility	Agreed date
Improve the information provided in the inventory list, undertake a physical verification of the assets, re-label all the assets with an efficient labeling system	FC/ Admin. and procurement officer	December 2017
Evaluate the actual need before an asset purchase	PC and FC	Permanent
Recalculate and consider the available balance under the grant at the time of preparation of the 2018 AWPB	PC and FC	November 2017
Submit to IFAD a recovery plan	PC and FC	October 2017
Undertake the necessary actions and rectification in the accounting and claim the eligible bank charges to IFAD shown in the bank reconciliation	FC/ Accountant	October 2017
Put in place a formal system of monthly reconciliation	FC/ Accountant/ SKFP and NKFP	Permanent
Conduct meetings with the concerning authorities in order to find a solution for the calculation of the government contributions and for the releasing of the information to the project.	MoF/ PC/ FC	November 2017
Provide the documentation for the expenditures found incomplete upon the SOE review	PC/ FC/ Accountant	October 2017
Improve the quality of the SOEs	PC/ FC/ Accountant	Permanent
Start the preparation of 2018 AWPB and submit it to IFAD in due course	PC/ FC	November 2017
Include in the TOR of the auditor the requirement of the separate SOE opinion and ensure that the Audit includes such opinion	PC/ FC/ IFAD CCU	March 2018
Provide the documentation for the expenditures declared ineligible in the Audit 2015 and Audit 2016 and adjust the accounting for the expenditures declared ineligible	PC/ FC/ Accountant	October 2017

Procurement

61. Overall, the project performance on procurement is considered to be *moderately satisfactory (4)*. The CCU is mandated to carry out all large procurement transactions that use NCB, ICB and QCSB. However, during the period under review no procurement transactions were carried out through CCU. The PCU manages all other procurement. The project is also responsible for the preparation and update of the procurement plan. The project has implemented 49% of its procurement plan, 44% is to be implemented in the remaining 4 months, while 7% of the activities have been cancelled.

62. **Procurement at the project level.** The mission observes continued improvement in capacity of procurement staff, as well as procurement process. This is seen in adherence to procurement methods and review requirements as set in the PP, as well as the required procedures. In some instances however, there was non-compliance. The project has opted to recruit mechanised agriculture experts on direct contracting basis. SSS was one of the option provided in the respective mission recommendation, but the PP indicated individual consultant basis. In all circumstances, prior no-objection must be sought for SSS. The project management should provide justification for IFAD

and obtain no objection ex post. *The mission strongly recommends that the project should adhere to procurement methods and review requirements as set out in the PP as well as general procurement rules.*

63. **Procurement Planning.** The procurement plan meets basic requirements. The PP has been updated to reflect the actual time of implemented activities and also indicated activities that are carried forward for next year or cancelled altogether. *The mission recommends to update/revise PP and obtain prior approval of revised PP in case need for deviation arises.*

64. **Contract Register.** The mission reviewed the project register of contracts on sample basis. The register includes all contracts and purchase orders and provides required information on contracts and as well provides remarks on contract implementation.

65. **The procurement filing system.** The project maintains a dedicated procurement filling system, with clear improvements previous compared to situation during supervision mission. However documentation of procurement transactions could still benefit from further improvements. *The mission recommends that procurement filing should include, (i) documentation confirming receipt of goods/services at final destination, (ii) confirmation of payment to supplier/provider and (iii) where contract payment is made in progressive manner, respective form C11 should be kept on procurement files.*

66. **Procurement post review.** Procurement post review was conducted on sample for 12 transaction carried out over the period under review. Detailed report with findings and recommendations will be included in the supervision report.

67. On basis of the findings of the procurement review, following actions are recommended to mitigate situation and enhance performance.

Agreed action	Responsibility	Agreed date
Adhere to procurement methods as set out in the PP and general procurement rules; obtain exp post approval for deviation.	Procurement officer/PPC	Immediately/on-going
Update PP and obtain prior approval in case need for deviation arises.	Procurement officer/Project team	Continuous
Procurement filing to include, (i) documentation confirming receipt of goods/services at final destination, (ii) confirmation of payment to supplier/provider and (iii) where contract payment is made in progressive manner, respective form C11 should be kept on procurement files.	Procurement officer	Immediately/on-going

F. Sustainability

68. **Institutions building** is *Moderately Unsatisfactory*. The project supports the development of a nation-wide enabling institutional and policy environment for the seed sector and strengthen relevant seed sector authorities. The institutions supported, ARC, FSA and NSC have been strengthened but have not yet delivered on objectives set by the project (regional seed certification; and seed policy, respectively).

69. **Empowerment** is rated as *Satisfactory*. The project empowers farmers to access better services (inputs, services, microfinance) and secure market outputs for their products. Various channels are used to build capacity and raise awareness, including extension campaigns, exchange visits, participatory research, SDP and PSCs demos. Moreover, the farmers are taught the skills to assess farming from a business perspective (FAAB training), capacitating them to assess the cost-benefit effect of investing in technical inputs – such as agrochemicals or deep chiseling – thus supporting them in their negotiations with service providers.

70. **Quality of beneficiary participation** is *Satisfactory*. LETs provide key technical guidance and training to enhance beneficiaries' engagement; either through planning the demonstrations sites or in supporting producers to enter into commercial based contractual arrangements. The mission attested a very positive farmer reception of the improved packages. This was confirmed by the high quality of on farm, SDP and PSC demonstrations, as well as high adoption rate in farmer fields in graduated villages.

71. **Responsiveness of private sector partners** is *Satisfactory*. The project continues to make progress in developing and formalising its relationship with the private sector. The number of PSCs involved in demonstrations has increased with one, bringing the number of PSC involved in SDP area to 7. The issues encountered with MSPs not adhering to contractual obligations in previous years was resolved in season 2017. Agrodealers interviewed recounted of significant benefits from the partnerships that the project brokered with large-scale companies in Khartoum, and outlined plans for expanding their businesses.

72. **Exit strategy** is *Satisfactory*. The Integrated Agricultural Market Development Programme (IAMDP), scheduled for IFAD Executive board approval in 2017 and with a head office in El Obeid, will continue promotion of the SDP-initiated private sector-smallholder business partnership in the Project area. In a context where IAMDP is expected to smoothly continue activities of the SDP, winding up activities means such activities that sustain the project momentum over the “bridging” cultivation season of 2018 without significant disruption, allowing retaining of key needed staff and a minimum of field mobility. For clarity, any delivery of goods or services after the completion date will be ineligible expenditure, except for the above mentioned support from PCU, SCU or other relevant gov staff, or activities pertaining to audits, M&E surveys and such activities relevant for PCR and closure. The mission recommends the following:

- Consolidate the SDP results by providing necessary facilitation and guidance to the target farmers linking them with service providers, and availing the SDP’s agricultural machinery to MSPs in support of graduated villages.
- Retain the necessary key PCU/SCU staff to oversee the winding up of results of the agricultural season 2018 until closing, subject to availability of funding.
- Ensure transfer of all assets, most notably vehicles, equipment and agricultural machinery, to the IAMDP, before closing.

73. **Potential for scaling up and replication** is *Satisfactory*. The project has witnessed successes in the piloting of linking remotely located smallholder farmers with input and service providers for whom such partnership was traditionally seen as not a valid business. Success in the difficult conditions of the project area suggests strongly that the project concept is worthy for scaling up.

G. Other

74. **Impact**. The project has introduced a farming approach that revolves around sustainable supply of farm inputs to farmers (services, seed, agrochemicals) from the private sector (service providers, small-scale retailers of agrochemicals and large-scale companies in Khartoum). In the project villages this is reversing the trend of decreasing farmed areas (6% increase over the last three years in the graduated project villages, as opposed to 5% reduction in control villages), combats adverse effects on yields of more erratic rain patterns through technologies that improve water retention and adoption of more resilient varieties (40% avg. improved yield in project villages with improved and certified varieties over local ones in years 2015 and 2016). In combination with reduction of cost, average farm profits are close to double.⁵ The mechanised operations influences the allocation of labour, saving up to 8 man days if the combination of chiselling, certified rates and herbicides is applied. Results are expected to improve when the successful implementation year 2017 is taken into consideration. Adoption of improved seed since project start needs to be clarified, but village interviews during the 2016 and 2017 supervision missions indicate steep increase in this time period. As for the impact of older SDP demonstrations from 2013-17, the mission interviews indicated an 70-90% adoption of varieties in villages where demonstrations had been held. Moreover, farmers were selling their crop as improved seed to neighbouring villages, thus magnifying the impact.

⁵ TBD in light of farm budget analysis pursuant to recommendations in the M&E section.

H. Conclusion

75. The Project's method for a smallholder-private sector partnership has validated itself since the previous supervision. Project management at all levels from PCU to LETs can be commended for learning the lessons from previous seasons' shortfalls, and actively developing and refining the Project concept. This culminated in a successful season 2017. The following points are crucial for successfully winding down the project:

- a) **Seed policy.** The Seed Policy has been pending final approval by the Minister of Agriculture since 2015. By end November 2017 the Project in cooperation with the Ministry of Agriculture should clarify the status and reasons for delay and map out further action needed for the Seed Policy to move forward.
- b) **Transfer of assets.** Finalise complete assets inventory by end of November 2017, and ensure transfer of all SDP assets to the IAMDP before closing of the SDP.

Appendix 1: Summary of project status and ratings

Basic Facts

Country	Sudan		Project ID	1612 [1100001612]	Loan/DSF/Grant/ASAP FI No.	1000004140
Project	Seed Development Project				Top-up Loan/DSF/Grant/ASAP FI No.	
Date of Update	21-Nov-2017					
Supervising Inst.	IFAD					
No. of Supervisions	4	No. of Implementation Support/Follow-up missions	6			
Last Supervision	11-Oct-2017	Last Implementation Support/Follow-up mission	03-Mar-2017			

USD million Disb. rate %						
Approval	13-Dec-2011			Total financing	17.46	
Agreement	24-Feb-2012	Effectiveness lag	2.4	IFAD Total	10.07	
Entry into force	24-Feb-2012	PAR value	-----	IFAD loan	0.00	0
First disbursement	23-Oct-2012			DSF grant	10.07	98
MTR	29-Sep-2014	Last amendment		IFAD grant		
Original completion	31-Mar-2018	Last audit	30-Jun-2017	ASAP grant	0.00	0
Current completion	31-Mar-2018			Domestic Total	7.39	
Current closing	30-Sep-2018			Beneficiaries	2.57	10
No. of extensions	0			National Govern	3.43	15
				Local private	1.40	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	5
2. Acceptable disbursement rate	6	5	2. Performance of M&E	3	5
3. Counterpart funds	4	3	3. Coherence between AWPB & implementation	4	5
4. Compliance with financing covenants	4	4	4. Gender focus	5	5
5. Compliance with procurement	4	4	5. Poverty focus	4	4
6. Quality and timeliness of audits	4	4	6. Effectiveness of targeting approach	5	5
			7. Innovation and learning	4	5
			8. Climate and environment focus	5	5

B.3 Outputs and outcomes	Last	Current	B.4 Sustainability	Last	Current
1. Institutional and Regulatory Environment	4	3	1. Institution building (organizations, etc.)	4	4
2. Seed Production System	4	4	2. Empowerment	4	4
3. Seed Market Development	4	4	3. Quality of beneficiary participation	5	5
			4. Responsiveness of service providers	4	4
			5. Exit strategy (readiness and quality)	4	5
			6. Potential for scaling up and replication	5	5

B.5 Justification of ratings

Acceptable disbursement rate (5): SDP disbursements are in a temporary low due to the exchange issue that froze disbursement for the period preceding supervision mission. WAs under processing should increase the rate, and the project is on track for full disbursement. Counterpart funding (3): 20% of approved AWPBs -12-17. However, this foregoes the expenditure for FSA and ARC, contributions to which gov has not explicated to the project. Inclusion of them in the PCR will increase the rating. Programme mgt (5): the PCU headed has satisfactorily implemented the restructuring agreed on during previous supervision, with the result of great improvement of coordinating of field activities. M&E (5): greatly improved since entry into ranks of the M&E specialist. On track for successful completion process.

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)	4	4

Rationale for implementation progress rating

The upgrading of the overall implementation performance rating is a consequence of the progress SDP has made in brokering public-private partnership between the project, PSCs and beneficiaries. Engagement with the private seed companies has increased the potential for a well-functioning seed value chain supply in the project area.

C.5 Likelihood of achieving the development objectives (section B3 and B4)	4	4
--	---	---

Rationale for development objectives rating

The MTR in 2014 and missions in 2015-16 resulted in changes to the private sector engagement with promising results with regards to seed production and seed marketing. SDP has also made progress in brokering innovative public-private business relationships between PSCs and MFIs, which supports sustainability of the exit strategy and scaling up of activities. The project concept is valid, highly appreciated by stakeholders across the board, and about to be replicated. However, low outreach to date of supervision keeps the rating at a moderately satisfactory.

C.6 **Risks** Short description of major risks for each section and their impact on achievement of development objectives and sustainability

Fiduciary aspects	Transfer of assets to IAMDP is the next challenge. The PCU needs to updated the asset register, and together with government commence the transfer in a timely fashion. Mission secured assurances that this be treated as priority at both federal and state level.
Project implementation progress	The project activities might loose momentum in the bridging period between SDP and IAMDP. During the season 2018 PCU and SCU's should continue linking farmers with service and input provision using minimal resources. This will facilitate winding up of activities and bridge activities on to IAMDP.
Outputs and outcomes	Provision of support from PCU and SCU during the bridging season will be a challenge due to limited financial resources. However, the mission secured assurance at all levels that resources will be mustered.
Sustainability	Limited government resources decrease the sustainability of services provided by the extension teams. This is however mitigated by a sustainable strategy to involve the private sector.

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

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
COSOP Goal			
Food security, incomes and resilience to shocks of the smallholder producers (including youth and women) in rainfed areas of North and South Kordofan improved.	-Prevalence of malnutrition in children under age of five years reduced : rate reduced from 3% to 2% (RIMS)	-RIMS baseline survey and impact survey	-Macro-economic stability
	-Improved food security : food insecurity reduced from 55% to 40%.(RIMS)	-Anthropometric and UNICEF periodic surveys	-Contained insecurity events
	-Increase in HH asset index : production 5 fed in qoz soils, 3 fed in gardud soils and 10 fed in clay soils doubles.	-Official gvt. statistical yearbooks; censuses	
		-HH income and expenditure surveys	
Development Objective			
Increased crop productivity for 69,000 smallholders using certified and improved seeds in North and South Kordofan	100% increase in the yields for 75% of GPG members applying the full package of agricultural practices recommended by project, as compared to the baseline: NK: Sorghum 155 kg/fd; Millet 125 kg/fd; Sesame 204 kg/fd; Groundnut 171 kg/fd SK: Sorghum 313 kg/fd; Millet 147 kg/fd; Sesame 349 kg/fd; Groundnut 188 kg/fd	-Baseline survey, Mid Term Review (MTR) and completion assessments	-Expanding access to input suppliers, extension advisory services, credit and insurance
	-45,000 smallholder men and 19,000 smallholder women reporting increase in yields for all crops disaggregated by gender (RIMS)	-Ministry of Agriculture crop cutting surveys and annual crop assessment -Agricultural Research Corporation (ARC) and National Seed Administration (NSA) reports	
Component 1 – Strengthening and Development of Institutional and Regulatory Environment			
Outcome: Conducive policy and institutional environment for the seed industry in place	-By laws of Seed Act 2010 in place by mid-2012 and fully enforced by 2012	Client survey	-NSA operates in an autonomous way
		Institutional performance assessment	-Gvt phases out distribution of free or subsidized seeds
	-Operational self-sufficiency for FSA by 2014 (RIMS)	Record on law enforcement	-Seed policy for the UN agencies operating in Sudan is harmonized
Outputs			
1.1 Plant variety protection legislation drafted, approved and enforced.	-PVP legislation promulgated by end 2012.	-Legislation document	-Seed Council is timely appointed by the Government (target date: end 2011).

