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**Provision of Technical Assistance for the Effective and Efficient  
Management of the Rural Smallholders Component under the  
Sudan Food Security Programme**  
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**Mission Report on**  
**Farmers Organisations Assessment and Capacity Development**  
**in**  
**Gedaref, Kassala and Red Sea States of Sudan**

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## EXECUTIVE SUMMARY

**Regulatory Environment for Smallholders Groups:** In Sudan there are three national laws under which smallholders' groups can register and have a corporate personality. The most popular laws are the Voluntary and Humanitarian Work Act of 2006, the Cooperative Act of 1999, and recently "The Farmers and Livestock Producers Organisations Act of 2011", which, cancels the Farmers and Pastoralists Unions Act of 1992.

**Under the Voluntary Act,** smallholders' organisations can register as civil society organisations, not for profit or as charitable societies. The law does not allow the society to serve its founders and assets are not owned by its members. The society is not allowed to dispose of its assets in any form or to use these in a manner inconsistent with the purposes for which it has been established. When dissolved, and by agreement between the registrar of voluntary societies and founding members, the assets of the society will be transferred to other projects or societies.

**The Cooperative Act** defines 4 types of societies according to purpose – production society; services society; consumption society; and multipurpose society. The most important features of the Cooperative Law compared to the Voluntary Law are that, the society operates for the benefits of its members. The assets of the cooperative society are partially owned by its members and the society may practice all types of financial transactions that would assist the society to realize its objectives and has the right to dispose of or utilise its assets in the way that benefits its members. However, if the cooperative is dissolved, the member will only receive his revalued shares, which is the basic value of his shares, plus the percentage of profits added to the shares, plus 75% of the appreciation of the value of the fixed assets valued at the current market prices.

**The Farmers and Livestock Producers' Organisations Act** has the main objective to bring together producers' potentials, capacities, and facilities to raise the efficiency of agricultural and livestock production and transfer it from a traditional subsistence economy to a commercial economy able to compete internationally. The Act identified 13 types of organisations/levels that can be formed at the villages/group of villages, administrative unit, locality, state, regions, and the federal levels. The different types/levels were differentiated by the types of services provided, geographic areas, and types of products. Each organisation at any level is regarded as an independent entity financially, administratively, and technically and operates to maximise the benefits of its members. The most important feature of the law compared to the other abovementioned laws is that it allows members full control of their resources and if dissolved the assets of the association will be distributed among members proportionate to their shares.

Considering that the motivations and interests of smallholders is for organizing themselves and resources for increased crop yields, food security, and financial returns, the Farmers' Organisations Act is the most appropriate form. However, due to logistical and organisational factors, the Act is not yet operational and will not be so in the short term, 6-12 months. The most appropriate available option currently is the Cooperative Act.

**Credit Providers in the Project Area:** There are several microfinance institutions (MFIs) in the project area providing rural finance to smallholders. These are the Agricultural Bank of Sudan (ABS), The Savings and Social Development Bank (SSDB), the Red Sea Microfinance Institution, Kassala State Microfinance Institution, and Gedaref State Microfinance Institution. The assessment excluded the SSDB as a potential lender to the programme beneficiaries, because the branch in Port Sudan does not extend rural finance; the branch in Gedaref issues individual loans for medium farmers owning between 100 – 500 feddans; and the branch in Kassala does not service the targeted beneficiaries. Moreover, its branches are based in the State capitals. According to the policy for microfinance of the Central Bank of Sudan (CBoS), there are three major loan products, mini with a loan size ranging between SDG 1000- 5,000, micro SDG 6,000 – 20,000, and small SDG 21,000 – 150,000. For loans above SDG 20,000 real estate or similar is needed as security. The CBoS policy encourages providers to lend through groups and associations, especially in rural areas using non-conventional guarantees such as group guarantee and group savings as a partial collateral in addition to close monitoring. However, most microfinance providers do not use such guarantees to tailor loan products above SDG 20,000 to meet the financial needs of smallholders' associations.

