Sudan

IFAD
Investing in rural people

Scaling up note

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Sudan - Western Sudan Resources Management Programme

Country context

The analysis underlying the results-based country strategic opportunities programme for the Republic of the Sudan (RB-COSOP) developed in 2013 identified major constraints on the reduction of rural poverty. These included prolonged conflicts, the separation of South Sudan (2008), reduced oil revenues for the Government of Sudan; greatly increased numbers of people and livestock reliant on static technologies; environmentally and economically unsustainable pressures on finite natural resources exacerbated by the negative impacts of climate change; and little residual capacity within the public sector, all within a problematic geopolitical environment.

The economic prospects for a large proportion of the rural population were seen to be bleak, particularly given the decline of the crucial livestock sector, which had become concentrated increasingly on animal accumulation rather than business at all scales. The consequences of reduced offtake and the ageing of the national herd include mounting pressures on finite water and pasture supplies, increased production costs and thence reduced profitability.

The RB-COSOP also detected several positive factors, however, notably a “peace dividend” from the reduction in armed conflict, steps towards the liberalization of the domestic economy and measures to counteract the different types of resource misuse. In rapidly changing circumstances, the best chances for lifting significant numbers out of poverty were seen to be through the generation of incomes through private-sector development of the moribund rural economy, centred on livestock. This strategy differed markedly from previous approaches, which were government-driven and concentrated almost completely on oil production.

Country strategy for scaling up

The 2013 RB-COSOP strategy for bringing about poverty reduction for significant numbers of rural people benefited from the International Monetary Fund/Government of Sudan interim poverty reduction strategy paper developed in the previous year. That analysis proposed four “pillars” that represent the core strategic areas for development in Sudan:

- strengthening governance and institutional capacity of the public sector;
- reintegrating internally displaced persons (IDPs) and other displaced populations;
- developing human resources; and
- promoting economic growth and employment creation.

The fourth pillar encompassed the three key drivers of sustainable rural income-generation within the IFAD remit, namely: (i) an enabling environment for private sector-led growth; (ii) productivity and growth in agriculture; and (iii) protection of natural resources and the environment.

Noting that the ongoing legacy projects were deemed satisfactory, but had been designed and implemented in very different and challenging circumstances, the new RB-COSOP strategy set out two strategic objectives:

- The productivity of crop, livestock and forestry in the predominantly rainfed farming systems is enhanced and made more resilient.
- The access of poor rural households to sustainable rural finance services, markets and profitable value chains is increased.

These strategic objectives were translated into two major pipeline interventions for the period 2013-2018 (both cast as programmes rather than projects): the Livestock Marketing and Resilience Programme (LMRP) to be followed by the Rural Finance Development Programme (RFDP). There were substantial overlaps in the two outline proposals, which resulted in subsequent design challenges. Rural finance was cast as an important subsidiary activity for the broad remit of LMRP, but became the central driver for RFDP. The rural finance elements within LMRP can be regarded as piloting RFDP, the design of which may or may not follow the approach that was set out in the concept note.

As is appropriate with the development of a programme approach, both concept notes emphasized the scaling up of specific interventions that had been piloted successfully rather than the replication or expansion of whole projects. The vision of scale of the proposed LMRP was very ambitious, given the extent, depth and worsening of rural poverty. The original cost estimate of US$50 million was increased by 30 per cent at the design stage following the concept note statement that "additional resources, if mobilized, will be incorporated through expansion to new localities and states". RFDP was conceived as national in scope from the outset.

Despite the extreme time pressure on the exercise, the easy option of repeating the predecessor – the Improving Livestock Production and Marketing Project (ILPMP) – in a piecemeal way as a stand-alone project was avoided, though the terms “livestock” and “marketing” were carried forward into the provisional title of the proposed broader rural economic growth/poverty reduction programme. The RB-COSOP steered LMRP towards a programme approach and indicated several priority elements for the programme, including policy dialogue and knowledge management activities alongside conventional project-type investments.

Additional financing for successful projects will be used to scale up successful interventions, such as conflict resolution, microfinance and “social fencing”.

The scaling-up experience in Sudan

Substantial progress has been made in piloting three effective delivery models for rural finance under the South Kordofan Rural Development Programme, the Western Sudan Resources Management Programme (WSRMP), savings and credit groups, specifically bank-owned microfinance (Agricultural Bank of Sudan Microfinance Initiative – ABSUMI), community-owned apex institutions, and women’s savings and credit groups with their focus on gender equity and women’s empowerment. Under LMRP, IFAD is contributing institution-building resources to make financial services that are wholly commercial accessible to the rural target group. The aim is to minimize costs to microenterprises by enabling them to mobilize their own funds and retaining capital in rural areas. As the successful microenterprises grow in competence and confidence, the programme will promote their scaling up with further technical support and access to affordable loans. Experience has shown that robust business planning and prudent credit limits are necessary for the sustainability of the enabling financial services.