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
1.2 Federal Seed Administration (FSA) is capacitated to effectively monitor the multiplication and certification standards.	-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.	-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.	-Bi-annual forums convened regularly from 2012 at National and State levels. -At least 50 persons attend each multi-stakeholder forum.	-National seed policy document -Proceedings of bi-annual meetings	
Component 2 -Improvement of the Seed Production System			
Outcome: An economically viable seed production system that meets farmers' expectations and demands in place	-8 SGG operational in 2014; 12 SGGs operational in 2017 -4 medium sized farmers operational in 2017 -Cash returns per seed growing Hhd reach SDG1700/Hhd/yr in 2014 and SDG 2800/HHd/ yr in 2017)	-Surveys at MTR and completion	
Outputs			
2.1 ARC capacitated for implementation of participatory breeding research	-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.	-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).	-Production of 23 MT of registered seeds in 2012, 90 MT of registered seeds produced for 2013 and 2014.	-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.	-30 men and 15 women extension agents trained on seed production and marketing -one operational/field manual developed and distributed to 12 seed grower groups	-Project monitoring reports	Sufficient human resources for two 4 member team mobilized

Narrative Summary	Verifiable Indicators	Means of Verification	Assumptions
2.4 Seed growers are enabled to produce certified seeds of improved and traditional varieties.	-400 MT of certified seeds produced by 2017	-Baseline survey, MTR and completion assessments	SGG and seed companies adhere to respective contractual obligations
	-100 women and 220 men accessing advisory services for seed production by 2017 (RIMS)	-Project monitoring reports on quantity and quality of seed produced by groups in project years	
Component 3 -Support Seed Market Development			
Outcome: Improved seed supply system with improved market delivery mechanisms in place.	-483,000 fed cultivated with certified and/or improved seeds in the project area in 2017 (RIMS)	-Baseline survey, MTR and completion assessments	Seed companies able to mobilize SDG 6 million for scaling up phase
	-15,000 farmers use certified and/or improved seeds and SWC by 2017; 30% women (RIMS)		
Outputs			
3.1 Marketing of certified seeds to smallholder producers established	-Number of farmers reached through the PSC marketing: 10 500 in 2014 and 69 000 in 2017 ; with 30% women	-Client survey for farmers	
3.2 Farmers empowered to use certified and improved seeds and improved techniques.	-Demand for certified and improved seeds reaches at least 483,000 feddan at the end of 2017.	-Baseline survey, MTR and completion assessments	Farmers access to credit and insurance facilitate purchase of certified seeds
3.3 Increased access of farmers/ grain producers to credit and microfinance	-ABSUMI branch operational in Sheikan in 2012; and ABSUMI branches operational in Abu Gibeih and El Rahad by 2017).	-Records from Bara'ah, ABSUMI, ABS and other banks	MoU signed between PCU and banks/ MFI to facilitate access of farmers/grain producers to micro-credit SDG 500-600/ loan
	At least 7,200 production loans disbursed in 2017	-Records from Sheikan Insurance Co. - ABSUMI records	

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

	Agreed actions	Responsibility	Agreed date*
Comp 1	Ascertain the precise status of the policy and map the way forward.	PCU Seed Specialist, Ministry of Agriculture	30-Nov-17
	Finalise receipt and corrections needed to the laboratory equipment order	FSA	End of October 2017
	Refer ISTA subscription 2018 for payment by Gov	PCU	01-Jan-18
	Finalise the laboratory manual	FSA	End of March 2017
	Install State laboratory equipment	FSA	End of December 2017
	Prepare seed testing protocol	FSA	End of October 2017
	Delegation of State staff to allow them to conduct seed inspections	FSA	End of October 2017
Comp 2	Finalise the participatory approaches manual	ARC	31 st Dec 2017
	Based on multi-year on-station and PR, produce technical papers, extension recommendations and identify new articles for release	ARC	31 st March 2018
	ARC in NK and SK should hold a final review meeting covering all their work	ARC	31 st March 2017
	Organize a meeting with PSCs in Khartoum with SCU heads and LET leaders to address how to improve the timeliness and planning of PSC demonstration implementation	PCU – PSC, SCU heads	31-Dec-17
Comp 3	Organize a meeting with PSCs in Khartoum with SCU heads and LET leaders to address how to improve the timeliness and planning of PSC demonstration implementation	PCU – PSC, SCU heads	31-Dec-17
	Undertake cost and <i>expected</i> revenue analysis for all important FIG, SDP, and PSC technology demonstrations using farm budget cash flow methodology	PMU – M&E consultant with PSC	31-Dec-17
	Finalize <i>actual</i> cost/revenue analysis using actual crop yields and received prices, using farm budget cash flow methodology	PMU – M&E consultant with PSC	28-Feb-18
	Analyze Private Sector Service Provider performance in FIG and Graduate communities	PMU – M&E consultant with PSC	31-Dec-17
	Ensure that Agro-Dealer Study Tour to India incorporates visits to areas where the key SDP crops are grown and covers important business topics (marketing, credit, technical support, demonstrations, sub-agents, etc)	PMU – PSC	31-Oct-17
	Undertake an analysis of the effectiveness of the BDA concept	PMU, M&E consultant	28-Feb-18
	Finalize updated manuals, and implement business training for 1) SSPs, 2) MSPs and 3) Agrodealers	PMU – PSC -- FAAB national consultant/ specialized national consultants/ private companies	SSP – 30 October 2017
			MSP – 28 February 2018
			Agrodealer – 31 March 2018

	Ensure that the FAAB 1) post-harvest and 2) marketing and crop choice decision making ToT and trainings respond to real farm business choices	PMU – PSC – FAAB national consultant	Post harvest assessment 30November 2017
			Marketing/ Crop Choice 30 January 2018
	Target 3,500 to 4,000 seasonal loan disbursement in the 2018 season	ABSUMI, Baraah and SDP	Start preparation immediately
	Organise review meeting with BDAs and training sessions ensure that all the 12 graduated villages have active BDAs in the 2018 season	Led by SDP PCU and State coordinators	15-Dec-17
	Support group formation and mobilisation of potential list of applicants in SDP villages in preparation for 2018 season.	Led by SDP State coordinators in coordination with ABSUMI and Baraah	15-Dec-17
	Support ABSUMI to sensitise and raise awareness of the seasonal loans in the non SDP villages.	Led by SDP State coordinators in coordination with ABSUMI	15-Jan-18
	Continue efforts to link MSPs and agro dealers to loans for machinery and agro-input stocks	SDP State coordinators and extension officers	Continuous
Impl prog	Retain key staff needed for bridging activities.	PCU	Continuous till project closing
	Draft a complete village database covering all village types.	M&E specialist and team	31-Dec-17
	Develop a service provider database with coordinates.	M&E specialist and team	31-Dec-17
	Conduct the annual assessment and seed tracing survey	M&E specialist and team	28-Feb-17
	Conduct the adoption survey	M&E specialist and team	30-Jul-18
	Conduct case studies for BDA, SSP, MSP and Agrodealers	M&E specialist and team	31-Dec-17
	Conduct farm model analysis	M&E specialist and team	31-Dec-17
	Improve the information provided in the inventory list, undertake a physical verification of the assets, re-label all the assets with an efficient labeling system	FC/ Admin. and procurement officer	Dec-17
	Evaluate the actual need before an asset purchase	PC and FC	Permanent
	Recalculate and consider the available balance under the grant at the time of preparation of the 2018 AWPB	PC and FC	Nov-17
	Submit to IFAD a recovery plan	PC and FC	Oct-17
	Undertake the necessary actions and rectification in the accounting and claim the eligible bank charges to IFAD shown in the bank reconciliation	FC/ Accountant	Oct-17
	Put in place a formal system of monthly reconciliation	FC/ Accountant/ SKFP and NKFP	Permanent
	Conduct meetings with the concerning authorities in order to find a solution for the calculation of the government contributions and for the releasing of the information to the project.	MoF/ PC/ FC	Nov-17
	Provide the documentation for the expenditures found incomplete upon the SOE review	PC/ FC/ Accountant	Oct-17
	Improve the quality of the SOEs	PC/ FC/ Accountant	Permanent

	Start the preparation of 2018 AWPB and submit it to IFAD in due course	PC/ FC	Nov-17
	Include in the TOR of the auditor the requirement of the separate SOE opinion and ensure that the Audit includes such opinion	PC/ FC/ IFAD CCU	Mar-18
	Provide the documentation for the expenditures declared ineligible in the Audit 2015 and Audit 2016 and adjust the accounting for the expenditures declared ineligible	PC/ FC/ Accountant	Oct-17
	Adhere to procurement methods as set out in the PP and general procurement rules; obtain exp post approval for deviation.	Procurement officer/PPC	Immediately/on- going
	Update PP and obtain prior approval in case need for deviation arises.	Procurement officer/Project team	Continuous
	Procurement filing to include, (i) documentation confirming receipt of goods/services at final destination, (ii) confirmation of payment to supplier/provider and (iii) where contract payment is made in progressive manner, respective form C11 should be kept on procurement files.	Procurement officer	Immediately/on- going

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

Name	unit	AWPB	Actual	%	Total	%
institutional support						
Government officials and staff trained- agricultural extension/technology(men)	number	15	13	-87%	29	-64%
Government officials and staff trained- agricultural extension/technology(women)	number	10	8	-80%	15	-60%
Government officials and staff trained- agricultural extension/technology(men/women)	number				0	
Effectiveness: promotion of pro poor policies & institutions	rating		3			
seed production/multiplication						
Agricultural/livestock production groups formed/strengthened	number	2	2	-100%	10	-83%
Other productive infrastructure constructed/rehabilitated	number	1	1	-100%	5	
People in agricultural/livestock production groups(men)	number	65	55	-85%	377	-112%
People in agricultural/livestock production groups(women)	number	35	35	-100%	221	-153%
People in agricultural/livestock production groups(men/women)	number				0	
People trained in crop production practices and technologies- seeds(men)	number	65	55	-85%	474	-215%
People trained in crop production practices and technologies- seeds(women)	number	35	35	-100%	286	-286%
People trained in crop production practices and technologies- seeds(men/women)	number				0	
Staff of service providers trained- research(men)	number	75	71	-95%	168	-168%
Staff of service providers trained- research(women)	number	10	8	-80%	77	-154%
Staff of service providers trained- research(men/women)	number				0	
Effectiveness: improved agricultural, livestock and fishery production	rating		4			
Likelihood of sustainability of community groups formed/strengthened	rating		5			
Likelihood of sustainability of the agri/ livestock production groups formed and/or strengthened	rating		4			
marketing inputs/outputs						
Marketing groups formed/strengthened- crops	number				105	-52%
Marketing groups with women in leadership positions	number				51	-51%
People accessing facilitated advisory services(men)	number	8000	7503	-94%	14597	-30%

People accessing facilitated advisory services(women)	number	4000	3402	-85%	7529	-36%
People accessing facilitated advisory services(men/women)	number				0	
People in marketing groups formed/strengthened(men)	number				7651	-64%
People in marketing groups formed/strengthened(women)	number				3324	-42%
People in marketing groups formed/strengthened(men/women)	number				0	
People trained in post-production, processing and marketing(men)	number	2500	2435	-97%	3491	-70%
People trained in post-production, processing and marketing(women)	number	1500	1278	-85%	1737	-58%
People trained in post-production, processing and marketing(men/women)	number				0	
Effectiveness: improved agricultural, livestock and fishery production	rating		4			
Effectiveness: producers benefiting from improved market access	rating		3			
Likelihood of sustainability of the agri/ livestock production groups formed and/or strengthened	rating		4			
Rural financial services						
Active borrowers(men)	number	200	187	-94%	799	
Active borrowers(women)	number	1000	963	-96%	1242	
Active borrowers(men/women)	number				0	
Financial institutions participating in project	number				2	-100%
People in savings and credit groups formed/strengthened(men)	number	300	262	-87%	854	-85%
People in savings and credit groups formed/strengthened(women)	number	1200	1192	-99%	1554	-52%
People in savings and credit groups formed/strengthened(men/women)	number				0	
People trained in financial services(men)	number	200	195	-98%	807	-81%
People trained in financial services(women)	number	1000	991	-99%	1270	-42%
People trained in financial services(men/women)	number				0	
Savings/credit groups formed/strengthened	number	75	73	-97%	139	-70%
Staff of financial institutions trained(men)	number	12	11	-92%	21	-105%
Staff of financial institutions trained(women)	number	5	4	-80%	6	-60%
Staff of financial institutions trained(men/women)	number				0	
Value of gross loan portfolio	USD' 000	240	212	-88%	354	
Value of voluntary savings mobilized	USD' 000	44	38	-86%	75	-79%

Voluntary savers(men)	number	200	165	-82%	777	-78%
Voluntary savers(women)	number	150	137	-91%	416	-14%
Voluntary savers(men/women)	number				0	
Effectiveness: improved access of the poor to financial services	rating		5			
Likelihood of sustainability of improved performance of financial institutions	rating		5			
Likelihood of sustainability of saving and credit groups formed/strengthened	rating		5			
Outreach indicators						
Communities receiving project services	number		0		105	-52%
Households receiving project services	number		0		10500	-52%
Individuals receiving project services(men)	number		0		31248	-56%
Individuals receiving project services(women)	number		0		33852	-50%
Individuals receiving project services(men/women)	number				0	

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

Table 5A: Financial performance by financier as at 31/08/2017

Financier	Appraisal (USD '000)	Disbursements (USD '000)	Per cent disbursed
IFAD grant	10,070	8,912	89%
Government	4,140	639	15%
Seed Grower & Grain Producers	2,470	-	0%
Private Sector Company	1,580	-	0%
Total	18,260	9,551	52%

Table 5B: Financial performance by financier by component (USD '000) as at 31/08/2017

Component	IFAD Grant			Government			Seed Grower & Grain Producers			Private Sector Company			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Institutional and Regulatory Environment Strengthening	1,320	1,174	89%	660	88	13%	-	-	0%	-	-	0%	1,980	1,263	64%
2. Improvement of the Seed Production System	1,340	1,239	92%	920	126	14%	40	-	0%	1,010	-	0%	3,310	1,364	41%
3. Seed Market Development Support	4,020	3,439	86%	2,100	279	13%	2,430	-	0%	570	-	0%	9,120	3,719	41%
4. Project Coordination and Management	3,390	3,060	90%	460	146	32%	-	-	0%	-	-	0%	3,850	3,205	83%
TOTAL	10,070	8,912	89%	4,140	639	15%	2,470	-	0%	1,580	-	0%	18,260	9,551	52%

Table 5C: IFAD loan disbursements (SDR, as at 31/08/2017)

Category	Description	Original Allocation	Revised Allocation	Disbursement	Balance	Disbursement in %	WA under review	WA under preparation (**) (***)	Commitments (****)	Total disbursed + WA + Commitments	%
DSF-8094-SD											
I	Civil works	150,000	180,000	180,720	(720.19)	100.4%	17,580	898		199,198	110.7%
II	Fund	330,000	70,000	63,108	6,891.78	90.2%				63,108	90.2%
III	Vehicles	550,000	550,000	524,549	25,450.53	95.4%	18,578			543,127	98.8%
IV	Equipment	760,000	1,030,000	843,793	186,207.37	81.9%	2,839	65,143		911,775	88.5%
Va	Technical Assistance International TA	220,000	220,000	130,832	89,168.08	59.5%		54		130,886	59.5%
Vb	Technical Assistance National TA	1,100,000	600,000	294,339	305,661.02	49.1%	11,484	50,582	30,292	386,697	64.4%
VI	Training	1,800,000	1,600,000	1,187,244	412,755.54	74.2%	50,194	267,362		1,504,800	94.1%
VII	Contracted Services	210,000	390,000	293,329	96,671.12	75.2%	1,842	26,278		321,449	82.4%
VIII	Recurrent Costs	630,000	1,450,000	1,432,496	17,504.16	98.8%	97,073	283,140		1,812,710	125.0%
	Unallocated	600,000	260,000	-	260,000.00	0.0%				-	0
										-	
TOTAL PROJECT		6,350,000	6,350,000	4,950,411	1,399,589	77.96%	199,590	693,458	30,292	5,873,750	92.50%

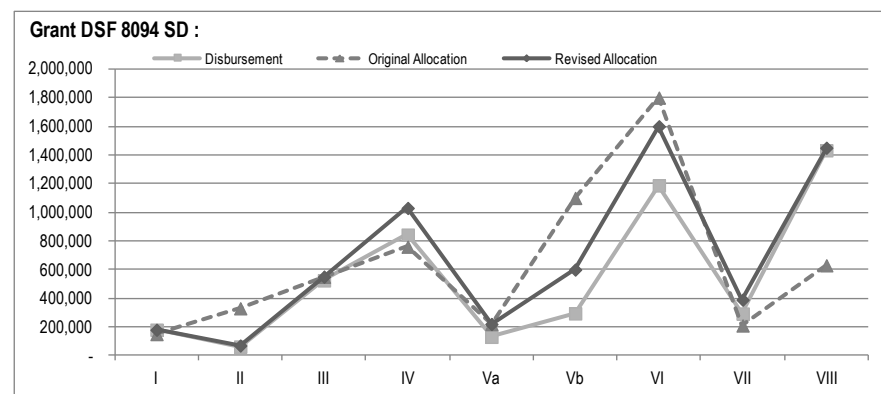
(*) Balance pending under WA 53 will be applied towards recovery. Conversion from Euro/SDR at 1.18342 as per advance of ID

(**) The amounts paid from the DA are converted in Euro by the accounting system on FIFO method and for the pre-financed expenditures the conversion SDG/USD is done at an estimated rate. Conversion from Euro/SDR at 1.18342 as per advance of ID

(***) The project is preparing WAs for the period January-August 2017

(****) Converted in USD at the estimated rate of 14.9149 and SDR at 1.539030 as per advance of ID

Figure 1: IFAD loan/grant disbursement, comparisons between original and revised allocations and actual disbursement



Appendix 6: Compliance with legal covenants: Status of implementation

Section	Covenants	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 project start	Complied with	Both the designated account and project operating are opened and maintained
Section B.5	GsS is to provide counterpart financing to the project equivalent to USD 3.42 million. This is to cover: duties and taxes USD 1.46 million; insurance premium USD 1.57 million, following GOS policy; and contribution to recurrent costs USD 0.39 million		Partially complied with	GsS 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. The GoS is yet to provide the necessary information on the contribution paid directly by them.
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 3rd quarter of each year for the following year. The project AWPB shall submitted for IFAD no objection in November of each year		Partially complied with	The project prepares and submits AWPB annual on schedule. The preparation of 2018 AWPB has not yet started.
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

Section	Covenants	Target/Action due date	Compliance Status/ Date	Remarks
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		Complied with	
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	Completed in 2014

Appendix 7: Knowledge management: Learning and Innovation

Learning

SDP staff is involved in strengthening overall KM activities in the Sudan portfolio. In 2016 a Knowledge Management core group was established under the leadership of the CCU, tasked with organising and coordinating knowledge sharing between projects and key line ministries at the federal level. A KM strategy has been prepared. KM structures at PCU level have improved with a specific KM-focal point assigned at the PCU. Knowledge sharing at community level is implemented through field days, extension and awareness campaigns as well as farmer field schools.