The lending practices of Kassala and Gedaref MFIs are not collateral based, as they do not require real estate as security for loans below SDG 20,000, and depend on reducing credit and clients' risks through being near to their clients and through monitoring. These two MFIs use alternative guarantees – mainly members' savings, group leaders' guarantees, and association leaders' guarantees. Thus, they can be considered as ready project partners for linking producers' associations to financial institutions. On the same grounds, ABS and the Red Sea MFI cannot be considered as ready project partners. Their collateral requirements do not fit with the capacities of farmers and fishers associations and Red Sea MFI does not provide group lending. However both ABS and Red Sea MFI could be potential project partners considering that the project interventions aim to increase crop yields and promote the capacities of associations in financial intermediation, which both should reduce, production, credit, and clients' risks.

**Assessment of Smallholders' Associations:** The assessment covered the following issues: establishment, registration and objectives, management and administration, funding sources and financial capacity, services rendered by the institutions to members, and linkages with microfinance providers. The capacity of the associations differs among States and within one State.

**In Red Sea State** the majority of smallholders' groups were organized as legal entities registered either as multipurpose cooperatives or voluntary societies. With the exception of a few, the majority were not active. The main reason for being inactive was large size in terms of membership and geographical coverage compared to planning and managerial capacity of their committees. **Supporting the formation of smaller societies at village and community levels would appear to be a better alternative**

Despite the fact that all the societies interviewed have received training in management and accounting, three of the four societies assessed do not have adequate management and

administrative systems. It seems that the training received is short, theoretical and without follow-up monitoring, mentoring and on the job training to ensure that committee members master the skills.

**In Kassala State** the farmers were not organized in formal associations and have not received any technical support in group management, general management, or simple bookkeeping and financial management.

**In Gedaref State**, there are many small farmers' cooperatives in the project area (around 220) and some of them are within villages participating in the project. However as confirmed by the Director of Cooperative Administration, they have not received any technical support in management. Most of these cooperatives were formed under political pressure with a main objective to obtain production credit. In the years 2009 and 2010 the majority of these cooperatives obtained loans from ABS and the SSDB. Both banks have stopped serving the majority of these cooperatives because of below average repayment performance. The low credit repayment could mainly be attributed, beside political interference, to a lack of technical support in management especially savings and credit management.

For small business associations to perform the role of financial intermediation they must have institutional capacity in savings and credit management at the association's level. All the associations assessed do not have such capacities.

## **Recommendations**

### ***The Appropriate Legal Entity Form for Smallholders Institutions***

1. In the short term, and to gain implementation time, smallholders in the programme area should be supported to organize themselves as producers' cooperative societies. When the Farmers' Organisations Act comes into force the cooperatives can then be transformed to farmers' organisations without significant effort and resources.
2. The programme, through the Programme Advisory Committee and the EU, should lobby the Government and Farmers' Union at the Federal and State levels to resolve the disputes around the Producers' Associations Act to expedite its implementation.
3. For villages with agricultural cooperatives, the implementing NGO in consultation with the Cooperative Administration and the village community of each village, should decide whether to promote the existing cooperative or dissolve it and form a new one.

### ***Potential Microfinance Providers***

4. The lending conditions to groups and associations applied by Kassala State Microfinance Institution and Gedaref State Microfinance Institution can be met by the smallholders' associations with some further assistance.
5. Although the lending conditions of ABS for loans above SDG 20,000 cannot be met by the newly established cooperative societies, and the Red Sea State Institution does not provide group lending, they should not be disregarded as potential providers. The programme may approach them for negotiations to attract them to

participate. The attraction factors, for them and other potential providers, to be programme partners will be:

- a. The microfinance providers will finance improved technologies giving better yields compared to the current traditional technologies applied in rain-fed farming, vegetables' production, and by artisanal fishers;
  - b. The providers will deal with more developed and organized associations in terms of general management and credit management, which is expected together with improved technologies, to reduce natural hazards risks, credit risk and improve repayment performance.
  - c. All the institutions would apply a stepped loan system where the loan size/area financed will increase with good repayment performance.
  - d. The programme will cooperate with the finance institutions, if necessary, to design loan products for the different packages and the stepped loan system.
  - e. The programme will build the capacity of the smallholder associations,
  - f. The programme will provide regular monitoring for the performance of the associations which will help the financial institutions in achieving their objectives of reaching smallholders.
  - g. At the end of the first lending season, the NGO implementing partners, with support from the TA Team, would carry out a SWOT analysis to come up with recommendations and plan for improvement.
6. To establish better performing associations in terms of savings mobilization and loan repayment as a step towards linking these associations to microfinance providers, the TA Team (providing technical assistance to SFSP-Component RS) and the NGO implementing partners need to develop the capacities of producer associations' in accounting, savings and credit management, and procurement and contracting.
7. As a first step in the linkage process, the programme should approach microfinance providers at headquarters and State levels to explain the project objectives, interventions, and achievements in the first year to convince them to be partners.