In a different technical arena, the Butana Integrated Rural Development Project (BIRDP) and WSRMP have provided valuable lessons on the sustainable communal management of social fencing, including rangeland improvement interventions. The positive physical and social results have included the formation of community assets such as water points and fodder storage, increased employment opportunities and social capital, reduced conflict among settled and mobile livestock keepers, and reduced dependence on distant grazing. These advances have been incorporated into the LMRP design through measures to promote community-based natural resource management and remediation to reduce the vulnerability of settled and nomadic pastoralists. This has been accomplished by establishing 300 community adaptive plans incorporating the needs and priorities of poor women and men in almost all target villages and, in line with the wishes expressed by communities, by investing in more productive/improved rangelands and reducing resource-based conflict, through rainfall capture, rangeland rehabilitation, eradication of invasive species, livestock water supplies, stock route restoration and dispute mediation.

Other scaling-up efforts delivered through additional financing include conflict resolution measures, stock route demarcation, community development efforts, etc.

Future strategy for scaling up

In the coming years, the most effective approach to reducing rural poverty would be regenerating the rural economy by enabling the many currently disengaged rural households to build up sustainable microenterprises, preferably without having any negative impact on the depleted natural resource base. This approach is largely adopted by LMRP. Traditionally, livestock has been and continues to be the predominant economic activity for the project's target population, but the core income-generation strategy is neutral with regard to economic activity, encompassing both other agricultural production and enterprises that are not dependent on natural resources. The main disadvantage observed in the rural economy of Sudan is the lack of purchasing power within communities. The remedy advanced is to increase gradually both the volume of business conducted and value added within communities and the net inflow of earnings from trade with the rest of Sudan's economy.

In this light, the rationale for the proposed LMRP is to provide a framework for increased food security, incomes and climate resilience for poor households through improved natural resource management and pro-poor livestock value chain development led by the private sector. LMRP will address three major and complementary challenges: (i) improving the Sudanese livestock value chains that are characterized by suboptimal use of resources, low revenues for rural pastoralists and limited opportunities for youth and poor rural people; (ii) community-based sustainable management of the overexploited natural resource base, as well as preparedness for climate-related risks through the efficient planning and use of water and fodder resources; and (iii) developing and diversifying the rural economy, focusing on enabling poor households to invest in viable enterprises by mobilizing their own and communal resources.

The most challenging task for LMRP is to realize this strategy through the private sector on a scale commensurate with the large numbers of rural households trapped in poverty. On a more general note, even if a public-sector approach were preferred, there is no realistic prospect for the time being of mobilizing domestic financial resources on the scale required for developmental investments through the government budget. However, successful mobilization of the private sector as intended within the framework established under LMRP would make a very significant impact on the intransigent poverty of the rural population.

The quantitative limits on scaling up LMRP are determined by the availability of institution-building investment funds, the substantial transaction costs of programme management, and some uncertainty about the rate of progress of (essentially) self-help groups and microenterprises. Functional scaling up relies on indirect mechanisms and market forces to incentivize the emergence of value adders and service providers. The LMRP structure has the flexibility to expand its target group coverage to other communities within the initial five states, as well as to other states, and has already attracted substantial co-funding to this end. However, the limiting factor is the rate at which lasting institutional development can be achieved, rather than financial resources.

Rural finance will be a major driving force for the regeneration of the rural economy through the provision of the support that is needed for the establishment of the necessary rural enterprises. Both LMRP and RFDP will focus on using rural finance to create the necessary thrust in the rural economy.

With regard to the political dimension of scaling up, the Sudan programme is supportive of greater social equity within the rural areas, particularly with institutional developments related to community natural resource management, women and youth economic interest groups, and both settled and mobile pastoralists. LMRP will catalyze the organizational scaling up of rural financial service delivery and access to veterinary support services in the private sector.

The scope of LMRP is very ambitious, with its proposed intervention areas of natural resource management and grass-roots economic growth relevant to every rural community in the country. For practical and logistical reasons and to maximize impact, area-based LMRP interventions are focused on selected administrative units within five contiguous states with relatively high human and livestock numbers. Other important elements such as value chain development and policy enhancement, however, are national in scope, given that the wealthiest and poorest people all share the same economic space.

IFAD will be using its instruments (policy engagement, project financing and knowledge management) to address the above scaling-up areas as described in the following paragraphs.