The mission provided recommendations how to phase down the project, and to capture essential data about impact. These will be implemented in interseasonal period, and feeding into the project completion process and completion report, to be undertaken in the first quarter of 2018.

Web-sharing

Currently the SDP is using KariaNet, the webpage of the Ministry of Agriculture in North Kordofan and social media (Facebook and Whatsapp) for knowledge sharing.

KM-strategy

SDP has a comprehensive KM-strategy. Currently responsibility and planning for KM activities is shared between M&E officers at PCU and state level and leaders for extension teams.

Photo database

Photo database at PCU level and two photo databases at each state level (NK, SK).

Learning Routes via Procasur

Uganda, Gender and Rural Finance, 2014.

Uganda, GALS (Gender Action and Learning System), 2015.

Study Tours

Ethiopia, Seed production, community development and microfinance, 2015.

India, Plant variety, seed production and linkage private seed companies with farmers/producers, 2015.

India, Microfinance exposure visit, 2015.

Participatory research methodologies (ARC), Ethiopia, 2015.

International Workshops

UK, Social Return on investment (SROI), 2014.

Italy, Fiduciary and procurement, 2014.

Turkey, Social Return on investment (SROI), 2015.

Egypt, KM-workshop (documentation, lessons learned, data collection) 2015.

Thematic workshops and seminars

11 workshops related to strengthening institutional and regulatory framework organized.

Farming as a business

Two manuals developed (ToT training, Farmers leaders training).

Farmer Field Schools

Training manual for FFS developed.

Annexes

Annex I	Private Sector Innovation Demonstrations
Annex II	Seed Development Project (SDP) - IFAD supervision mission
Annex III	Fiduciary aspects
Annex IV (a)	Financial Management Assessment at Supervision – Guidance Questionnaire
Annex IV (b)	Summary of Project Fiduciary Risk Assessment at Supervision

Annex I

Private Sector Innovation Demonstrations

**Private Sector Engagement Working Paper
Seed Development Project Implementation Support Mission
September-October 2017**

Don Greenberg, Business Advisor, IFAD

Introduction

The following observations, analysis, and recommendations were developed during a 1 week supervision mission for SDP with meetings in Khartoum, North Kordofan, and South Kordofan between 25 September and 1 October 2017. This paper draws upon a review of SDP reports and presentations, discussions with SDP staff, meetings with the private sector, the state focal point staff and LETs, service providers and agrodealers, and farmers.

Private Sector Participation in Innovation Demonstrations

Seven private sector companies (PSCs) signed MOUs with SDP to demonstrate seeds and other inputs for the 2017/2018 agricultural season. See Table 1 below for an overview.

Table 1: Overview of PSC Participation in Innovation Demonstrations					
		OP	Hybrid	Agro-	
Company		Seeds	Seeds	Chemicals	Implements
Agrimatco				x	
ASSCO		x			
CTC Agrochemicals				x	
Katbase					x
Nile Sun		x	x		

PSCs continue to face considerable challenges due to economic sanctions and the rapid devaluation of the SDG against the dollar.

PSC Seed Demonstrations

Three PSCs demonstrated new crop varieties, summarized below in Table 2.

Table 2: PSC Demonstrations of New Crop Varieties					
	OP	Hybrid	Hybrid	Synthetic	Pigeon
Company	Sorghum	Sorghum	Sunflower	Sunflower	Pea
ASSCO	x				x
Nectar	x			x	
Nile Sun	x	x	x		

ASSCO is demonstrating one new OP sorghum wafir and an OP pigeon pea variety that is relatively new to farmers. They are also demonstrating older varieties of sorghum, sesame, and groundnut that are in the public domain.

Nectar Africa is demonstrating three new varieties. One of the OP sorghum varieties, Ajeeb, is officially released for commercial sale and has been well received by SDP farmers in earlier seasons. The other sunflower and sorghum varieties demonstrated are due to be officially released by next season.

Nile Sun is the only company that demonstrates hybrid varieties for sorghum and sunflower. Both have been released for commercial sale. They are also demonstrating OP sorghum varieties in the public domain. Sunflower remains a challenge to market at present.

The rationale for demonstrating OP varieties already released and in the public domain is that the companies claim that they have maintained or enhanced the desired varietal characteristics to a

greater degree than other companies 2) they have additional value add (e.g. seed dressing for Nile Sun) 2)

SDP Demonstrations of Agrochemicals

Four PSCs are demonstrating the use of agro-chemicals, summarized below in Table 3.

Although 2,4-D is not a new herbicide, it is new to most small farmers in North Kordofan and in some communities in South Kordofan.

Table 3: PSC Demonstrations of Herbicides						
					Post	Post
		Pre-Emergent	Post-Emergent	Post-Emergent	Emergent	Emergent
		Narrow	Narrow	Broad	Wide	Broad Leaf
		Leaf for	Leaf for	Leaf	Spectrum	Groundnut
Company		Sesame	Sesame	Sorghum	Groundnut	Sunflower
Agrimatco			Fusilade Forte	2,4-D		Basigran 28
CTC Agrochemicals		Focus Ultra		Dicopur	Pursuit	
Nectar		Antelope 10C			Oxyfen 24C	
Nour Agro Science			Top Nour	2,4-D		

Private Sector Demonstration of Equipment

Katbase is demonstrating animal-powered and “walk-behind” implements suitable for the smaller farmers in North Kordofan.

Recommendations: Guidance for Agreed Actions

1. Farm Budget Analysis of Full Intervention, SDP, and PSC Demonstrations

A sample of the more important demonstration packages will be analysed, using simple Excel-based farm budgets that look at using the feddan as the unit of measurement. First, an analysis of expected cost and revenues will be done (ideally this would have been done before the season, but can be done based on farmer records now). Second, an analysis of the actual costs and revenues will be done. A comparison of the two will be made to illustrate to the farmers the importance of analysing actual versus planned costs.

The results will be important to help the farmers to evaluate the results of the demonstration from a FAAB perspective, as well as for SDP M&E and project completion purposes.

The analysis will be done by the SDP M&E consultant Abu Gasim, relying on cost and revenue data collected from the PSC, the SCUs, and the LETs (particularly the designated FAAB LET member). The FAAB consultant may also support as required.

The PSC will guide the M&E consultant in terms of the sample size of demonstrations to include.

Farm Budget Estimates

The demonstration farm budget estimates should be in the form of monthly cash outflows and inflows, and should allow NPV and IRR calculations. An expected base case using the most common farming system in the community will also be developed for comparative purposes.

Expected Costs: The expected costs to farmers of all inputs and services should be used, as best as can be determined or estimated. Any subsidies provided by SDP or others during the demonstrations – explicit or implicit – will be removed from the analysis. Costs covered by MFI, bank, or traditional financing should be recorded when they are required/incurred by the farmer. Interest

costs will not be included⁶. Any operations that do not have to be repeated every year should be pro-rated (e.g., the heavy chisel may only need to be used once every two years).

Expected Revenues: The expected revenues from the demonstrations should be based on a realistic assessment of yields, quality, and forecasts of market prices at harvest. All crops are assumed to be sold as soon after harvest as they will be ready for market (e.g. after threshing, drying, etc). Revenues should include both grain and any other significant revenues (e.g. crop residues for animal feed).

For some experimental operations, such as *striga* control, the expected cost/revenue analysis step may be skipped.

Farm Budget Actuals

Actual data will be collected both for the demonstrations and for the base case using traditional methods.

Actual Costs: The actual costs to farmers that were incurred during the demonstrations should be included. This may be due to changes in unit prices of goods or services, or the requirement to do additional operations (resowing, manual weeding, etc). Financing costs are *not* included.

Actual Revenues: The actual revenues received by farmers for their products are recorded. This may be based on actual market prices during the beginning of the marketing season, and the quality of the crop marketed. Both grain and crop residues are included. This should be recorded whether or not farmers market their crops when ready or later.⁷

2. Service Provider Business Case analysis in the FIG and Graduated villages

A sample of service providers will be selected, and their business case will be analysed, using simple Excel-based monthly cash flow budgets and actuals, allowing NPV and IRR analysis.

First, an analysis of expected cost and revenues will be done (ideally this would have been done before the season, but can be done immediately now).

Second, an analysis of the actual costs and revenues will be done. A comparison of the two will be made.

As with the demonstration analysis, the service provider business case results will be important for the service providers to evaluate the results of their season from a FAAB perspective, as well as for SDP M&E and project completion purposes.

The analysis will be done by the SDP M&E consultant Abu Gasim, relying on cost and revenue data collected from the PSC, the SCUs, and the LETs (particularly the designated FAAB LET member). The FAAB consultant may also support as required. The individual service providers will be interviewed as to their expected market potential and the actual costs/revenues received.

The PSC will guide the M&E consultant in terms of the sample of SSPs and MSPs to be selected for analysis (i.e., between FIG and FI communities, and in different localities). High, average, and low performing service providers should be included.

Service Provider Expected Business Case Analysis

Expected Revenues: The expected service provider revenues should be based on a realistic estimate of the market potential for the service provider. This means the number of feddans covered, the operations covered, the prices to be charged for each operation.

Expected Costs: The expected costs to the service providers of all inputs and equipment should be used. All subsidies provided by SDP or others – explicit or implicit – need to be removed using the best available estimates of actual, commercial costs of inputs, transport, services, etc. Equipment costs should be depreciated using simple straight-line methods based on the useful life of the

⁶ The analysis of financing can be done separately.

⁷ The costs/benefits of storage can be done separately.

equipment (e.g. a knapsack sprayer). Any fixed capital costs that are anticipated to be covered by MFI, bank, or traditional financing will not be included. However, short term financing will be included (e.g. trade credit by suppliers).

Service Provider *Actual Business Case Analysis*

Actual Revenues: The actual revenues received by service providers will be recorded when the revenues are received by the service provider (e.g., if credit is extended). If payment is in kind this should be recorded at the best estimate of the market value of goods or service provided. This should include the level of services provided as well. Also to be included are revenues for services not expected (e.g., insect control in houses or *jubraka*). For the FIG service providers,

Actual Costs: The actual costs to service providers will be recorded. This will include costs for all service provided, not just for the SDP field crops. Financing costs incurred by the service provider for equipment will not be included, as this will be covered by depreciation. Short-term actual financing costs for inputs will be included. The unit costs and amount consumed should be clearly disaggregated for analysis.

3. National Workshop – “Private Sector Engagement in Rain-fed Agriculture in Sudan – Lessons Learned from the IFAD SDP and SUSTAIN Project”

The PSC with assistance from the PC and the rest of the SDP team, and in conjunction with SUSTAIN, will develop a plan and budget for a joint national workshop on private sector engagement in rain-fed agriculture in Sudan.

The national workshop will be informed by the results of the state-level 2017/2018 evaluation workshops. These state level workshops were done for the 2016/2017 season, but in this case it would be useful to also invite selected PSC representatives to give their views

The following are suggestions for the national workshop agenda, invitees, and venue. These suggestions should be elaborated further by SDP and discussed with key stakeholders to obtain input and ownership.

The national workshop should be held in the later part of March 2018 to incorporate the results of demonstration and service provider business case analysis (discussed above), but in time to guide plans for the 2018 agricultural season.

The suggested agenda below is for a one-day workshop, but a two-day workshop may be more practical given the number of topics to be covered.

Time	Title	Description	Who
09:00	Arrivals and registration	Registration desk; personal welcome by SDP/SUSTAIN staff	Project Coordinators – SDP and SUSTAIN
09:30	Opening address	The Role of the Private Sector in the new Sudan Agricultural Economy	Minister of Agriculture – advised by SDP / SUSTAIN
09:45	Workshop objectives	Review of each presentation and what to expect	
10:00	Break	Tea, coffee and snacks, networking, view exhibits, high-level guests may leave	Hotel
10:30	Mechanised Service Providers	The MSP story	SUSTAIN staff SDP staff 1 or 2 key MSPS (Jaafar NK, Ali SK) 1 or 2 Equipment Suppliers with national programs (e.g. village mechanics)
11:30	Spray Service Providers	The SSP Story – International and National	CropLife International SDP staff 1 SSP (most successful)
12:30	Agrodealers	Rural Agrodealers – linking	Wajdi Khater, Roland Andary, DAI
13:00	Moderated Panel Discussion	Participants ask question of the 5 presenters	All presenters up on the dais
13:30	Lunch Break		
14:30	Seeds	Seed companies discuss current and planned offerings Suppliers discuss current and planned offerings	Seed Companies
15:00	Land Preparation and Planting		Equipment Suppliers
16:00	Weed Control and Fertilization		Examples of olive, apple, and honey products
17:00	Harvesting and Post-Harvest Solutions		MoA and possibly MoIM
18:00	Plans for the 2018/2019 Season	Key actions that have emerged from presentation and discussions	SDP staff
18:30	Closing	Vote of thanks and final words	
19:00	Dinner		

Invitees: Federal MoA (Minister, Head of Extension, Mechanization, Crop Protection, Integrated Solutions)
Kordofan and State MoAs (Ministers, Extension staff)
MoAs of all other states where SS rainfed agriculture is important
Chamber of Exporters
All SDP partner companies and suppliers
SAGA and its members, and other prominent agrochemical suppliers
Seed Trade Association and members
Other prominent equipment suppliers
Donors/NGOs esp. those working with private sector: AFD, USAID, FAO

Venue: Large enough for the exhibition of equipment, inputs, seeds
Each private sector seed company has an exhibition booth (they cover all costs)
Each NGO/Donor can also have an exhibition booth (covering costs)
MoA has an exhibition booth (SDP & SUSTAIN help facilitate, includes ISP and other relevant programs)

4. FAAB and Service Provider Business Training

FAAB The FAAB national consultant should develop the ToT and training materials covering the final two modules: 1) post-harvest evaluation of results and 2) marketing and crop choice decisions. The design of these modules should be based on the evaluation of the FAAB training for the 2016/2017 season that was done by the FAAB national consultant, as well as additional discussions with the PSC and the FAAB specialist members of the LETS (and any other resource personnel).

Post-harvest evaluation FAAB training should incorporate use of the farm record book and farm plan to compare the simple farm plan cash flow projections with actual cash flows, and analyze the differences. If the farm plans do not include simple farm cash flow projections, these can be developed as part of the training process.

Marketing Decisions / Crop Choice FAAB training should

SSPs The business training manuals for the SSPs need to be updated by the FAAB specialist, with input from discussions with the PSC, Crop Protection national consultant, crop protection and FAAB members of the LETs, and with the private sector agrochemical companies. Key business decisions should be covered. The SSP business training manuals need to be updated as quickly as possible to ensure that they are ready in time for the upcoming training in the first weeks of October. The SSP training materials should include a workbook for each SSP – this was a recommendation of the February mission which was not implemented. The workbook should include:

- Client name and location
- Weeds being treated and number of feddans
- Date and time of application
- Type and amount of chemicals utilized (and dilution levels with water)
- Charges to customer
- Other comments (e.g. weather and soil conditions)

MSP The MSP business training is directed at relatively more experienced and sophisticated tractor owners, in contrast with the young village men who are the SSPs. The MSP manuals should be developed by an experienced national consultant (or possibly an experienced consultant working with an MBA/management studies student with an interest in agribusiness). The consultant would discuss with MSPs and private sector equipment suppliers to ensure that key topics of business concern are covered (e.g. marketing, evaluating credit offers, cash management, use of agents, budgeting/pricing, maintenance, operator compensation etc). The MSP business training materials would include a simple workbook to be used by tractor operators that would include:

- Client name and location
- Operation and number of feddans
- Date and time of operation
- Charges to customer
- Other comments (e.g. weather and soil conditions)

The agrodealer training would then be done by the national consultant(s).