#### ***Associations' Capacity Development:***

8. SoS Sahel, the NGO partner in Red Sea State, has been coordinating with Arbaat Development Society and The Fishermen Cooperative Society in Sawakin to reach the farming and fishermen communities under their Umbrella. Experience has shown that interventions' implemented in partnerships with big societies such as Arbaat and Sawakin are not sustainable. Accordingly, SoS Sahel should directly target the communities at the villages, residential areas, and landing sites to form smaller societies with manageable sizes in terms of membership and geographic coverage.
9. To maintain a balance between a manageable cooperative size (as a measure to reduce credit risk) and achieve economies of scale for the purpose of accessing inputs and land preparation services at better terms, the **cooperatives should have a membership in the range of 30 – 50 persons** and should cover one or (maximum) two neighbouring communities.
10. To develop the managerial capacities of the newly formed cooperatives, the TA Team and the NGO implementing partners need to take the following actions simultaneously with the cooperatives formation process:

- i. **Preparation of an operations manual** which can be used by any smallholders' society registered under any Act. The manual should comprise the following chapters: Society bylaws, savings and credit management chapter, simple accounting one entry system with financial procedures and financial management system, and procurement and contracting chapter.
- ii. **Training of trainers:** The training of trainers would be targeting those who will train the cooperative committees on how to apply the operations manual. To guarantee sustainability of the action, participants to the training of trainers' activities should be officers from the three implementing NGO partners and their local partners.

#### **Training of the Cooperatives Committees:**

11. In addition to training on how to implement the operations manual, the committees should also receive training in the following cooperative related issues: The basic principles of the cooperative movement; what farmers can achieve through cooperation; situations where farmers can establish unions of cooperatives or unions of basic organisations and what they can achieve through these unions. This part of the training should be delivered by the cooperative administration in each State. The training of the committees should be the full responsibility of the three NGO implementing partners.
12. After the class training and during implementation the NGO partners should provide on the job training for some time until they ensure that the cooperatives committees apply the manual efficiently and effectively.
13. To ensure implementation of the management system, it is preferable that the programme provide each cooperative with a printed copy of the manual and one set of books, vouchers, and forms used in savings and credit management and accounting & financial management systems. The cost of these sets could be shared by the cooperatives and the programme.

## LIST OF ACRONYMS

|      |   |
|------|---|
| ABS  | The Agricultural Bank of Sudan            |
| HAC  | Humanitarian Aid Commission               |
| CBoS | The Central Bank of Sudan                 |
| MFI  | Microfinance Institution                  |
| NGO  | Non-Governmental Organisation             |
| SDG  | Sudanese Pound                            |
| SSDB | The Savings and Social Development Bank   |
| SWOT | Strength Weaknesses Opportunities Threats |

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# 1 INTRODUCTION

## 1.1 Project Description

The Sudan Food Security Programme – Rural Smallholders Component (SFSP-SC) is a five year and 8 month programme that is part of an EU funded Sudan Food Security Programme. The SFSP-SC is occurring with implementation overseen by the Landell Mills/AFC technical assistance team (TA Team) and with on-the-ground implementation in 4 States of Eastern Sudan being done by NGOs - ZOA and Zenab in Gedaref State, Wult Hunger Hilfe in Kassala State, SoS Sahel in Red Sea State, and World Vision International in Blue Nile State. However, programme implementation in Blue Nile State has been delayed. Activities occur in two localities in each of the three States where the programme is being implemented. In Red Sea State the programme is implemented in Gunob/Aulaib and Sawakin localities; in Kassala it is implemented in Wad-Alhilew and Hamushkoraib localities; and in Gedaref State in the East Galabat and Central Gedaref localities.