Policy engagement

In-country and international experience can be applied to support the government's steady progress towards improved policy and regulatory frameworks. At present, the principal focuses for IFAD policy engagement in pursuit of rural poverty reduction in Sudan are:

- Supporting reforms to create a conducive environment for private investment and the active encouragement of public-private-producer partnerships (4Ps) business models aimed at enhancing value chains, adding value in-country as much as possible, and benefiting poor producers;
- Within the context of climate change, supporting the production of a National Sectoral Adaptation Strategy for the Livestock Sector and reforms related to the sustainable use of finite natural resource assets;
- Improving natural resource management and land tenure policy environment through dedicated project components and advocacy work; and
- Supporting reforms to the microfinance policy environment to ensure more focus on the rural areas.

A review of lessons arising from the previous RB-COSOP period (2009-2013) showed clearly that an enabling institutional and policy environment improves the effectiveness of IFAD-financed initiatives. Private local extension networks were established successfully when supported by government policy to privatize extension services, with a similar experience for the establishment of private veterinary services. Increased supply of credit for poor rural people was backed by favourable microfinance policy. Expanded gum arabic marketing and higher incomes for producers resulted from dismantling the gum arabic marketing and trade monopoly.

Project financing

The LMRP design seeks to ensure the sustainability of intended results through private-sector delivery mechanisms in a modernizing economy; beneficiary/community ownership and management of investments, including the equitable sharing of risks as well as rewards; continued progress towards private user payments for public resources consumed; and – crucially – no visible or hidden subsidies to enterprises of all scales beyond the initial investment phase. There is no afterlife for any temporary programme structures.

Whatever assurances are sought, unpredictable budgetary support and problematic operation and maintenance regimens threaten the sustainability of public services (such as extension and infrastructure). The LMRP design, therefore, has kept public-sector investments to the critical minimum.

The volume of development partner investments has been expanded greatly by the creation of a coherent Sudan programme managed by IFAD into which other development partners and private-sector operators can fit.

Additional financing for selected programmes will be used to scale up successful interventions, such as conflict resolution measures.

Knowledge management

An ongoing project/programme M&E framework provides information on implementation progress and constant feedback for decision-making, identifying any problem areas, evaluating the performance of implementing agencies and assessing achievements at the levels of outcomes and impact (Project Design Report III.C). Rather than "firefighting" implementation issues, a system of knowledge generation, analysis and management would lead to iterations of programme approaches and practices. LMRP and other projects would benefit from and contribute to existing regional knowledge networks to build and share approaches, tools, methodologies, technologies and best practices on sustainable livestock and crop-related business development, natural resource management and climate change resilience, and bottom-up rural economic growth.

A particular feature of the IFAD programme would be building up the government's internal capacity to generate and use knowledge products for evidence-based policy dialogue.

One of the significant areas of innovation in the IFAD programme is the LMRP design through the engineering of substantial pro-poor 4Ps. The programme rationale highlights the need for private-sector investments in livestock value chains to increase the level of real demand for the output of the many poor rural producers, a crucial result for the whole initiative. The intention is to move to scale from the outset, with the employment of top-quality business advisers and mechanisms to contain the risks for IFAD and for other international financial institutions involved. This activity constitutes a steep learning curve for IFAD both in dealing with wholly independent private-sector players and in accepting the need to invest in non-poor institution-building in order to benefit the primary target group.

Other areas of innovation relate to the use of microfinance in conjunction with value chain development as a driving force for strengthening the rural economy; gender mainstreaming through microfinance; and social fencing.

Key drivers and spaces for scaling up

Drivers

The prospects for change for the better in rural Sudan are undermined by an economy recovering from prolonged civil conflicts, a weak currency, economic challenges, and the cumulative effects of overexploitation of natural resources and increasing populations. In these circumstances, the main drivers of change are likely to be self-help and substantial private-sector investments geared to supporting domestic (mainly urban) demand and regional exports.

The main threats to achieving simultaneous progress in the involvement of the private sector, natural resource management and remediation, and rural economic growth in Sudan are the possible challenges for the public sector resulting from fiscal, challenging macroeconomic conditions and instability in some regions of the country. Budgetary resources for central and state government programmes are already overstretched.

As far as possible, the LMRP design has sought to operate within government structures to promote the sustainability of results and to support the ongoing government policy overhaul of its market reform programmes. Implementation modalities are founded on direct contracts with service providers, but always utilize available public-sector resources at all levels. Regression into a stand-alone project set-up by force of circumstances would be very damaging to the achievement of results.

Other possible obstacles identified include: a policy environment that would hinder private-sector willingness to embed in value chain value adding processes; macroeconomic instability; and scaling back of the ambitious natural resource management programme in the face of budgetary constraints.