Agrodealer The agrodealer manuals should be developed by an experienced national consultant (or possibly an experienced consultant working with an MBA/management studies student with an interest in agribusiness). The consultant would discuss with agrodealers as well as seed, agrochemical and other input to ensure that key topics of business concern are covered (e.g. marketing, evaluating credit offers, cash management, use of sub-agents, demonstrations, budgeting/pricing). These background discussions should take place after the planned agrodealer study visit to India. The agrodealer training would then be done by the national consultant(s).

Agrodealer Study Visit to India

The planned agrodealer study visit to India is an important component of the agrodealer technical and business training. The agenda and visits should incorporate business topics (see above) as well as

technical issues, as well as cover regions in India where sesame and groundnuts (e.g. Maharashtra state) as well as millet and sorghum (Gujarat state) are important cash or staple crops for smaller farmers.

Undertake facilitation support for all 2017/2018 FIG and graduated communities.

To the extent possible considering the scheduled project completion date, SDP should continue to facilitate the 2017/2018 FIG and graduated communities at least for the beginning of the 2018/2019 agricultural season.

This limited support will be done through visits to farmers and service providers by available PSC staff and LET members, identifying any problems with preparing for the upcoming season, and helping to solve or facilitate solutions through visits to private seed, input, and equipment suppliers; government agencies and programs; financial institutions, etc. Efforts can be focused on particularly active service providers (who invariably act as BDAs).

Particular points of interest will be access to the newer varieties of herbicides (pre-emergent, e.g.) as well as access to pneumatic planters in a timely fashion.

The limited support from SDP after 30 March may be augmented as a result of discussions with the Federal MoA, state MoAs, pre-financing from the IAMDP after execution of the financing agreement, and from discussions especially at the National Workshop discussed above.

Encourage innovation trials for 2018/2019 agricultural season

Although with the planned project completion date of 30 March 2018 will not allow direct SDP support for SDP, PSC, or FIG demonstrations, the PMU through the SCUs and the LETs should encourage continued innovation and limited trials by communities with support from the government and private sector.

Two innovations are promising, and others can be developed by PMU team:

- **Early heavy chisel plowing before the rains** in communities with appropriate soils and climatic conditions. MSP tractors are generally not very busy before the rains, and it would be possible for large areas of land to be chiseled before the rains, particularly important for small-scale farmers who may not be the highest priority clients. Early chiseling is already taking place in some communities, and the SDP through the state MoAs and LETS can encourage this practice elsewhere.
- **Early planting of millet using the pneumatic planters and micro-dosing of fertilizer.** Millet is generally planted in dry soil before the rains, and for this and other reasons this important staple crop for North Kordofan has not been part of the SDP or PSC demonstrations. However, the pneumatic planters can be calibrated to dry-plant millet in the sandy soils where this crop is grown. Early planting trials including micro-dosing of fertilizer would be inexpensive and within the reach of interested communities. One active MSP in Sheikan district has expressed interest in this.

Annex II

Working paper 1: Rural finance

I. Background

1. SDP partnered with two financial institutions, ABS-ABSUMI and Baraah with two main objectives i) support farmers' access to finance to adopt the project supported technologies and ii) ensure that the supply of finance is sustainable. ABSUMI was selected to deliver financial services in the Sheikan, Al Rahad and Abu Juibeha Localities and Baraah was active in the Abassiya Locality. SDP supported ABSUMI with office infrastructure, vehicles, technical assistance and training to establish the ABSUMI units and start operations in the project localities. ABS contributed the portfolio funds required to deliver the seasonal loans also covered all operations costs including staff salaries, transportation and stationery. In the case of Baraah, which was already well established in the Abassiya Locality, SDP's contribution was mainly in the form of technical assistance and operations support while Baraah contributed the necessary portfolio funds.

2. **Seasonal loan product:** SDP assisted ABUSMI and Baraah to design a special seasonal loan product specifically to facilitate the adoption the project promoted agricultural packages by smallholders in the project area. The features of the seasonal loan product included i) different types of contractual arrangements according to Islamic banking guidelines to support the adoption of mechanised services, seeds and agrochemicals ii) one-time repayment by the farmer at harvest in contrast to monthly repayment followed for the conventional loans and iii) access by men's groups in contrast to the women only approach followed for other loans. The condition of one-time repayment was based on the assumption that increased production from adopting the improved agricultural technologies will generate higher revenue and will assist smooth repayment of the entire loan at harvest.

3. **Outreach and repayment performance of seasonal loans in previous seasons:** The outreach and the repayment performance of the seasonal loans in the previous seasons (2015 and 2016) were as follows;

- **Outreach performance:** In the 2015 and 2016 seasons ABSUMI and Bara'ah had disbursed 890 and 1,150 seasonal loans respectively amounting to SDG 2.1 million. This achievement was below the cumulative disbursement target of 3,400 for the two seasons. (Table 1)

Table 1: Achievement against targets

Season	Target	No of loans disbursed	Amount (million SDG)
2015	1,400	890	0.8
2016	2,000	1,150	1.3
2017	3,500 (revised to 768)	1168 (till Sep 17)	2.4
Total		3,208	4.5

4. The main reasons which were responsible for the gap in the disbursement were i) claims of weak demand for the seasonal loans by the financial institution ii) high dependence of credit officers on extension workers for mobilisation of the seasonal loan applications. Poor planning and coordination in this area often delayed the mobilisation of applications iii) lack of supply of the mechanised services and agro inputs at the community level iv) weak collaboration between the extension officers and the credit officers in mobilising the services and inputs requested by clients leading to delay in disbursement v) heavy workload of the credit officers in disbursing these loans which discouraged them from promoting it.

- **Repayment performance:** Around 30% of the farmers who received seasonal loans in 2016 failed to repay some or part of the loans on the due date at the end of the harvest period.

However, by the end of September 2017 ABSUMI and Baraah were able to secure 99.3% repayment rate on the seasonal loans as a result of persistent follow-up by credit officers to recover the overdue loans. Only around SDG 10,000 is still overdue from 10-15 farmers supported by ABSUMI in 2 to 3 villages in the Sheikan Locality. The overdues resulted due to 3 main reasons i) scarcity of rainfall during the 2016 agricultural season leading to ordinary crop production which made it difficult for farmers to repay the entire loan in one instalment at harvest ii) travel outside the village as labourers in gold mines by some farmers leading to their absence from the village at the time of repayment collection and iii) wilful non-repayment by some clients. The subsequent recovery of the overdue loans were achieved through collective pressure on the farmers with overdue loans from other group members and village sheikhs. They also shared the repayment of the overdue loans in some cases to ensure the continuity of ABSUMI services in the communities.

5. **Key recommendations of previous missions:** In order to address the gap in outreach observed in previous season the last IFAD mission recommended that SDP should i) pilot a business development agent (BDA) model for mobilising demand for seasonal loans and coordinating the supply of inputs and services at the community level ii) develop savings and credit groups in the SDP villages iii) facilitate agricultural equipment financing by ABS or any other financial institution and iv) promote the replication of the seasonal loans without SDP facilitation in other villages where ABSUMI is active (henceforth referred to as non-SDP facilitated villages)

6. **Targets for the current (2017) season:** The September 2016 SDP supervision mission recommended a disbursement target between 4,000 – 4,500 seasonal loans for the 2017 agricultural season. The follow-up mission in February 2017 revised the target to 3,800 seasonal loans based on assessment of the project preparation for the season (Table 2). Thereafter, the project further reduced the disbursement targets to only 768 loans during May-June 2017 as several factors (described below the table) suggested that it will not be possible to meet the original targets. Out of this target ABSUMI was expected to disburse 668 loans and Baraah 100 loans.

Table 2: Seasonal loan disbursement target for 2017

	ABSUMI	Baraah	Total
Target set in Sep 2016 supervision mission			
- Number of loans	3,000 – 3,500	1,000	4,000 – 4,500
- Amount of loans (SDG)	3 million	1 million	4 million
Revised targets set in Feb 2016 follow up mission			
- No of loans	2,800	1,000	3,800
- Amount of loan (SDG)	3.4 million	1.6 million	5 million
Internally revised target set by project in Apr-May 2017			
- Number of loans	658	110	768
- Amount of loans (SDG)	1.2 million	0.2 million	1.4 million

7. The reasons for reducing the targets were as follows

- **High levels of overdue loans at the time of mobilising applicants for the seasonal loan:**
During the farmer selection period in May – June 2017 30% of farmers who had received seasonal loan from ABSUMI in the 2016 season had overdue repayments due to which the groups with such members were not eligible for further loans till full repayment was achieved. Subsequently, ABSUMI and Baraah were able to recover most of these loans as described above but by this time the planting period was already over.
- **Temporary stoppage in lending to non-registered groups directed by ABSUMI HQ:**
Around May-June 2017, the ABSUMI headquarter in Khartoum instructed the ABSUMI units to stop lending to non-registered groups. Although this directive was later reversed the critical time for disbursing bulk of the seasonal loans were already over.
- **Scarcity of mechanised services and agro input supply at the community level:**
Although SDP has initiated steps to increase MSP and agrodealer services in the project area

the growth in their supply has been relatively slow. Consequently, SDP and its partner financial institutions reduced the disbursement targets to ensure that the limited supply of the mechanised services and agricultural inputs can meet the demand created by the approved seasonal loans.

- **Departure of Rural Finance Coordinator in spring 2017 without replacement:** This reduced coordination, limited the efforts to lower the seasonal loan transaction cost for the credit officers by favouring client identification through MSPs and agrodealers, and restricted the commercial development of the BDAs .

8. Seasonal loan performance in 2017

A. Overall performance

9. As at 30 September 2017, 1,168 seasonal loans amounting to SDG 2.4 million were disbursed (Table 3) by the financial partners. ABSUMI shared a major proportion of this and disbursed 1,102 loans (95%) valued at SDG 2.2 million while Baraah had a minor share and disbursed 66 loans (5%) valued at SDG 0.2 million. Around 10-15% additional disbursements are expected by both ABSUMI and Baraah before the end of the season.

Table 3: Seasonal loan outreach in 2017 season

Details	ABSUMI								Baraah	Total
	Sheikan		Al Rahad		Abu Jubeiha		Total ABSUMI		Total Baraah	Total PFIs
Total no of villages with seasonal loans of which	10	100%	9	100%	3	100%	22	100%		22
- SDP facilitated villages	1	10%	5	56%	3	100%	9	41%		
- Non-SDP facilitated villages	9	90%	4	44%	0	0%	13	59%		
Total no of seasonal loans disbursed of which	174	100%	435	100%	493	100%	1102	100%	66	1168
- No. in SDP villages	34	20%	225	52%	493	100%	752	68%	66	818
- No in Non-SDP facilitated villages	140	80%	210	48%	0	0%	350	32%		350
Total amt. of seasonal loans disbursed (SDG) of which	646,000	100%	454,041	100%	1,145,200	100%	2,245,241	100%	185,800	2,431,041
- Amt. in SDP villages (SDG)	135,000	21%	306,041	67%	1,145,200	100%	1,586,241	71%	185,800	1,772,041
- Amt. in non-SDP facilitated villages (SDG)	511,000	79%	148,000	33%	0	0%	659,000	29%		659,000

10. Although there has not limited growth in the number of loans disbursed between the 2016 and the 2017 seasons, qualitative improvements have been achieved in the overall process and results. These improvements are mainly in the areas of i) better coordination with extension teams leading to smoother and timely mobilisation of loan applications ii) introduction of business development agents reducing credit officers dependence on extension agents for mobilising loan applications and coordinating the delivery of services and agro inputs to farmers iii) replication of the seasonal loan in the non-SDP villages where ABSUMI is active iv) increase in felt demand of the seasonal loans and decrease in the workload of the credit officers in disbursing the seasonal loans. These areas are discussed in greater details in the subsequent sections;

11. **Mobilisation of applications:** Acting on the recommendations of the previous mission SDP selected and trained a group of business development agents (BDAs) in the graduated villages. The responsibility of mobilising seasonal loan applications were thus shared between the BDAs in the graduated villages and the extension officers in the full intervention villages. Responding to the target of 658 seasonal loans by ABSUMI, 955 applications were mobilised. The introduction of the BDA reduced the dependence of the credit officers on extension officers almost by half. This is borne by the fact that out of the 955 total applications mobilised the BDAs mobilised 446 (47%) and the extension officers mobilised 509 (53%) applications. The emergence of the BDAs and their strong role in the mobilisation of seasonal loan applications is expected to support the sustainability of this product after SDP closure.

12. Also there was better coordination between the credit officers and the BDAs/extension officers leading to timely mobilisation of the applications. The quality of the applications mobilised by the BDAs and the extensions officers was satisfactory as a result of which a high proportion (79% or 752 applicants) of applicants were approved by ABSUMI alone for receiving the seasonal loans. Although BDA's were introduced for the first time they performed well with the mobilisation of applications and 373 (84%) of the 446 applicants identified by them were able to secure seasonal loans from ABSUMI.

Table 4: Details of applications mobilized by ABSUMI

Details	ABSUMI
Internally revised target set by project in Apr-May 2017	
- Number of loans	658
- Amount of loans (SDG)	1.2 million
No of applications	955 (100%)
- BDA	446 (47%)
- Extension officer/CO	509 (53%)
No of applicants who received seasonal loans	752 (79%)
- BDA supported borrowers	373 (84%)
- Extension officer/CO supported borrowers	379 (74%)

13. **Recommendations:** SDP in coordination with ABSUMI and Bara'ah should set a target of 3,500-4,000 seasonal loan disbursement in the 2018 season. The preparation for disbursing these loans should start immediately by clearly identifying the villages, the BDAs, MSPs and agrodealers in these villages. The groups in these villages should also be strengthened. Exposure visits of the target communities should be organised to witness the results of the current season and generate high demand for the seasonal loans in these communities.

14. **Introduction of business development agents:** SDP identified 19 BDA from the 12 graduated villages and provided them with initial orientation training during January 2017. The BDAs comprised business persons (and large farmers) from the villages, village sheikhs and some youth. Thereafter, the BDAs took actions in the areas of i) mobilisation of applications for seasonal loans ii) coordinating with ABSUMI and Baraah for sharing and refining these applications iii) organising mechanised services e.g. chiselling, planting and agro inputs e.g. seeds for the seasonal loan clients and iv) organising timely manual weeding services for the seasonal loans clients.

15. The SDP rural finance officer who was responsible for the development of the BDAs vacated the position at the beginning of the season. Consequently, the BDA development process did not receive much attention beyond the initial training and orientation. Consequently, there is varying performance of the BDAs in the areas mentioned above. Overall, SDP considers 8 BDAs as active, 2 as moderately active and 9 as dormant. The active BDAs are the ones who proactively mobilised seasonal loan applications and assisted in organising mechanised services and agro inputs for the approved seasonal loan clients.

16. Although the original concept of the BDAs advised their involvement on commercial basis only 1-2 of the current BDAs received financial incentives from brokering linkages between the farmers and MSPs/agrodealers/financial institutions. In all other cases the BDAs volunteered their services. The BDAs who operated on commercial basis made profits by adding markups to the costs of mechanised services, seeds and other agro inputs delivered through them to the seasonal loan clients. Consequently, the cost of these services to the final borrower was much higher compared to their prices in the open market. Nevertheless, with the growth in business volumes and competition amongst BDAs in the future these margins are expected to reduce. Most importantly, the intervention of the BDAs resulted in the adoption of the full technology package in several cases which will multiply the revenue of the farmers at harvest and justify the relatively high investment brokered by BDAs.

17. The introduction of the BDAs have also reduced the transaction cost of the credit officers in the areas of mobilising loan applications, organising mechanised service provision and the supply of agro inputs to the clients. This reduced workload experienced by the credit officers is one of the main reasons for the replication of the seasonal loans in the non-SDP facilitated villages by the credit

officers. In some of these non-SDP facilitated villages ABSUMI has independently identified BDAs and have organised training for them through the BDAs already present in the SDP villages.

18. **Recommendation:** *SDP should organise review meetings with the BDA at the end of the season to identify areas of future improvement. Special effort should be made towards making BDAs active in all the 12 graduated villages before project completion. Based on feedback from Baraah and ABSUMI the extension officers should provide additional training to the BDA to prepare them better for the next season. Additionally, SDP should document the experiences with the BDA's in the 2017 season to create a strong foundation for the next IFAD project, IAMDP, in this area.*

19. **Replication in non-SDP facilitated villages:** Acting on the recommendations of the previous mission some of the ABSUMI units have started replicating the seasonal loans in the non-SDP facilitated villages. For example, out of the 1,102 seasonal loans disbursed by it in 22 villages 9 are SDP villages and 13 are non-SDP facilitated villages where ABSUMI has been active for several years. Similarly, out of the SDG 2.2 million disbursed by ABSUMI 71% has been disbursed in SDP villages and 29% in non-SDP facilitated villages.