The programme is expected to benefit 10,000 small producers' households in the targeted subsectors of fisheries, horticulture and crop production. In Gedaref and Kassala States the project is targeting smallholders in the rain-fed sector. In Red Sea State the project is supporting small scale vegetable growers and artisanal fishers since rain-fed farming due to low annual precipitation is very marginal as a source of food and income.

The main Objective of the SFSP is to improve livelihood for rural smallholders. The specific objective is increased productivity and income for rural smallholders. The project has three results to be achieved:

Result 1: Improved practices and techniques for rain fed agricultural production are successfully applied by targeted smallholder farmers

Result 2: Appropriate inputs and technologies in support to agricultural activities are available and used

Result 3: Increased access to, and use of, services (financial services, traders, etc)

## 1.2 Motivations and Tasks of the Assessment

Farmers' organisations are viewed as a vehicle for combining the demand of individual farmers and consequently as a means to facilitating affordable and sustainable access to the inputs and services provided by the private sector. Such farmers' organisations, with appropriate registration within one of the government structures, can facilitate the establishment of a constructive business relationship between smallholding farmers and formal financial services providers. This business relationship can provide smallholding farmers with better access to inputs and mechanization services and improve their position in the agriculture value chain. The assignment undertaken by this consultant was to provide specialized analysis and advice on farmers' representation structures and organisations to be supported for effective and efficient programme implementation.

From the above, it can be discerned that the assignment would involve: (i) assessing the smallholders associations currently participating in the project and potential ones with the objective of developing their capacities with the aim of linking them to microfinance providers

in their respective areas; (ii) investigating the government policies and regulatory environment within which farmers organisations can operate and providing recommendations on the most suitable legal framework/s under which these associations can operate to protect their interests and rights and realize the maximum possible benefits for their members.

The specific tasks of the assessment are as follows:

- Describe and analyse the government policy framework and regulatory environment within which farmer organisations operate.
- Map existing and planned farmers representation structures/organisations in each State with particular focus on; their type, mandate, capacity, role, membership structure, management arrangements, institutional linkages, accountability and sustainability.
- Identify strengths and weaknesses of existing farmer organisations in target areas, focusing on capacity gaps and capacity development needs.
- Identify the best type of legal representation structure for SFSP beneficiaries' groups.
- Propose a way forward for the appropriate registration of SFSP beneficiaries' groups.
- Map existing formal financial service providers to farmers, their experience, requirements for accessing services, gaps in this area and how can smallholders make the best use of services available.
- Identify opportunities and constrains for the SFSP in linking smallholders to financial institutions.
- Propose a sustainable way forward for linking farmer organisations to financial service providers.

The detailed terms of reference is attached as Annex I

### **1.3 Methodology of the Assessment**

The methodology utilised to accomplish this assignment included literature reviews and personal and group interviews as follows:

- Review of relevant Federal and State government policies and regulations regarding legal entities under which farmers' groups and associations can register and operate.
- Interview with the relevant government regulatory institutions at State levels.
- Interviews with the implementing NGOs.
- Interviews with existing farmers' and fishermen's formal and informal associations and groups.
- Interviews with rural microfinance providers to investigate their regulations and interest to serve small holders in a sustainable manner.

The list of persons interviewed is attached as annex II

### **1.4 The Project Area**

The Eastern Region of Sudan is comprised of three States - Red Sea, Kassala, and Gedaref. These States share a number of historical, ethnic, social and political characteristics. They also share the experience of long standing marginalization, underdevelopment and chronic poverty. The 2009 household survey report issued by the

Central Bureau of Statistics revealed that 58%, 36% and 50% of the population of the Red Sea, Kassala, and Gedaref States respectively were classified as poor.

The majority of the rural populations of the three States are agro-pastoralists. However, there are wide variations in terms of topography, climate, rain fall, natural resources, and soils among the three States, which reflect on productivity, income levels, and the nature and extent of dependence on agro-pastoral activities as a main source of living. The following paragraphs give a brief description for each of the three States.

**The Red Sea State:** Red Sea State is located in the northeast of Sudan. It has an area of 218,887 km<sup>2</sup>. The total population of the State is estimated at 1,368,330 with around 38% classified as living in rural areas and 20% in Port Sudan.

The natural resource base of Red Sea State includes the fertile areas of Tokar and Arbaat, natural pasture and grazing land, and marine resources distributed along the coastline. Livestock and wildlife are mostly concentrated on the inland plains, mountains and forest areas. Gold, oil and various mineral resources also exist in the State.