Spaces

The spaces that will be required to achieve impact at scale in the two focus areas are:

Financial/fiscal space

The Sudan programme is formulated to require no additional finance beyond the initial period of intensive investment concentrated on institution-building. The golden rule applied in promoting enterprises at all levels – from elementary economic common interest groups to the largest 4P schemes – is rigorous adherence to viability in business planning with full payment for resources consumed, including any costs of borrowing. For example, under LMRP there are no visible or hidden subsidies for post-investment operating costs.

Institutional space

The IFAD programme has sought to establish a "lean and mean" programme management structure that is, and is seen to be, a temporary supernumerary unit of the government responsible for the delivery of substantial activities by existing or new permanent agencies. For example, under LMRP, income-generation and natural resource management initiatives are intended to be owned and run by the target communities themselves, with technical and business training and support as appropriate from the programme. In the nature of enterprises in the real world, some of the structures promoted by LMRP will fail, but it is expected that most will survive as viable enterprises providing income for their members.

The programme addresses directly the need for extension, financial and other support services against the background of continuing challenges in public-sector provision. LMRP scales up the promotion of private veterinary and animal health services that were piloted successfully by previous projects in Sudan.

Political space

The Sudanese rural economy is characterized by wide disparities in access to land, pasture, water supplies and financial services, as evidenced by the coexistence of individual operators with very large animal holdings and/or extensive fenced arable lands, and the mass of households with few animals. While recognizing that it is not possible to assist only the poorest people in market chains, IFAD's programme, including LMRP, is designed to maximize the returns flowing to primary producers as the total volume of business expands. It is axiomatic in the operation of value chains that every participant must make a positive return commensurate with value added.

The deals struck in creating the handful of large-scale livestock processing facilities envisaged by LMRP will include agreements to source animals from targeted producers. Issues related to market levies and taxes applied at intermediate steps will be addressed in the intended policy dialogue on improving the national environment for business and trade.

Cultural space

The IFAD programme is building on the cumulative experience of previous community economic development interventions by focusing the formation of savings and credit groups/elementary enterprises on women and youth, as the groups most likely to apply sustained effort to the initiatives. In a fairly conservative society, the intended rural economic growth is driven by the empowerment of women to act alone and in concert to save and then earn from microenterprises. The LMRP design emphasizes the slow and steady build-up of such community initiatives with minimal external subsidy.

The important work on communal natural resource management structures is necessitated by recent changes that have disrupted traditional sociocultural arrangements, including the fencing off of commons, the overlay of local government structures, and the partition of South Sudan with the new border cutting across long-established animal migration routes.

Partnerships

Partnerships are central to enabling and scaling up the Sudan programme under LMRP, with IFAD contributing just 20.5 per cent of the total cost. In addition to the contributions of the government (8.0 per cent) and primary beneficiaries (7.6 per cent), LMRP is expected to attract cofinancing from several specialist development partners: the Global Environment Facility (GEF) Least Developed Countries Fund (7.1 per cent); the Adaptation for Smallholder Agriculture Programme (5.9 per cent); the Central Bank of

Sudan with a portfolio credit of US$3 million (2.5 per cent); commercial banks and microfinance institutions (up to 17.4 per cent); and 4Ps, including equity funds and private-sector entities (30.9 per cent).

Though patently a development programme of the Sudanese Government with the technical and financial support of IFAD and other international development partners, LMRP is primarily a modern private-sector initiative.

Monitoring and evaluation

The pathway of the Sudan programme has a single destination, namely the creation of opportunities for the most disadvantaged rural communities to lift themselves from poverty through sustainable incremental incomes. The LMRP M&E framework focuses on progress towards the achievement of the high-level goal of poverty reduction, with the usual caveats about the short period (seven years) for such profound effects to come about in and the difficulties of attributing observed changes to specific policy dialogue, programme and knowledge management interventions.

One advantage of a flexible programme approach over fixed-term projects supplemented by ad hoc knowledge management interventions is the opportunity to concentrate M&E on the impact of the whole range of interventions on medium-term goals over time.

Key lessons for scaling up in the country

In a populous conflict-affected rural economy, highly dependent on natural resources, the optimal approach is to concentrate on enabling poor communities to mobilize their own resources in income-generating activities. The realistic best-case scenario is to accelerate economic recovery and reduce the overexploitation of finite natural resources.

The key lesson in this analysis is recognizing that the promotion of production is pointless and unsustainable unless it is balanced with effective measures to increase real demand. To this end, the main role of the public sector is to establish a conducive financial regulatory environment with a light touch in which the private sector can flourish, in return for which tax yields will increase to help offset the lost resources. This generation of substantial tax income may prove critical for mobilizing political support for the programme.

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