20. According to ABSUMI reports the seasonal loans in the non-SDP facilitated villages have supported the same improved technology packages as promoted in the SDP villages. Since the extension officers are not involved in the non-SDP facilitated villages the ABSUMI credit officers have themselves promoted these interventions in response to demands for crop loans in these villages. This is a positive change compared to previous seasons when ABSUMI credit officers was sceptical about the benefits of the improved technologies and were unwilling to push their adoption through the seasonal loans. The involvement of the ABSUMI credit officers in propagating the SDP technologies in the non-SDP facilitated villages is expected to support the sustainability of the seasonal loan and adoption of the SDP promoted technologies in other villages even after end of the project. Moreover, in these villages ABSUMI uses its women's group methodology to deliver the seasonal loans without forming special groups for crop loans. This has also simplified the delivery of the seasonal loans without additional pressure to form special men's groups only for the seasonal loans.

21. **Recommendation:** *The replication of the seasonal loan product in the non-SDP facilitated villages should receive strong attention for achieving the outreach targets in the 2018 season. The SDP extension officers should support ABSUMI in its efforts to develop BDAs in the non-SDP facilitated villages. Especially during the off-season, the extension officers should assist ABSUMI to sensitise and raise awareness about the seasonal loans in the non-SDP facilitated villages.*

22. **Machinery and equipment loan:** Based on the recommendations of the previous mission SDP contacted and secured commitments from the ABS Regional Office and the branch offices in the project area to finance agricultural machinery and equipment for MSPs and agro dealers. It also mobilised a list of service providers and agro dealers interested in obtaining such loans for expanding their business. According to SDP reports these lists were submitted to ABS with positive response from the bank. However, at a later stage most of the applicants were not ready to receive these loans due to two main reasons i) some of them were not sure whether they can generate sufficient business and ii) others felt that they were not ready to invest 20% down payment required for accessing the loans. Nevertheless, as a result of the SDP efforts 2 tractors in the project area have been financed from ABS loans one each in North and South Kordofan.

23. **Recommendation:** *SDP should continue its efforts to increase the supply of machinery and equipment in the project area by linking interested service providers to loans from ABSUMI and other commercial banks. It is expected that adequate rainfall and the adoption of the full technical packages by several farmers will produce significant improvement in crop production results in 2017. SDP should take advantage of these factors and develop a positive outlook amongst service providers and agro dealers about future prospects of investments in machineries and agro input stocks.*

B. Areas of concern

24. Although the felt demand for the seasonal loans has increased and replication of these loans in the non-SDP facilitated villages have started there remains some concerns related to their sustainability in the SDP villages. This is mainly because the community level environment has not fully developed for the sustainability of the seasonal loans. The MTR and subsequent missions had recommended that SDP should form village women's savings and credit groups with internal savings and credit activities that could generate internal capital within the communities. It was also recommended that these groups should be linked to ABSUMI for the full range of ABSUMI loans. The internal capital was expected to finance to smallholders who required small sums to start the adoption of the project supported technologies without depending on external financial institutions. The linkage to the full range of ABSUMI services was expected to develop ABSUMI's engagement in these villages throughout the year beyond just the seasonal loans.

25. However, SDP has not succeeded in forming savings and credit groups with internal capital in the SDP villages. In addition to the men's groups with seasonal loans ABSUMI has also formed some women's groups in these villages. However, ABSUMI has still not developed a strong foothold in these villages with other loan products. There is no immediate danger of ABSUMI withdrawal from these villages as the good agricultural season (2017) and the adoption of the full package of technological interventions by many farmers is expected to generate high returns and full credit repayment. However, the seasonal loan linkage may collapse in the future due to several reasons including weather related factors. As long as ABSUMI is able to replicate the seasonal loans in the non-SDP facilitated villages, which offers a much more conducive and stable environment for the full range of ABSUMI loans, its future withdrawal from some of the SDP villages is not a matter of very high concern. Nevertheless, SDP should take measures to strengthen ABSUMI's linkages in the SDP villages to the extent possible.

26. **Recommendation:** SDP should strengthen the BDAs in the SDP villages where ABSUMI is active and facilitate strong partnership between these BDAs and ABSUMI credit officers in the future. SDP should also develop a joint plan of action with ABSUMI for forming new groups in the SDP villages for the next season. Given that SDP is nearing completion it is not recommended to start internal savings and credit groups at this stage. However, this is expected that this will be a key intervention of the next project (IAMDP).

C. Summary recommendations

Agreed action	Responsibility	Agreed date
- Target 3,500 to 4,000 seasonal loan disbursement in the 2018 season	ABSUMI, Baraah and SDP	Start preparation immediately
- Organise review meeting with BDAs and training sessions ensure that all the 12 graduated villages have active BDAs in the 2018 season	Led by SDP PCU and State coordinators	December 2017
- Support group formation and mobilisation of potential list of applicants in SDP villages in preparation for 2018 season.	Led by SDP State coordinators in coordination with ABSUMI and Baraah	December 2017
- Document the experience of the BDAs	SDP PCU coordinator	December 2017
- Support ABSUMI to sensitise and raise awareness of the seasonal loans in the non SDP facilitated villages.	Led by SDP State coordinators in coordination with ABSUMI	January 2018
- Continue efforts to link MSPs and agro dealers to loans for machinery and agro-input stocks	SDP State coordinators and extension officers	Continuous

Annex III

Seed Development Project (SDP) IFAD supervision mission (25th Sept – 10th Oct 2017)

List of villages visited

	Name of village	Location	Type of village / intervention	Date of Visit by Mission
1	Tofeen	Abbassiya - SK	FI, PSCs demos	Thu 28 th Sept 2017
2	Gumboraya	Abbassiya - SK	FI	Thu 28 th Sept 2017
3	Um Habila	Elrahad – NK	Graduated	Sun 1 st Oct 2017
4	Elananieya	Elrahad – NK	FI	Sun 1 st Oct 2017
5	Delg Eltoub	Elrahad – NK	FI	Sun 1 st Oct 2017
6	Elghabsha	Um Ruwaba - NK	PSCs demos	Sun 1 st Oct 2017
7	Ghanama	Um Ruwaba - NK	Exposure	Sun 1 st Oct 2017
8	Elhabobiya	Um Ruwaba - NK	FI	Sun 1 st Oct 2017
9	Um Koka	Eltadamon - SK	PSCs demos	Mon 2 nd Oct 2017
10	Gardud Abdulsalam	Eltadamon - SK	FI, SDP demos	Mon 2 nd Oct 2017
11	El Dibeaba Elgoz	Eltadamon - SK	FI	Mon 2 nd Oct 2017
12	Mabruka	Eltadamon - SK	Graduated	Mon 2 nd Oct 2017
13	Elouda	Eltadamon - SK	FI	Mon 2 nd Oct 2017
14	Um Elkhairat	Eltadamon - SK	Graduated	Mon 2 nd Oct 2017
15	Elnabagaiya	Sheikan - NK	Graduated	Tue 3 rd Oct 2017
16	ElJaar	Sheikan - NK	FI, SDP demos	Tue 3 rd Oct 2017
17	Elmahanna	Sheikan - NK	FI, SPCs demos	Tue 3 rd Oct 2017

Annex IV

Fiduciary aspects

SDP DSF-8094-SD

Financial management. The financial management is rated *Moderately Satisfactory (4)*.

1. **Organization and staffing.** The organization and staffing arrangements for the financial unit remains adequate. The financial and administrative team include 9 persons, of which 5 in the CCU (the financial controller, an accountant, a procurement and administrative officer, a secretary and an administrative assistant) funded by IFAD and 4 at the two focal point units (an accountant and a secretary at each unit) seconded by the Government. The distribution of roles and responsibilities is clearly identified and all members of the team are skilled and competent for the position that they cover.
2. **Focal Point Units (FPUs).** The project has two decentralized units, one in North and the other in South Kordofan. For security reason, the mission could not visit and review the financial management in the South Kordofan unit, however the organization might be similar to that of the North Kordofan unit. The NK unit is equipped with one accountant and a secretary for the fiduciary aspects. Both the units enter their accounting in the same accounting software used at CCU level. Every month they submit their report to the CCU, which then consolidates the data. Each unit has its own bank account functioning with advances transferred by the CCU on a monthly basis and justified regularly by the unit while submitting a subsequent request of transfer. All payments are done through cheque and there is no cash management in place.
3. **Internal control system.** The mechanism in place for the financial internal control is healthy. Procedures of double control are in place and the identification of the roles and responsibilities is clear. Each expense is verified, certified, approved, paid and accounted by different persons in accordance with their level of responsibility and such process is reflected in the voucher utilized for the approval of each expense.
4. **Accounting system.** The accounting software is a customized data base from MS Access which allows only single entry accounting. The project follows a modified cash accounting system. The software provides a good support for the project, although it lacks flexibility and some features like the budget monitoring, the asset management and the disbursement analysis. A major challenge is represented by the dependency on the consultant which designed the system since for any adjustment needed, the project has to wait for the consultant to fix the problem.
5. **Asset Inventory.** The asset management is moderately unsatisfactory. The inventory is maintained in Excel by the Procurement and Administrative Officer at CCU level. A copy is provided to the accountants at the focal points for their monitoring. The last physical verification of the inventory was done in January 2017 and the committee had no major findings on the assets under SDP. However, the inventory list needs improvements since it lacks the indication of the room or the specific place where the asset is located and the person who is responsible for each specific asset, and it needs an update of the assets which were moved from one office to the other or are under the responsibility of a different person. From a physical verification on sample basis, few discrepancies were noted: some assets were not coded, for some others the code had faded away or it was extremely hard to read, some other assets were not found in place. *The mission recommends the project to improve the information provided in the inventory lists with the additional information mentioned above, to put in place a system of proper coding and labeling of all the assets with a labeling which is clearly readable, water proof and permanent. A physical verification has to be done by December 2017 to verify all the assets in place and its findings have to be reflected in the inventory list. In case of missing assets an investigation will have to be put in place.* The mission also noted the purchase of several assets like laptops, printer, projector which are new and kept unused in the store,

especially at the NK focal point unit. *To avoid unnecessary spending of public money, the mission strongly recommends the project that before each asset purchase the management carefully evaluates the actual need for such asset.*

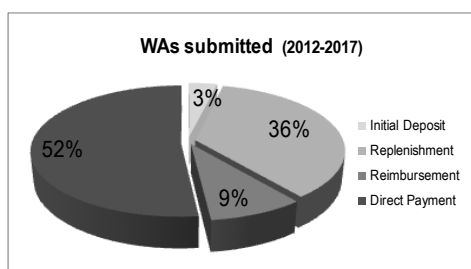
6. **Personnel.** The personnel files have been reviewed on a sample basis. The review showed a proper maintenance and updating of all files. The social security contributions are paid regularly on a monthly basis. The staff is covered by medical insurance.

Disbursement. *The disbursement is rated Satisfactory (5).*

7. **Exchange rate.** From December 2016 the CBoS has been applying only the official rate to the transfers made from the DA to the operating account, in contradiction with the new policy of applying the official rate increased by the incentive rate. Unlike other IFAD projects in Sudan, SDP has been receiving transfers converted at the increased rate from April 2017 onward but for the period November 2016 – March 2017 the transfers have been made only at the official rate. This has been the cause of delays in disbursement since the last two WAs submitted have been kept on hold at IFAD pending the resolution of the matter. A recent agreement has been reached in September 2017 with the approval of MoF to exchange retroactively the transfers with the additional incentive rate and the CBoS to transfer the money shortly. The project has estimated an amount of SDG 1.8 million to be transferred by the CBoS in to the operating account for the transfers made from November 2016 to March 2017. Actions have already been taken by both the project and the CBoS at the time of the mission and the transfer will probably be finalized shortly. In the meantime IFAD has canceled both the previous WAs submitted (No. 58 and 59) and the project will have to resubmit the application concerning the expenses for the reporting period of January – April 2017.

8. **Grant disbursement.** The amount actually disbursed as at 31/08/2017 is of SDR 4,950,410.59 (without the initial advance), which represents the 77.96% of the total allocated amount. Including the WAs under review (the partial amount of WA 53) and under preparation and the commitments of the project, the amount increases to SDR 5,873,750 (without the initial advance), which represents the 92.50% of the total allocation. The left over available balance under the grant is therefore estimated at SDR 476,249.91 (as at 31/08/2017) which corresponds approximately to Euro 560,000. Considering the huge impact that the exchange rate applied to the transfers has to the actual grant balance, *the mission recommends the project to recalculate carefully the available balance of the grant at the time of preparation of the 2018 AWPB to ensure that the budget is fully covered by the available balance of the grant.*

9. A total number of 56 WAs has been disbursed under the project, of which 20 under replenishment, 5 under reimbursement, 29 under direct payment procedure and 2 for the initial advance. The project has a good understanding and use of all the different IFAD procedures. The amount pending under WA 53 will be applied towards recovery at 100%, while the two last WAs submitted (58 and 59) have been both canceled by IFAD and will have to be resubmitted by the projects following the progress on the exchange rate matter.



Disbursement performances (SDR)

	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Aug-17
Amount disbursed	878,809	715,010	371,333	1,537,206	1,685,727	1,005,818
No. of WAs paid	1	7	7	19	18	4
Average WA amount	878,809	102,144	53,048	80,906	93,651	251,454

10. **Disbursement of categories.** Category 1 has reached 100% of disbursement and including the expenditures till August 2017 the percentage increases to 110%. Category 8 may also reach 125% upon inclusion of the expenditures till August 2017.

11. **Recovery of the Initial Advance.** The project has reached the triggering point to start the recovery of the Initial Advance and IFAD has already started the recovery process by applying 100% of recovery to the balance left pending under WA 53 (199,590 SDR). *The mission recommends the project to prepare a recovery plan and submit it to IFAD together with the submission of the next WA.*

12. **Cash flow and treasury.** Currently the project is maintaining 4 bank accounts: one Designated account for the transfers from IFAD in Euro, one operating account for both the IFAD and Government funds and two sub-accounts for the two NK and SK focal point units. The reconciliations as at 31/08/2017 of both the DA and operating account managed by the CCU have been reviewed. All payments are done either by cheque or bank transfer and there is not cash management in the project.

13. **Designated account.** Some errors were noted and were corrected during the mission in the bank reconciliations. For the Designated Account the rectified reconciliation as at 31/08/2017 shows a discrepancy of Euro 121.68 which is the result of: (1) bank charges applied during the channeling of IFAD transfers (for Euro 124.20) which the project can claim as expenditures in the next WA; (2) an amount erroneously transferred by the CBoS (Euro 3.49) for which the project has to inform the CBoS to retain the money back; and (3) an amount of 1 Euro which was erroneously under claimed in the form 100 of WA No. 5. *The mission recommends the project to undertake the necessary actions and rectification in the accounting and to claim the eligible bank charges to IFAD.* Since the operating account is used for both IFAD and the Government contributions, the current balance of SDG 2,002,145.13 (at 31/08/2017) pertains to IFAD for the amount of SDG 1,798,954.36 and to the Government for the amount of SDG 203,190.77.

DSF-8094-SD	euro
Designated Account (A)	1,500,000.00
Designated Account balance as at 31/08/17	463,539.76
Operating account balance as at 31/08/17	103,678.19
Cash balance as at 31/08/17	-
WA in preparation (jul-aug17)	696,461.26
WA not yet credited (wa 53)	236,199.11
Expenses not yet claimed under any WAs	-
Interests credited	-
Sub Total (B)	1,499,878.32
Discrepancy (A)-(B)*	121.68

14. **Bank Reconciliation at FPUs.** The mission could not verify the reconciliation of the SK focal point unit since no visit was conducted in the SK office, while the reconciliation done at NK unit needs improvements. Although a monthly verification of the balance in the bank is done every month, however there is no formal system in place. *The mission recommends both the focal point units to put in place a formal system of monthly reconciliation between the bank balance shown in the books of the accounting system and the balance of the bank statement, with a preparation of the outstanding cheque list, if any.*

15. **Processing of WAs.** Both WA 58 and 59 had been kept on hold at IFAD pending the resolution of the exchange rate issue. Following the recent development on the matter, IFAD has agreed with the project to cancel both the applications. The project will have to resubmit the applications for the expense period January – August 2017. The WA will be prepared by using the rate applied by the accounting system following the FIFO method.