The rural populations are predominantly pastoralists, where livestock rearing is often complemented by a number of alternative livelihood strategies including crop cultivation and migrant labor. The total number of livestock in the State was estimated at around 985,000 representing around 16% of the animal population in Sudan.

The total cultivable land in Red Sea State was estimated at around 750,000 feddans of which 100,000 – 150,000 feddans is cultivated annually. Both rain fed and irrigated farming are practiced. The main crops grown are sorghum, millet, and vegetables.

The marine system of Red Sea State has considerable fishing potential. Nevertheless, the contribution of this sector to the State economy is relatively small. The State Department for Fisheries estimates that traditional fishing yield 600-1000 tons of fish per year and that commercial fishing yields a further 900-1500 tons. Around 700-1600 tons of fish are exported to Saudi Arabia each year.

**Kassala State:** Kassala State has an area of 55,374 km<sup>2</sup> and population of 1,769,887 (2008 census). 26% of the population is urban with the rest being rural and nomads.

Rainfall ranges from a low of 83 mm per annum in the northernmost part of the State to 300 mm per annum across most of the southern area. In addition to rain fall, the major sources of water supply in the State are the Gash River, the Atbara River, and underground water aquifers charged by the two rivers. The State's economy is largely based on natural resources related activities and trade. The total cultivable area in Kassala State is around 4 million feddans or 40% of the State's total land. Of this total 25%-30% is actually cultivated and around half of the total cultivated area is irrigated.

Rain-fed farming and pastoral activities are widely practiced in the State and around 60% of the farmers are involved in these activities. The main crops grown are sorghum and millet. However, the yields of sorghum under rain-fed farming is only 16% of that achieved in equivalent areas under systems of irrigation

**Gedaref State:** The total area of the State is 71,000 km<sup>2</sup>. According to the 2008 census, the State's population was 1,334,947 with 71% being rural.

Rain fall ranges from 200 mm per annum in the northern and western parts of the State with gradual increases southward and eastward until it reaches around 900 mm. The State is endowed with a rich base of natural resources of forests, pasture lands, seasonal rivers and water courses, and swamps, which form the base of the State's economy.

The State's economy is based on farming and livestock and commercial activities related to these two sectors. The mechanized rain-fed sector forms the backbone of the economy where nearly 4 million feddans are cultivated annually with sorghum, millet, sesame, cotton and sunflower.

## 2 REGULATORY ENVIRONMENT FOR SMALLHOLDER GROUPS

### 2.1 Introduction

In Sudan there are several national laws under which smallholders' groups can register and have a corporate personality that avail for the group the opportunity to deal with public and private sector institutions, including financial services providers.

The most popular laws under which smallholders' groups can register are the Voluntary and Humanitarian Work Act of 2006, the Cooperative Act of 1999, and a more recent law to regulate the operations of agricultural and livestock production trade associations under the name of "The Farmers and Livestock Producers Associations Act of 2011". This Act cancels the Farmers and Pastoralists Unions Act of 1992. In the following sections the report will examine the most important features of each of these laws.

### 2.2 The Voluntary and Humanitarian Work Act

#### 2.2.1 Types of organisations registered in accordance with the Act

For Sudanese organisations the Act identifies three types of organisations that can register under its provisions, and these are:

- **National voluntary organisation**, which is defined as "A Sudanese non-governmental voluntary organisation, registered in accordance with the provisions of the Act and does not include any company registered in accordance with the Companies Act of the year 1925; or a political party"
- **Civil society organisation, which** is defined as "A civil society organisation, which practices voluntary and humanitarian work, **not for profit purposes**".
- **Charitable organisation, which** is defined as "an organisation established by citizens, groups or individual having financial ability to establish and sustain charitable activities."