Counterpart funds. The counterpart funds are rated moderately unsatisfactory (3)

16. **Government contribution.** The total financial contribution received from the government is of SDG 4.118 million, which represents the 20% of the approved AWPB (2012-2017). However this data reflects a high underestimation of the contribution from the Government. Apart from the financial

contributions received to cover the expenditures of the top up and the allowances, the Government is also paying for the operating costs for the activities implemented by the FSA and ARC but it is not providing the project with the concerning information and as a result the project is not able to account the actual contribution that the Government is providing. Upon several requests by the project to the concerning Government offices, it seems that the problem lies with the fact that in the concerning offices they are not able to calculate the actual amount of work allotted by their staff to the SDP activities. In addition to this the project has not been receiving information from the Government on the amount of the custom and tax exemptions for the vehicles and the equipment imported. The contribution for the agricultural insurances has been deleted following the unsuccessful results on such activity. *The mission recommends the project to conduct further meetings with the concerning authorities in order to find a solution for the calculation of such contributions and for the releasing of the information to the project.*

AMOUNTS IN SDG			
Year	AWPB	Spent	%
2012	401,218	500	0%
2013	646,100	135,778	21%
2014	3,282,500	796,771	24%
2015	7,352,898	995,816	14%
2016	5,954,355	1,174,676	20%
2017*	2,768,024	1,014,592	37%
TOTAL	20,405,095	4,118,134	20%

*As at 31/08/17

17. **Beneficiary contribution.** The contribution from the private sector company remains null while the contribution from the seed grower and grain producers is no longer applicable following the revised approach of the MTR held in 2014.

Compliance with loan covenants. *The compliance with the loan covenants is rated moderately satisfactory (4).*

18. **Financial statements.** The financial statements and the annual audit have been submitted in accordance with the agreement provisions and no major delay has been encountered.

19. **SOEs.** The mission has reviewed the expenses under the SOE facility on a sample basis for the applications submitted during the time period from September 2016 till the current mission. The value of the expenses reviewed equals approximately the 50% of the total amount claimed under applications WA No. 48, 49, 53, 54, 58 and 59 (all other WAs were direct payments). The documentation is found moderately satisfactory, however some cases were found with missing documentation, as reflected in the table below. *The mission provides the project with a month time in order to collect the missing documentation from the concerning suppliers. If by the end of October 2017 no documentation is submitted to IFAD concerning the expenditures listed in the below table, such expenditures are considered ineligible by IFAD and the project will have to find alternative funding for them and deducted them from the subsequent WA sent to IFAD.*

WA No.	Cat.	Item No.	C'cy	Amount	Findings
48	4	7	Euro	4,822.65	Invoice missing
53	6	31	Euro	12,786.11	Voucher and documents were not found
59	6	6	SDG	23,020.00	Flight ticket not attached. Attendance to training cannot be confirmed.

20. In general, all other expenditures reviewed were correctly captured in the accounting system and documented, however, the project should improve in some areas: (a) payments can only be finalized once the invoice has been submitted to the project. No payment must be approved unless the documentation is complete; (b) all payments to consultants should be based on an invoice or a payment certificate submitted by the consultant; (c) the contract payment summary should be

prepared for any payment done under any contract; (d) ensure that the DSA rate paid to participants to international training are not unreasonably high; (e) whenever a contract amendment is approved or any extra payment is done under a contract such payment has to be reflected in the contract payment summary; and (f) for the future missions a copy of the SK documentation or the originals brought from the SK unit should be kept ready at the CCU so as the expenditures incurred at the SK focal point unit can also be reviewed by the mission. *The mission recommends that the quality of the SOEs is improved by incorporating such findings.*

21. **AWPB.** The budget for all financiers of 2016 and 2017 (up to August) has been implemented at 58% and 67% respectively. The analysis by component shows a low level of implementation of component 2. The major causes for the delay in the implementation of 2017 AWPB were due to the lack of funds incurred by the project during the first quarter caused by the delay of disbursement under category 8 before the reallocation and by the unofficial suspension of fund disbursement from IFAD following the exchange rate matter. Such activities have been postponed to the last quarter of 2017 and therefore the implementation in December should show better results.

All financiers, amounts in SDG

Component	Budget 2016	Spent Dec-16	%	Budget 2017	Spent Aug-17	%
Comp. 1: Institutional and Regulatory Environment	2,604,700	1,567,716	60%	1,090,760	578,513	53%
Comp. 2: Improvement of the Seed Production System	4,015,700	2,593,065	65%	1,623,540	411,637	25%
Comp. 3: Seed Market Development Support	14,921,650	6,864,563	46%	10,010,932	5,847,616	58%
Comp. 4: Project Coordination and Management	8,961,968	6,565,731	73%	7,658,548	6,814,398	89%
Total	30,504,018	17,591,074	58%	20,383,780	13,652,164.86	67%

22. The analysis of the budget spending by category shows the lowest percentage of implementation in the training and technical assistance category since some of the training of the first quarter have been postponed to the last quarter of 2017 as explained above.

All financiers, Amounts in SDG

Cat.	Description	Budget 2016	Spent 12/2016	%	Budget 2017	Spent 08/2017	%
1	Civil works	420,000	453,973	108%	210,000	9,508	5%
2	Fund	2,150,000	-	0%	-	-	0%
3	Vehicles	4,722,000	1,741,907	37%	350,000	-	0%
4	Equipment	4,621,500	3,269,155	71%	2,904,732	1,339,458	46%
5a	Technical Assistance International TA	883,500	663,294	75%	353,600	172,469	49%
5b	Technical Assistance National TA	2,125,200	988,340	47%	1,357,900	717,371	53%
6	Training	6,861,550	3,583,494	52%	7,079,360	5,001,212	71%
7	Contracted Services	776,400	821,994	106%	580,000	515,844	89%
8	Recurrent Costs	5,759,868	4,879,493	85%	6,320,588	4,881,711	77%
	Growers/ Producer groups	125,000	-	0%	-	-	0%
	Government contribution	250,000	-	0%	-	-	0%
	Salaries and Allowances	800,400	699,720	87%	651,600	522,567	80%
	Operation and maintenance	693,600	456,796	66%	576,000	492,025	85%
	Vehicles O&M	315,000	32,910	10%	-	-	0%
Total		30,504,018	17,591,074	58%	20,383,780	13,652,165	67%

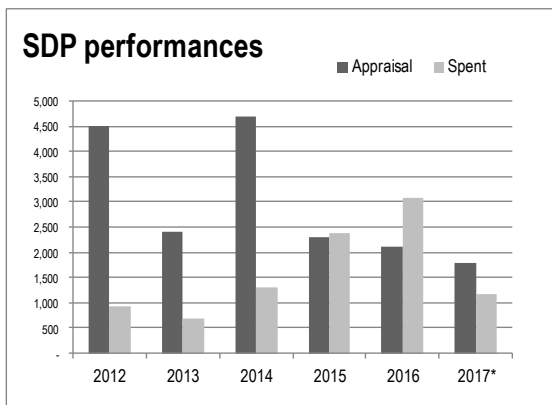
23. The budget for 2018 has not been started yet. The project is currently starting to prepare it. *The mission recommends that the 2018 AWPB is started immediately and sent to IFAD for no-object in due course.*

24. **Appraisal versus actual.** The analysis of the actual financial data versus the appraisal data shows an achievement of the financial target for the 54%, as shown in the table and the graphic below. Despite the low implementation of the first three years, the project seems to have achieved good performance from 2015. The project will probably increase its performances by the completion date. The under achievement might also be due to the high underestimation of the actual contribution of the Government whose data are not accounted fully by the project.

All financiers, amounts in USD, million

Year	Appraisal	Spent	%
2012	4,500	927	21%
2013	2,400	699	29%
2014	4,700	1,297	28%
2015	2,300	2,368	103%
2016	2,100	3,086	147%
2017*	1,800	1,173	65%
TOTAL	17,800	9,551	54%

*Spent till 31/08



Audit. *The Audit is rated moderately satisfactory (4)*

25. **Internal Audit.** The MoF has currently put in place an internal audit system. The internal auditor visits the project on average three times a week, however, the internal auditor could not be met during the mission.

26. **Audit 2015 and 2016.** The audit of 2016 does not include a separate statement over the SOE as per IFAD requirements. *The mission recommends the project, with the support of the IFAD CCU, to include such requirement in the TORs of the auditor and to ensure that a separate opinion on the SOE is included in the next audit.* The findings of the auditors for both the years 2015 and 2016 have been reviewed and discussed with the project. The status of their implementation is summarized in the below tables, with further detailed tables for each expenditure which was declared ineligible by the auditor. At the time of the mission all the cases have been solved with the exception of: (1) the expense of SDG 27,378, as per Audit 2015 finding no. 5.4.1_a, which is not provided with an invoice; (2) the expense of SDG 150,000, as per Audit 2016 finding no. 5.2.a, which is not provided with an invoice; (3) the expense of SDG 89,075m as per Audit 2016 finding no. 5.2.e, which is not provided with an invoice; and (4) the expense of Euro 16,887.46, as per Audit 2016 finding no. 5.6.a, whose copy of the tickets has not been collected yet by the project. *For all these expenditures the mission recommends that the invoice is collected by the end of October 2017. In the case that the project fails to collect the invoice and send it to IFAD, the concerning expenditure is considered ineligible by IFAD and the project will have to find alternative funding for it and deduct it from the subsequent WA. In addition, for all those expenditures which were not included in the AWPB and therefore were declared ineligible by both the 2015 and 2016 Audit, the project will have to find alternative funding for them, the accounting will have to be adjusted and the amounts deducted with the next WA submitted to IFAD. If they will be charged under the Government contribution the project will have to receive the Government approval.*

2016 Audit Findings

No.	Observations	Clarification/ Reply from the project
5.1	The expenditures indicated are illegale because they were not included in the approved AWPB	Some have been already been charged under the government and others are still under IFAD
5.2	The listed payments were made to suppliers against proforma. All payments to suppliers should be paid against a tax stamped final invoices.	For some payments the invoice has been receive. Some others are yet to be received by the project
5.3	Some cheques to suppliers were not issued in the name of the first beneficiary (list provided)	After the audit the project has been following a proper practise
5.4	The project paid the amount of 254,000 SDG to procure (5) motorcycles since 21/12/2016 but so far these motorcycles were not received due to delay in customs and licensing procedures.	There is a problem in the custom clearance. The project needed an ID code to clear the import of the motorcycle. The Ministry has provided such code and shortly the clearance should be provided
5.5	There was delay in the refund of the balances for the indicated advances	Refunded already at the time of audit. The project has taken the remark into consideration for future advances
5.6	The payments of participations in training courses and training workshops abroad were not supported by documents to verify participants travel (Tickets & copy of passport)	One of the expense must be cancelled since the trainee did not attend the training. For the others the project is yet to receive the concerning documents
5.7	There was advance payments not cleared up to 31/12/2016 as shown in listed table	Supporting documents have been submitted by the company and the advance has been set off
5.8	The payments which were made to staff members to spend on the various activities were not recorded on the advance account, recorded directly on the expenses accounts	After the audit the project has been following a proper practise
5.9	The training account does not reflect the actual expense, because the total amount transferred to ARC north Kordofan was directly debited to training expense instead of training expense paid in advance	The payments were actually not advances but payment for the activities which are implemented by ARC

Detail of expenditures declared ineligible by the Auditor in the 2015 Audit

Finding no.	Amount	Audit findings	Mission findings
5.4.1_a	27,378.00	Payment done on the base of pro-forma invoice and were not supported by final invoice	No invoice. Expenditure ineligible
5.4.1_b	4,095.00	Payment done on the base of pro-forma invoice and were not supported by final invoice	Invoice has been provided
5.4.1_c	8,424.00	Payment done on the base of pro-forma invoice and were not supported by final invoice	Invoice has been provided
5.4.1_d	41,580.00	Payment done on the base of pro-forma invoice and were not supported by final invoice	Invoice has been provided
5.4.2_a	5,000.00	Expense not included in the AWPB - Social contribution - PCU	Expense is no longer charged to IFAD but under the government contribution. The project has to receive approval from the Government for such expense
5.4.2_b	1,420.00	Expense not included in the AWPB - Cost of fuel for MOA - SK	Expense is no longer charged to IFAD but under the government contribution. The project has to receive approval from the Government for such expense
5.4.2_c	1,450.00	Expense not included in the AWPB - Cost of fuel for MOA - SK	Expense is no longer charged to IFAD but under the government contribution. The project has to receive approval from the Government for such expense
5.4.2_d	1,500.00	Expense not included in the AWPB - cost of electricity for MOA guest house	Expense is no longer charged to IFAD but under the government contribution. The project has to receive approval from the Government for such expense
5.4.3_a	2,000.00	Expense not included in the AWPB - Training allowance for NK staff	This amount has been refunded and set off in the accounting of June 2017
5.4.3_b	1,700.00	Expense not included in the AWPB - Incentive for the attendance of SM meetings	This amount has been refunded and set off in the accounting of June 2017

Detail of expenditures declared ineligible by the Auditor in the 2016 Audit							
Date	Cheque No.	Amount SDG	c'cy	Description	Finding no.	Reason for ineligibility	Mission findings
15/06/2016	1264	1,520.00	sdg	Social Contribution - PCU	5.1	Not included in AWPB	Charged under government contribution. Project to receive government clearance on expenditures.
16/05/2016	1202	895.00	sdg	Social Contribution - PCU	5.1	Not included in AWPB	Charged under government contribution. Project to receive government clearance on expenditures.
23/01/2016	223 - SK	8,400.00	sdg	Cost of tires for MOA vehicle - SK	5.1	Not included in AWPB	Expense from SK. In the accounting it is currently charged under IFAD. The project should charge this under government and receive an approval from the government for it
07/03/2016	Transfer	24,870.00	sdg	Cost of maintenance for MOA vehicle No. (5. NK) - NK	5.1	Not included in AWPB	Charged under government contribution. Project to receive government clearance on expenditures.
06/03/2016	1079	820.00	sdg	Cost of maintenance for MOA vehicle No. (5624 NK) - NK	5.1	Not included in AWPB	Currently charged under IFAD. They have to be charged under government contribution and deducted from next WA Project to receive government clearance on expenditures.
06/03/2016	1078	4,965.00	sdg	Cost of maintenance for MOA vehicle No. (5624 NK) - NK	5.1	Not included in AWPB	Currently charged under IFAD. They have to be charged under government contribution and deducted from next WA Project to receive government clearance on expenditures.
27/03/2016	1112	6,000.00	sdg	Cost of maintenance for MOA vehicle No. (5045 KH) - PCU	5.1	Not included in AWPB	Charged under government contribution. Project to receive government clearance on expenditures.
02/06/2016	Transfer	150,000.00	sdg	Cost of 4 planters - Giad company	5.2	Payment made against pro-forma, not tax stamped invoice attached	No invoice. Expense not eligible
21/12/2016	Transfer	254,500.00	sdg	Cost of 11 motorcycles - Golden Arrow company	5.2	Payment made against pro-forma, not tax stamped invoice attached	Payment has been done in advance as per contract terms but the final invoice has not been received since there is a problem with the clearance of custom. Motorcycles not yet delivered. Note to the file to be attached to the supporting documents
26/06/2016	1276	100,000.00	sdg	Cost of groundnuts seeds - Ranss Company	5.2	Payment made against pro-forma, not tax stamped invoice attached	Invoice is attached Ok
13/07/2016	1302	76,400.00	sdg	Cost of groundnuts seeds - Ranss Company	5.2	Payment made against pro-forma, not tax stamped invoice attached	Invoice is attached Ok
30/03/2016	Transfer	89,075.00	sdg	Cost of tickets - Quality travel & tourism	5.2	Payment made against pro-forma, not tax stamped invoice attached	No invoice. Expense not eligible
22/05/2016	1214	11,000.00	sdg	Ruhumt Alla - Breakfast cost	5.3	Cheque not issued in the name of the beneficiary. Confirmation of use of cash uncertain	The practise of the project was to issue a cheque in the name of secretary or administrator which clubs the amounts of several expenses and several invoices. Then once the cheque is cashed, they pay the supplier in cash. It is not a good practise. Probably they use it to avoid cash transaction but they do actually handle cash. Following the auditor recommendation the FC confirmed that they changed this practise and now they are issuing a cheque for each single expenditure.
23/05/2016	1216	8,880.00	sdg	Hajir Mohammad - Data entry contract	5.3	Cheque not issued in the name of the beneficiary. Confirmation of use of cash uncertain	
24/04/2016	1163	1,000.00	sdg	Nova Flight - Tickets	5.3	Cheque not issued in the name of the beneficiary. Confirmation of use of cash uncertain	
18/02/2016	1049	9,200.00	sdg	Zainb Hussein - Contract for supply full meals	5.3	Cheque not issued in the name of the beneficiary. Confirmation of use of cash uncertain	
28/02/2016	1072	10,000.00	sdg	Zainb Hussein - Contract for supply full meals	5.3	Cheque not issued in the name of the beneficiary. Confirmation of use of cash uncertain	
18/12/2016	1460	18,040.00	sdg	Ruhumt Alla - Contract for supply full meals	5.3	Cheque not issued in the name of the beneficiary. Confirmation of use of cash uncertain	
10/03/2016		2,700.00	usd	Refund from Nour Eldeen Mohammed	5.5	Clearance of advance should be done timely	Refunded already at the time of audit. The project has taken the remark into consideration for future advance.
10/03/2016		1,060.00	usd	Refund from Rabbee for participants of African Seed Assoc. in Kenia	5.5	Clearance of advance should be done timely	Refunded already at the time of audit. The project has taken the remark into consideration for future advance.
10/03/2016	Transfer	16,887.46	euro	DSA & training fees for participants of African Seed Assoc. In Kenya. Nour Eldeen Mohammad	5.6	Audit could not confirm travel of these participants (no ticket & copy of passport attached)	The copy of the tickets has not been collected yet by the project. Still at the same stage
26/10/2016	Transfer	2,049.32	euro	DSA & training fees for participants of Annual conference in Sanabel cooperation for Microfinance in Morocco. Nour Eldeen Mohammad	5.6	Audit could not confirm travel of these participants (no ticket & copy of passport attached)	The trainee did not attend the training and the amount has been refunded in the project DA in June 2017, voucher No. RPCU52017313, credit note dated 4/5/17 for euro 1,965.93 (the difference is due to the fluctuation of USD since payment done in USD)
07/04/2016	Transfer	15,021.33	euro	DSA & training fees for participants of training course in seed check in Cairo. Nour Eldeen Mohammad	5.6	Audit could not confirm travel of these participants (no ticket & copy of passport attached)	The copy of the tickets has not been collected yet by the project. Still at the same stage
14/06/2016	1261-PCU	63,200.00	sdg	Campaign to promote the use of improved seeds & technical packages at SK - Zain	5.7	Clearance of advance should be done timely	Supporting documents have been submitted by the company and the advance has been set off.
08/11/2016	Transfer	43,000.00	sdg	Cost of review and preparation of seed law - National seed council	5.7	Clearance of advance should be done timely	Supporting documents have been submitted by the company and the advance has been set off.