#### 2.2.2 Conditions of registration

(1) For the purposes of registration of national voluntary, charitable, and civil society organisations, the following conditions shall be satisfied, namely that:-

- i. The organisation present, to the Registrar, an application including a list of names and addresses of the founding members of the organisation, provided that their number shall not be less than thirty members;
- ii. A copy of the organisation's constitution and its organisational chart shall be attached to the application;
- iii. The temporary manager, the higher executive responsible person, the board of directors or the preparatory board of trustees shall attach an authorized decision, from the general assembly for establishment of the organisation.
- iv. The organisation shall pay the fees prescribed for registration (SDG 150)

(2) Notwithstanding the provisions of the conditions of registration, the minister may approve the registration of any organisation, upon an application presented by less than thirty members, with the same conditions set out in the conditions of registration; on condition of

setting forth the financial ability, sustainability, and sources of funding the organisation intended to be registered.

### **2.2.3 Other provisions of the Act**

**Licensing renewal:** The license shall be renewed annually

**Constitution/bylaws:** The constitution of the society should contain minimal headings and conditions which are mandatory to any society. These headings and conditions include:

- The organisational structure of the society should be formed of the general assembly, board of directors, and an executive office, which should at least be formed of 7 members.
- The general assembly should at least meet once per year to approve the financial audit report, the budget for the New Year, the election of a new board, and the approval of any changes in the bylaws which shall be subject to the approval of the registrar.
- The society should identify its sources of finance.
- Membership conditions and condition for loss of membership.
- Condition for dissolving the society.
- Financial audit and disposal of property.
- Every organisation shall audit the annual accounts and financial statements, by a certified auditor.
- No organisation, registered under the Act, shall dispose of its fixed and current assets, whether by sale, gift, mortgage, barter, investment or any of the other forms of disposal, or use the same in such way, as may be inconsistent with the purpose for which the organisation has been established, or the project, which it carries its execution out.

### **2.2.4 Vesting of property**

1. In case of the striking of the registration of any organisation, in response to the application of the general assembly, the property of the same shall be disposed of as follows, to: (a) settle its financial obligations; and (b) transfer the remaining property by agreement, between the commission and the organisation concerned, to an existing project, or any other organisation having the same objectives, or by any other form, in which due regard shall be given to the desire of the organisation, whose registration has been struck off.
2. In case of striking off the registration of such organisation, by a decision of the registrar, or by an order of the court, the funds and property of such organisation shall vest into the project, the execution of which it has assumed, before striking its registration off; and in case of non-existence of such project, the property shall be transferred to any other voluntary humanitarian work.

### **2.2.5 Linkages with local civil societies after registration**

From interviews with officers of the Humanitarian Aid Commission (HAC) in the three States and discussions with some of the community based societies registered under the Voluntary Act, the following remarks could be said regarding communication between HAC and the

community/village based societies registered under the Act. Such communication involves, monitoring and supervision, auditing, assessment of general performance, and training:

- After registration HAC monitoring is only provided for societies that have a contracted partnership with international NGOs in the implementation of specific projects. The monitoring and assessment mainly focuses on the role of the local society in implementation and the impact on the society. The relation is maintained during the project life and ends with the project closure.
- In case the society is not involved in a foreign funded project, the only contact after registration is the annual renewal of registration each year. For big societies, like Arbaat Society in Red Sea State, submission of a financial audit report from a certified auditor is a condition for registration renewal. For small societies, like Erim and Hadal-Awaib Society in the same State, such report is not a must and the society can just submit its financial records for examination.
- HAC does not provide any form of basic training in general management and bookkeeping for the newly established societies and does not prepare, implement and fund any trainings for the societies. The only training received by the executive officers of societies is training provided through partnerships in projects implemented by international or national NGOs.

## **2.3 The Cooperative Act of 1999**

The Cooperative Act of 1999 is a national law that gives the States, namely the State Minister of Economy and Investment, full authority to implement the law at the State level without referring to the federal cooperative authority.

### **2.3.1 Types of cooperatives registered under the provisions of the law**

The law defines a cooperative society as “Any society that operates in the production, services, and consumption sectors of the economy in line with basic principles of cooperative work”. The law identifies the purpose of each society type as follows:

- **Production society:** Any cooperative society that produces or manufactures goods.
- **Services society:** Any cooperative society providing services to members and non-members at cost.
- **Consumption society:** Any cooperative society that procures goods and sells it to members and non-members.
- **Multipurpose society:** Any cooperative society that operates in more than one sector.

### **2.3.2. Registration**

The following represent registration regulations and procedures for Cooperatives:

- The minimum number of members required to register a cooperative society shall not be less than 50 members.
- The State Minister of Economy and Investment may approve the registration of a cooperative society with a number of members less than the minimum number upon a recommendation from the registrar, if necessary for the public interest.
- For registration purposes the founding members of the cooperative shall submit to the registrar a registration application, the constitution of the cooperative society and

its internal bylaws signed by all founding members, in addition to a certificate stating that the cooperative paid up capital was deposited in a bank account. The law does not specify a minimum paid up capital.

- The constitution shall include the following details:
  - √ Name of the cooperative and its geographic area of operation.
  - √ The minutes of the establishment meeting.
  - √ The purposes of the cooperative society.
  - √ The cooperative society share value.
  - √ The names of the founding members of the cooperative society, their residential addresses, occupations, and their signatures.
- The cooperative internal bylaws shall include the following:
  - √ The types of business that will be practiced by the society.
  - √ Funding sources.
  - √ The value of one share in the paid up capital, how it is paid, recovered, and the maximum number of shares to be owned by a member, and the minimum paid up capital.
  - √ The formation of the board of directors, number of board members, how elected, term (on condition that it shall not be more than three years), its tasks and authorities, and its meetings.
  - √ The formation of the general assembly and its tasks, authorities, meetings, and voting procedure.
  - √ The financial year, name of accounting books, and financial forms, how the end of year accounts (financial statements will be prepared) and approved.
  - √ Procedure of amending the bylaws.
  - √ How the net profits will be allocated i.e. the percent to be added to the reserve fund, percent paid to shareholders, percent added to capital, and how losses and budget deficit should be reconciled. According to a recent amendment in the law the percentage of profits added to the capital was fixed to be 50% of the net profit.
  - √ Members' commitments towards the society.
  - √ Any other details which are not incompatible with the law and the cooperative principals.

### 2.3.3 Other provisions

- All the current and fixed assets of the cooperative society are owned by its members. ***This is an advantage over voluntary organisations law where the assets are public ownership.***
- Any member of the society is not allowed to own more than 20% of the society's capital. ***This is an advantage as it prohibits wealthy members of the society from controlling the society favouring their own interests***
- The cooperative society may practice all types of financial transactions that would assist the society to realize its objectives e.g. benefit from all types of financial services including loans, deposits, and issuing loans to its members.

- The cooperative may sell or mortgage any of its moveable and fixed assets with a decision from its general assembly and approval of the general registrar.
- The fixed assets of the cooperative are revalued once each five years where 75% of the difference between the book value of the assets and the current market value is added to the shares to increase the value of shares. ***This action keeps the purchasing power of the shares through time especially under high inflationary situations.***
- When the society is dissolved for any reason the member will receive the current value of his shares which is the principal/base value plus his share of profits and his share from the appreciation of the fixed assets. The balance of the assets after the distribution of shares shall be used to support the cooperative movement and development in the area.
- The cooperatives registrar shall establish an audit, monitoring, supervision fund to cover the cost of these operations. The fund is formed of the annual contributions of all the active cooperative societies in the State. The contribution of each society is equivalent to a certain percentage of the share of profits to be distributed to members. The law does not specify the percentage. It is decided on agreement between the administration and the society.

### **2.3.4 Services rendered by the State Cooperative Administration to societies**

The cooperative administrations in the three States maintain linkages and communicate with societies after formation through the following services rendered to the active societies:

- The cooperative administration supervises and monitors the active cooperative societies, do annual financial audits, and prepare the end of year financial statements, in addition to performing annual performance assessments if adequate funding is available. The cost of these operations is funded from the contribution of the societies and the annual budget of the administration allocated by the State government. For the big societies like the port handling workers society in Port Sudan there is a permanent cooperative officer seconded from the administration to monitor financial transactions and prepare for the annual financial audit. The officer also performs the role of internal auditor.
- The cooperative administrations in the three States prepare annual training plans and organize training courses for the executive committees of the cooperatives. The training is formed of two parts: (a) The history of the cooperative movement internationally and nationally and the basic principles of the cooperative movement (b) Specialized courses to assist cooperative executive office and board members to manage their cooperatives. The courses cover the Cooperative Act, accounts and financial management, and general management.