Test of expenditure items claimed under SOE during supervision									
Name of the reviewer:		SARA LILI		IFAD MISSION:		SUPERVISION MISSION			
Country:		SUDAN		Project:		SDP		Financing instrument:	
DSF 8094-SD									
WANO : 48		Date of WA signed :		31/10/2016		Total WA amount :		EUR 326,675.94	
COVERING PERIOD:		July - September 2016							
COMMENTS:		Replenishment							
Category 1: CIVIL WORKS					Category 2: FUND				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
2	108.00	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.							
3	952.58	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.							
4	288.01	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.							
1	432.01	ok							
Subtotal checked	1,780.60	Total category	1,781	100%	Subtotal checked	0	Total category	0	#DIV/0!
Category 3: VEHICLES					Category 4: EQUIPMENT				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
1	7,500.00	this expense has been refunded and paid again under WA53		1	8,573	ok			
2	7,500.00	this expense has been refunded and paid again under WA53		5	2,258	ok			
				6	2,991	ok			
				7	4,823	invoice missing			cheque no. 1322, expense sdg 32,250
Subtotal checked	15,000.00	Total category	15,000	100%	Subtotal checked	18,645	Total category	20,349	92%
Category 5A: Technical Assistance International TA					Category 5B: Technical Assistance National TA				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
				1	1,231.56	ok			
				2	1,476.86	ok			
				3	2,557.12	ok			
				4	2,642.36	ok			
				5	1,061.73	ok			
				8	2,557.12	ok			
				9	2,642.36	ok			
				10	2,557.12	ok			
Subtotal checked	0.00	Total category	0	#DIV/0!	Subtotal checked	16,726.23	Total category	26,921	62%
Category 6: TRAINING					Category 7: CONTRACTED SERVICES				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
4	8,832.94	ok		16	3,337.71	ok			
6	5,641.62	ok. This is an expense which the auditor declared ineligible because there was no invoice. Currently the invoice is attached to the payment		27	450.44	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.			
7	5,641.62	ok. This is an expense which the auditor declared ineligible because there was no invoice. Currently the invoice is attached to the payment		28	256.97	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.			
9	8,861.19	ok		29	406.14	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.			
10	5,538.24	ok							
Subtotal checked	34,515.61	Total category	75,756	46%	Subtotal checked	4,451.26	Total category	17,023	26%
Category 8: RECURRENT COSTS									
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
21	3,101.42	ok							
42	20,654.84	ok							
44	2,168.14	ok - NK unit							
97	20,555.09	ok							
110	8,898.57	ok							
114	19,794.08	ok							
116	23,329.70	ok							
Subtotal checked	98,501.84	Total category	169,847	58%	Subtotal checked	0.00	Total category		#DIV/0!
Grand total checked:		189,620		Total NO of items checked:		34		58.05%	
% of the value checked (grand total checked / amount of the WA)									
Sufficient explanation on how expenditure linked to the project?									
Yes but many expenditures are in the focal point unit and could not be reviewed. The PCU does not keep a copy of the documentation for the expenditures incurred in the SK and NK focal point.									
Expenditures supported by sufficient supporting documentation (see annex 1)?									
Generally yes but many expenditures are in the focal point unit and could not be reviewed. The PCU does not keep a copy of the documentation for the expenditures incurred in the SK and NK focal point. One payment is not provided with an invoice.									
Expenditures claimed within 3 months?									
Generally yes.									
Ineligible expenditures?									
Item 7 under category 6 is currently not eligible since there is no invoice attached, so unless the invoice is sent to IFAD this expenditure will have to be reimbursed.									
Followup remarks :									
The PCU should maintain a copy of the expenses incurred by the NK and SK focal point and keep them available for supervision mission. As noted also by the auditor the project must start issuing cheques not to the administrator of the project but to the exact payee which is paid. Item 7 under category 6 is currently not eligible since there is no invoice attached, so unless the invoice is sent to IFAD this expenditure will have to be reimbursed.									

Test of expenditure items claimed under SOE during supervision										
Name of the reviewer:		SARA LILI		IFAD MISSION:		SUPERVISION MISSION				
Country:		SUDAN		Project:		SDP		Financing instrument:		
DSF 8094-SD										
WANO :		49		Date of WA signed :		31/10/2016		Total WA amount :		
SDG 201,116.00										
COVERING PERIOD:		July - September 2016								
COMMENTS:		Pre-financed expenditures - under reimbursement procedure								
Category 1: CIVIL WORKS					Category 2: FUND					
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References			
Subtotal checked					Subtotal checked					
0.00		Total category	#DIV/0!	0		Total category	0	#DIV/0!		
Category 3: VEHICLES					Category 4: EQUIPMENT					
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References			
1	12,378.00	ok	transfer dtd 4/9/16							
2	12,378.00	ok	transfer dtd 4/9/16							
Subtotal checked					Subtotal checked					
24,756.00		Total category	24,756	0		Total category	0	#DIV/0!		
Category 5A: Technical Assistance International TA					Category 5B: Technical Assistance National TA					
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References			
Subtotal checked					Subtotal checked					
0.00		Total category	#DIV/0!	0.00		Total category		#DIV/0!		
Category 6: TRAINING					Category 7: CONTRACTED SERVICES					
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References			
1	2,000.00	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.		1	128,550.00	ok				
2	4,950.00	ok - NK unit								
3	2,720.00	ok - NK unit								
4	5,406.00	ok - NK unit								
5	5,380.00	ok - NK unit								
Subtotal checked					Subtotal checked					
20,456.00		Total category	20,456	128,550.00		Total category	128,550	100%		
Category 8: RECURRENT COSTS										
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References			
1	2,200.00	payee name in the cheque is the administrator and not the actual payee								
2	1,860.00	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.								
3	600.00	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.								
4	9,345.00	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.								
5	5,900.00	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.								
6	3,600.00	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.								
7	352.00	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.								
Subtotal checked					Subtotal checked					
23,857.00		Total category	27,354	0.00		Total category		#DIV/0!		
Grand total checked:					Total NO of items checked:					
		197,619				15				
% of the value checked (grand total checked /amount of the WA)					98.26%					
Sufficient explanation on how expenditure linked to the project?										
Yes but many expenditures are in the focal point unit and could not be reviewed. The PCU does not keep a copy of the documentation for the expenditures incurred in the SK and NK focal point.										
Expenditures supported by sufficient supporting documentation (see annex 1)?										
Generally yes but many expenditures are in the focal point unit and could not be reviewed. The PCU does not keep a copy of the documentation for the expenditures incurred in the SK and NK focal point.										
Expenditures claimed within 3 months?										
Generally yes.										
Ineligible expenditures?										
No										
Followup /remarks :										
The PCU should maintain a copy of the expenses incurred by the NK and SK focal point and keep them available for supervision mission. As noted also by the auditor the project must start issuing cheques not to the administrator of the project but to the exact payee which is paid.										

Test of expenditure items claimed under SOE during supervision								
Name of the reviewer:		SARA LILI		IFAD MISSION:		SUPERVISION MISSION		
Country:		SUDAN		Project:		SDP		
Financing instrument:		DSF 8094-SD						
WANO :	53	Date of WA signed :	31/10/2016	Total WA amount :	EUR	348,633.49		
COVERING PERIOD:		October - December 2016						
COMMENTS:		Replenishment						
Category 1: CIVIL WORKS				Category 2: FUND				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References	
1	289.59	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.						
2	9,652.91	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.						
3	478.94	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.						
4	10,084.36	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.						
5	298.17	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.						
Subtotal checked	20,803.97	Total category	20,804	100%	Subtotal checked	0	Total category	0
				#DIV/0!				
Category 3: VEHICLES				Category 4: EQUIPMENT				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References	
1	10,992.68	no final invoice. Only pro-forma		2	1,680.13	ok		
2	10,992.68	no final invoice. Only pro-forma		3	1,680.11	ok		
Subtotal checked	21,985.36	Total category	21,985	100%	Subtotal checked	3,360	Total category	4,224
				80%				
Category 5A: Technical Assistance International TA				Category 5B: Technical Assistance National TA				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References	
				2	6,159.84	ok		
Subtotal checked	0.00	Total category	0	#DIV/0!	Subtotal checked	6,159.84	Total category	13,591
				45%				
Category 6: TRAINING				Category 7: CONTRACTED SERVICES				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References	
31	12,786.11	voucher missing	cheque no. 1420	1	10,507.25	ok		
34	4,874.43	This expense is from SK unit. No copy is kept in the PCU. The mission could not review the expense.		4	2,179.88	ok		
35	2,524.16	ok						
52	585.44	ok - NK unit						
53	679.25	ok - NK unit						
54	512.71	ok - NK unit						
Subtotal checked	21,962.10	Total category	103,245	21%	Subtotal checked	12,687.13	Total category	13,324
				95%				
Category 8: RECURRENT COSTS								
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References	
25	7,292.01	ok						
66	5,694.18	ok						
140	5,885.99	ok						
142	20,070.34	ok						
180	276.36	ok						
Subtotal checked	39,218.88	Total category	171,460	23%	Subtotal checked	0.00	Total category	#DIV/0!
Grand total checked:				126,178				
% of the value checked (grand total checked /amount of the WA)				36.19%				
Sufficient explanation on how expenditure linked to the project?								
Yes but many expenditures are in the focal point unit and could not be reviewed. The PCU does not keep a copy of the documentation for the expenditures incurred in the SK and NK focal point.								
Expenditures supported by sufficient supporting documentation (see annex 1)?								
Generally yes but many expenditures are in the focal point unit and could not be reviewed. The PCU does not keep a copy of the documentation for the expenditures incurred in the SK and NK focal point. No documentation or voucher found for item 31 under category 6								
Expenditures claimed within 3 months?								
Generally yes.								
Ineligible expenditures?								
Item 31 under category 6 is currently ineligible since no documentation was found so unless the project sends the supporting documents to IFAD this expense is ineligible and will have to be reimbursed to the project.								
Followup /remarks :								
Contract payment summary should be always attached when the payment is done under a contract. Item 31 under category 6 is currently ineligible since no documentation was found so unless the project sends the supporting documents to IFAD this expense is ineligible and will have to be reimbursed to the project.								

Test of expenditure items claimed under SOE during supervision									
Name of the reviewer:		SARA LILI		IFAD MISSION:		SUPERVISION MISSION			
Country:		SUDAN		Project:		SDP		Financing instrument:	
								DSF 8094-SD	
WANO :		54		Date of WA signed :		31/10/2016		Total WA amount :	
								SDG 561,291.36	
COVERING PERIOD:		October - December 2016							
COMMENTS:		Pre-financed expenditures - under reimbursement procedure							
Category 1: CIVIL WORKS					Category 2: FUND				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
Subtotal checked	0.00	Total category 0	#DIV/0!	Subtotal checked	0	Total category 0	#DIV/0!		
Category 3: VEHICLES					Category 4: EQUIPMENT				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
				2	14,984	ok			
				3	14,984	ok			
				6	45,000	ok			
Subtotal checked	0.00	Total category 0	#DIV/0!	Subtotal checked	74,969	Total category 78,412			96%
Category 5A: Technical Assistance International TA					Category 5B: Technical Assistance National TA				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
				1	17,100.00	ok			
				2	17,100.00	ok			
Subtotal checked	0.00	Total category 0	#DIV/0!	Subtotal checked	34,200.00	Total category 35,670			96%
Category 6: TRAINING					Category 7: CONTRACTED SERVICES				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
6	45,000.00	ok		1	13,300.00	ok			
7	11,268.50	ok		2	50,000.00	ok			
8	11,268.50	ok							
Subtotal checked	67,537.00	Total category 128,049	53%	Subtotal checked	63,300.00	Total category 63,300			100%
Category 8: RECURRENT COSTS									
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
1	137,456.00	ok							
8	5,650.00	ok							
Subtotal checked	143,106.00	Total category 255,861	56%	Subtotal checked	0.00	Total category	#DIV/0!		
Grand total checked:		383,112			Total NO of items checked:		12		
% of the value checked (grand total checked /amount of the WA)					68.26%				
Sufficient explanation on how expenditure linked to the project?									
Yes									
Expenditures supported by sufficient supporting documentation (see annex 1)?									
Generally yes.									
Expenditures claimed within 3 months?									
Generally yes.									
Ineligible expenditures?									
No									
Followup /remarks :									
No particular remark									

Test of expenditure items claimed under SOE during supervision									
Name of the reviewer:		SARA LILI		IFAD MISSION:		SUPERVISION MISSION			
Country:		SUDAN		Project:		SDP		Financing instrument:	
								DSF 8094-SD	
WANO :		58		Date of WA signed :		19.04.2016		Total WA amount :	
								EUR 41,344.21	
COVERING PERIOD:		January - March 2017							
COMMENT S:		This WA will be resubmitted since it has been rejected by IFAD due to the exchange rate issue.							
Category 1: CIVIL WORKS					Category 2: FUND				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
Subtotal checked	0.00	Total category 0	#DIV/0!	Subtotal checked	0	Total category 0	#DIV/0!		
Category 3: VEHICLES					Category 4: EQUIPMENT				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
Subtotal checked	0.00	Total category 0	#DIV/0!	Subtotal checked	0	Total category 0	#DIV/0!		
Category 5A: Technical Assistance International TA					Category 5B: Technical Assistance National TA				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
				3	43.83	ok			
				2	248.36	ok - NK unit			
Subtotal checked	0.00	Total category 0	#DIV/0!	Subtotal checked	292.19	Total category 920	32%		
Category 6: TRAINING					Category 7: CONTRACTED SERVICES				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
4	156.95	ok - NK unit		1	8,765.69	One invoice for 1,400 is photocopied. second payment paid under category 6. Item5ofcat6			
2	6,866.54	ok							
Subtotal checked	7,023.49	Total category 14,431	49%	Subtotal checked	8,765.69	Total category 8,477	103%		
Category 8: RECURRENT COSTS									
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
8	42.51	ok - NK unit							
7	1,796.99	ok							
41	2,483.64	ok							
almost all expenses under this category are from SK focal unit which could not be verified during mission									
Subtotal checked	4,323.14	Total category 17,517	25%	Subtotal checked	0.00	Total category	#DIV/0!		
Grand total checked:		20,405		Total NO of items checked:		8			
% of the value checked (grand total checked /amount of the WA)				49.35%					
Sufficient explanation on how expenditure linked to the project?									
Yes but many expenditures are in the focal point unit and could not be reviewed. The PCU does not keep a copy of the documentation for the expenditures incurred in the SK and NK focal point.									
Expenditures supported by sufficient supporting documentation (see annex 1)?									
Generally yes but many expenditures are in the focal point unit and could not be reviewed. The PCU does not keep a copy of the documentation for the expenditures incurred in the SK and NK focal point.									
Expenditures claimed within 3 months?									
Generally yes.									
Ineligible expenditures?									
No									
Followup /remarks :									
CCU should keep the documentation from SK ready for review at the time of supervision mission									

Test of expenditure items claimed under SOE during supervision									
Name of the reviewer:		SARA LILI		IFAD MISSION:		SUPERVISION MISSION			
Country:		SUDAN		Project:		SDP		Financing instrument:	
DSF 8094-SD									
WANO :		59		Date of WA signed :		19.04.2017		Total WA amount :	
SDG 1,200,251.74									
COVERING PERIOD:		January - March 2017							
COMMENTS:		This WA will be resubmitted since it has been rejected by IFAD due to the exchange rate issue. Pre-financed expenditures from Gov.							
Category 1: CIVIL WORKS					Category 2: FUND				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
1	6,085.00	This payment is an extra amount paid over the contract. There was a variation of the bill of quantity due to weather condition. The increase is about 9% of the contract value (68,455) but there is no certification from any project civil engineer/ supervisor	contract payment summary was not attached, nor copy of contract						
2	3,422.50	This is the payment of retention under same contract of item 1. The contract payment summary does not reflect the variation of works done. The committee approved the final works.							
Subtotal checked	9,507.50	Total category	9,508	100%	Subtotal checked	0	Total category	0	#DIV/0!
Category 3: VEHICLES					Category 4: EQUIPMENT				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
Subtotal checked	0.00	Total category	0	#DIV/0!	Subtotal checked	0	Total category	100	0%
Category 5A: Technical Assistance International TA					Category 5B: Technical Assistance National TA				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
				1	28,621.00	ok but contract payment summary not attached			
				2	6,174.00	ok but contract payment summary not attached			
				6	34,200.00	ok			
Subtotal checked	0.00	Total category	570	0%	Subtotal checked	68,995.00	Total category	140,512	49%
Category 6: TRAINING					Category 7: CONTRACTED SERVICES				
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
11	4,952.00	ok - NK unit							
1	18,875.00	ok							
2	18,875.00	ok							
6	23,020.00	flight ticket is not attached to the payment the dsa applied for the training is unreasonably high (375 \$ per day). CPM gave no-objection but it is advisable that such overpayment are guarded extremely carefully	the dsa should have been reduced by CPM						
21	39,574.85								
Subtotal checked	105,296.85	Total category	289,307	36%	Subtotal checked	0.00	Total category	98,175	0%
Category 8: RECURRENT COSTS									
Item no.	Amount	Remarks	References	Item no.	Amount	Remarks	References		
2	40,800.00	ok - NK unit							
15	1,400.00	ok - NK unit							
61	1,575.00	ok - NK unit							
78	6,450.00	ok - NK unit							
48	730.00	ok - NK unit							
49	865.00	ok - NK unit							
64	800.00	ok - NK unit							
65	3,720.00	ok - NK unit							
66	800.00	ok - NK unit							
67	302.00	ok - NK unit							
47	164,100.00	ok							
Subtotal checked	221,542.00	Total category	662,080	33%	Subtotal checked	0.00	Total category		#DIV/0!
Grand total checked:		405,341		Total NO of items checked:		21			
% of the value checked (grand total checked / amount of the WA)		33.77%							
Sufficient explanation on how expenditure linked to the project?									
Yes but many expenditures are in the focal point unit and could not be reviewed. The PCU does not keep a copy of the documentation for the expenditures incurred in the SK and NK focal point.									
Expenditures supported by sufficient supporting documentation (see annex 1)?									
Generally yes but some documentation was found missing (contract summary or copy of contract) and for item 6 under category 6 the copy of flight tickets was not attached which makes the expenditures not certain.									
Expenditures claimed within 3 months?									
Generally yes.									
Ineligible expenditures?									
The expenditure claimed under item 6 category 6 is currently ineligible, unless the missing documentation is provided to IFAD this expenditure will have to be reimbursed by the project.									
Followup /remarks :									
The expenditure claimed under item 6 category 6 is currently ineligible, unless the missing documentation is provided to IFAD this expenditure will have to be reimbursed by the project. Ensure that contract payment summary is always attached to payments under contract.									

Annex V(a)

Financial Management Assessment at Supervision – Guidance Questionnaire^{8/9}

Country: Sudan	Loan /Grant ID: DSF-8094-SD
Project Name: Seeds Development Project (SDP)	
Executing Agency: Ministry of Agriculture of Sudan	CPM: Tarek Ahmed
Reviewing Finance Officer/FMS: Sara Lili (FMS)	Date of this review: 25 September 2017

	Topic	Risk Rating (H/M/L)	Issues / Comments / Recommendations
A. Inherent Risks			
a	Country Risks	H	The Corruption Perceptions Index (CPI) 2015 of Transparency International ranks Sudan as 173/175
b	Project Design	M	The risk on end use of funds inherent due to disburse geographical coverage of the project
c	Project Entity	M	The overall management of the project lies with the PCU in El-Obaid. In addition, there are 2 State Coordination Units (SCU) in North Kordofan and South Kordofan. The project has added one locality in each province, but has not expanded its SCUs.
B. Control Risks			

1. Organization and Staffing			
a.	Adequacy of organizational structure to meet functional needs of the project.	L	The financial and administrative team include 9 persons, of which 5 in the CCU (the financial controller, an accountant, a procurement and administrative officer, a secretary and an administrative assistant) funded by IFAD and 4 at two focal point units (an accountant and a secretary at each unit) seconded by the Government.
b.	Availability of clear job description for key project positions, including fiduciary positions.	L	Staff job descriptions are annexed to staff contracts
c.	Adequacy of project financial management staff (numbers and skill) matching functional needs of project.	L	The distribution of roles and responsibilities is clearly identified and all members of the team are skilled and competent for the position that they cover.

⁸ This questionnaire should be used as guidance for and in support of the Summary Project Fiduciary Risk Assessment at Supervision. It is to be completed during the Mission.

⁹ Include relevant findings of project supervision and progress reports, field visits, and audit report findings.

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
d.	Availability and adequacy of operating manuals and guidelines for staff.	L	Project operating manual (PIM) is approved by IFAD and is being used
e.	Existence of a performance based evaluation system in place and timely completion of performance evaluation for all staff.	H	No performance based evaluation system for staff is in place.
f.	Adequacy of health insurance coverage for all staff (where applicable).	L	Medical care allowance is incorporated in salary structure
g.	Timely payment of social security fees (where applicable).	L	Social insurance of project staff is paid regularly
h.	Staff adequately informed about Ifad's national and anti-corruption policy and relevant contact details.	L	Project coordinator, finance controller and accountant are informed and updated on this policy
2. Budgeting			
a.	Timely preparation and approval of AWPB.	L	AWPB timely prepared and approved annually. Preparation of 2018 AWPB not yet started.
b.	AWPB in line with expenditure categories in Financing Agreement Schedule 2.	L	Budget is in line with expenditure categories in FA and components of PDR.
c.	Financing sources and implementing agencies for each category in the AWPB are identified.	L	Yes, the Financing sources and implementing agencies for each category in the AWPB are identified
d.	Linkage between AWPB and Procurement plan are identified (for cost estimate and activities). Check assumptions to support cost estimates. Test check high value items.	L	There is clear linkage between the AWPB and the Procurement plan
3. Fund flows and Disbursements/Withdrawals			
a.	Timeliness of funds disbursed by different sources (and co-financiers funding if applicable).	M	IFAD funds are disbursed timely but govt funds can be delayed at times. No funds being recvd by beneficiaries upto now
b.	Timeliness of counterpart funds disbursed.	H	The project is not receiving proper information from GoS authorities on the contribution provided for the administrative costs for ARC and FSA activities. The GoS is highly underestimated.
c.	Efficiency of the funding channels. Timeliness and traceability of funds flows.	M	Funding channels are efficient and traceable, but govt counterpart funding lacks timeliness of information
d.	Efficiency of the funding channels for credit lines. Timeliness and traceability of funds flows, if applicable.	N/A	No credit lines exist in the project
e.	Special Account(s)/Dedicated Account(s) Management, Disbursements.		
	i) Adequacy of the authorized allocation to ensure a smooth flow of funds	L	Adequate initial deposit. No shortages of fund experienced
	ii) Appropriateness of disbursement methods used	L	Project applies replenishment, reimbursement and direct payment methods
	iii) Adequacy of documentary support for SOE disbursements, reimbursements, direct payments and Special Commitments. (refer to Appendix IV and complete, reflecting finding in rating).	M	Project maintains adequate documentary support as required. However some documents were found incomplete and the quality of the SOEs has to be improved.

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
	iv) Timely preparation and accuracy of Withdrawal Applications	L	The project prepares WAs at the end of each quarter covering the previous quarter, as per guidelines. the software allows streamlined preparation of WAs. Delays in 2017 were due to the unofficial suspension of disbursement from IFAD following the exchange rate issue.
	v) Authorization of WA preparation.	L	WAs are properly authorized
	vi) Status on expenditures withdrawn from Special Account but not yet claimed for replenishment (old cases to be noted)	L	WAs are prepared regularly following IFAD requirements for timeliness. Project is timely in claiming reimbursement for expenditures every quarter
	vii) Regularity of Special Account(s) monitoring and monthly reconciliations signed by the project manager. Review and assess the reconciliations	L	DA reconciliation showed some errors during the review. As at 31/08/2017 there is an unreconciled balance of Euro 121.68. Rectification and adjustment to be done.
	viii) Disbursement rate compared to the AWPB and whether satisfactory given the remaining implementation time. Provide comments as appropriate	L	2016 AWPB was spent at 58% (all financiers) and 2017 AWPB was spent at 67%. IFAD disbursement is estimated at 92.50% at 31/08/2017 (including WA under preparation and commitments).
	ix) Recovery of SA balances by loan closure	M	Project has reached the triggering point for starting the recovery. A recovery plan will have to be submitted together with next WA.
4. Internal Controls			
a.	Segregation of duties - are the following functional responsibilities performed by different units or persons: (i) authorization of a transaction (ii) execution of a transaction (iii) recording of the transaction; and (iv) custody of assets involved in the transaction.	L	i. yes ii. yes iii. yes iv. yes Appropriate segregation of duties is maintained
b.	Clarity and adequacy of decision processes and sequence of events for control functions in project implementation reflected in the Financial Manual (or equivalent there-of).	L	The PIM records and details the control functions well. The PIM is being followed well by project staff.
c.	Adherence to Financial Manual.	L	The FM is part of the PIM and the financial rules are adhered to well.
d.	Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.	L	Appropriate internal controls are in place. However the PMU should ensure that payments are approved only once the documentation is complete, i.e. invoice has been submitted.
e.	Adequacy of contract management (use of contracts register and monitoring form) and filing there-of.	L	The contract register and contract monitoring forms are utilized and upto date.
f.	Effectiveness and efficiency of internal controls over expenditures (full cycle from commitment, payment, receipt of good and services, approval of payments, classification, etc.)	L	Adequate internal control over expenditure is in place.

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
g.	Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.	L	In general receipt certificates available for documentation. However some flight tickets for training attended abroad were not attached and participation could not be confirmed.
h.	Physical controls over cash, documents and records. Adequacy of filing systems. Is the petty cash subject to monthly reconciliation as well as surprise checks; custody of cash box and control of keys.	L	All payments are done by cheque or bank transfer. No cash management in place.
i.	Adequacy of physical management of cash.	N/A	No physical cash maintained
j.	Timely payment to suppliers and consultants.	L	Payment to suppliers and consultants made on a timely basis
k.	Eligibility of expenditures with respect to Financing Agreements.	M	In general project expenditures are in line with Financing Agreement provisions, however the Auditor identified some expenditures not included in the AWPB and have been declared ineligible.
l.	Legality/eligibility of advances from project funds and timely justification for use there-of.	L	Advances from project fund for project related purpose and use thereof is justified.
m.	Compliance with financial management covenants in the Financing Agreements and LTB.	L	Complied with financial management covenants
n.	Adequacy of up-to-date record keeping for fixed assets and inventories.	H	Quality of inventory list to be improved. From physical verification the labelling system was unsatisfactory and some assets were not found in place. The inventory system has to be improved.
o.	Adequacy of controls concerning project assets including: i) Vehicle and other assets management (are assets property tagged, is a physical inventory count done on a regular basis?) ii) Fuel management (do drivers maintain a log book?) iii) Travel authorisations (incl. DSA paid to staff)	M	Appropriate arrangements for vehicle management is in place including maintaining vehicle log books and travel authorisations.
p.	Adequacy of vehicles and assets insurance.	L	Comprehensive insurance for project vehicles
q.	Workshops: i) Availability of list of participants ii) DSA paid to participants iii) Receipts for workshop expenditure	L	List of training participants, entitlements and receipts kept to document workshops expenditure.
r.	Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) / and other operational accounts – non-special account.	L	Adequate controls and authorisation for use of funds are in place
s.	Banking arrangement and controls (reconciliation of bank statements with financial accounts).	L	Bank reconciliation is made on monthly basis for all project bank accounts managed at CCU, however the reconciliation of FPU accounts is not done formally by the FPU accountant. Formal monthly reconciliation to be put into place at FPU level.
t.	Existence of a proper IT support unit in place.	L	Consultancy support on part-time basis by the software consultant

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
5. Accounting			
a.	Basis of accounting (cash, accrual) and whether accounting standards are in line with IFAD'd requirements (e.g. IFRS/IPSAS/IPSAS cash).	L	Modified cash basis
b.	Adequacy and reliability of accounting system, (is double entry accounting used, specify software used, is budget data entered into the accounting system, can the accounting system produce regular automated financial reports?).	M	Single entry accounting on Access-based system is used. The system lacks flexibility and some features like the budget monitoring, the asset management and the disbursement analysis. A major challenge is represented by the dependency on the consultant which designed the system since for any adjustment needed the project has to wait for the consultant to fix the problem.
c.	Recordkeeping (including documentation and filing/archiving)	L	Adequate record keeping is in place. No back log is noted as at 31/08/17
d.	Fixed assets register maintained and reconciled (sample and physical check).	H	The quality of the asset inventory is not satisfactory. Labelling system to be modified and recounting of assets to be done by December 2017.
e.	Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.	M	Back up done on a monthly basis on external hard disk.
f.	Adequacy of chart of accounts for project accounting purposes	L	Adequate chart of accounts maintained
g.	Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.	L	Timely reecording of transactions. No delay is noted as at 31/08/17
h..	Appropriate/adequate accounting and reporting of counterpart funds contributions (incl. tax and tax exemptions) as well as beneficiary contributions.	H	No data provided by the MOF despite repeated requests. GoS contribution is highly under estimated. Beneficiary contributions not rcvd.
6. Financial Reporting & Monitoring			
a.	Completeness, accuracy, usefulness, and timeliness of financial reports.	L	Annual financial reports submitted timely
b.	Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.	L	Quarterly reports for internal review, and semi-annual reports now submitted
c.	Preparation of reports showing actual vs budget income/expenditure and AWPB execution rate.	L	Quarterly reports compare actual results to budget
d.	Follow up of previous aide-memoirs fiduciary recommendations.	M	some recommendations are still to be implemented
e.	Reasonable alignment between disbursement rate of recurrent versus investment cost categories.	H	Recurrent cost is equal 28% of the cumulative disbursement as of August 2017.
7. Internal Audit			
a.	Existence of Internal Audit arrangements.	L	The MoF has put in place an internal auditing system.
b.	Adequacy of internal audit arrangements (organization - staff capacity).	L	The Auditor visits the project twice on a weekly basis. However the mission could not meet the Auditor.
c.	Adequacy of internal audit scope of work and quality of reports.	M	The mission could not meet the internal auditor
d.	Assessment of matters raised in audit reports.	M	The mission could not meet the internal auditor1

Topic		Risk Rating (H/M/L)	Issues / Comments / Recommendations
8. External Audit¹⁰			
a.	Adequacy of scope and ToR.	M	The TOR do not include the separate opinion on SOEs
b.	Adherence to ToR.	M	No separate opinion on SOE/SA
b.	Timeliness of audit report.	L	Submission deadlines met
c.	Quality of audit.	M	The quality of the audit report was rated moderately satisfactory as no separate opinions expressed on SOE/SA.
d.	Implementation of audit recommendations/agreed action plan in place to address these.	M	Audit recommendations related to FM were mostly implemented but some are still pending.

¹⁰ Refer to IFAD audit review.

Annex V(b)

Summary of Project Fiduciary Risk Assessment at Supervision¹¹

Project Number: DSF-8094-SD, DSF-8114-SD

Implementing Agency : State Ministries of Agriculture in North and South Kordofan, Project Coordination Unit (PCU)

	Risk Assessment H/M/L	Proposed Mitigation
Inherent Risk	M	N/A
Control Risks		
1. Organization and Staffing	L	
2. Budgeting	L	Project to monitor closely the actuals vs budgets
3. Funds flow & Disbursement Arrangements	M	Improve the quality of SOE support documents, AWPB execution to be improved, govt counterpart funding to be more timely and information from GoS authorities on contribution to be provided. Recovery plan to be submitted.
4. Internal Controls	L	Quality of asset inventory and labeling system to be improved.
5. Accounting	M	Records of physical inventory count to be created, data on govt funding for VAT/taxes to be acquired from MOF. High dependency on the consultant for the software updating.
6. Financial Reporting and Monitoring	M	Monitor closely the balance under the grant at time of the preparation of the 2018 budget.
7. Internal Audit	L	
8. External Audit	M	Ensure that Audit reports include a separate opinion on SOE
Overall Project Fiduciary Risk	M	
H=High, M=Medium, L= Low		

Comments:

¹¹ This is a summary of the findings documented in the 'Project Supervision Financial Management Assessment – Guidance Questionnaire – see Appendix I. It is to be completed by the Finance Officer.