## **2.4 The Farmers and Livestock Producers' Organisations Act of 2011**

### **2.4.1 Organisations objectives**

This Act was approved by the National Assembly in 2011 and assented to by the President of the Republic in the same year. The Act cancels the Farmers and Pastoralists Unions Act of the year 1992. The following is a summary of the objectives and types of the organisations as defined by the Act:

**General objective:** Bring together producers' potentials, capacities, and facilities to raise the efficiency of agricultural and livestock production and transfer it from a traditional subsistence economy to a commercial economy able to compete internationally.

**The specific objectives and tasks of the organisations are:**

- Implementation of policies and plans set by the State to modernize agricultural and livestock production by managing the support allocated by the State.
- Provide technical, production, and financial services to their members and defend producers' rights and interests to manage production with high efficiency.
- Sustainable use of natural resources in agricultural, marine, and livestock production.
- Contribution in solving constraints of agricultural and livestock production.
- Contribution in sustainable development, food security, provision and promotion of social services, and poverty reduction.
- Promotion and marketing products nationally and internationally.
- The establishment and management of a quality control system in line with the local and international standards.
- Establishment and promotion of the manufacturing industries.

**Types of producers' organisations registered under the provisions of the Act:** The Act identified 13 types of organisations that can be formed at the village, group of villages or a limited specific geographic area, locality, State, regions, and the federal levels. The different types were differentiated by the types of services provided, geographic areas, and types of products. The table below summarizes the features of each type in terms of tasks, geographic/administrative level, and product.

| Type of organisations                             | Tasks  | Membership unit          | Minimum No. of members | Geographic area  |
|---|--|--------------------------|------------------------|--|
| Basic production                                  | Technical, commercial, production services; inputs; marketing & manufacturing; | Producer                 | 7                      | Village/villages/ limited geographic area                            |
| Qualitative                                       | Marketing & manufacturing and related services                                 | Basic organisation       | 11                     | Group of villages; limited geographic area                           |
| Specialized                                       | Marketing & manufacturing and related services                                 | Qualitative organisation | 5                      | Bigger geographic area e.g. administrative units within the locality |
| Farmers and livestock producers at locality level | Services and other common production requirements                              | Specialized organisation | 11                     | Locality   |

| Type of organisations   | Tasks   | Membership unit  | Minimum No. of members  | Geographic area                        |
|---|---|--|---|--|
| Farmers and livestock producers at States level   | Services and other common production requirements   | Farmers and livestock producers at locality level                        | 6   | All over the State                     |
| Specific Product organisation   | Production promotion                                | Qualitative/ specialized organisations                                   | 124   | 5 States                               |
| Organisations of Federal and States Agricultural schemes one organisation for each scheme | Meet all common production requirements and inputs  | Specialized organisation   | 21 covering all geographic and administrative areas of the scheme | Area of Federal scheme or State scheme |
| Farmers and livestock producers at the National level                                     | Management of all common production requirements    | State level organisations and organisations of federal and State schemes | 11  | All over Sudan                         |
| Water Users organisations   | Management of water facilities                      | Farmers and livestock producers or their organisation                    | All those who use the facility                                    | Specific geographic area.              |
| Farmers organisation at the locality level  | Meet all common production requirements and outputs | Basic farmers organisations  | All basic farmers' organisation in the locality                   | Locality                               |
| Livestock producers at the locality level   | Meet all common production requirements and outputs | Basic livestock producers organisations                                  | All basic organisations in the locality                           | Locality                               |
| Farmers organisation at the State level   | Meet all common production requirements and outputs | Farmers organisations at the locality level                              | All farmers' organisations at localities level                    | State                                  |
| Livestock producers at the State level  | Meet all common production requirements and outputs | livestock producers organisations at the localities level                | All livestock organisations at the localities level               | State                                  |

#### 2.4.2 Registration

The Act does not include any section showing registration requirements and procedures. This part is important and needs to be included in the Act.

#### 2.4.3 Other Provisions

**The Constitution:** The law states that each organisation should have a constitution covering the following information and issues:

- The name of the organisation and its address
- The purposes of the organisation and its tasks

- The capital of the organisation and its sources
- Conditions of membership and membership loss
- Procedures for members to join or resign from the organisation.
- Members' duties and rights
- Procedures for changing the production units
- Pricing and re-pricing of the value of the production units
- The structure of the general assembly and its meeting arrangements
- The structure of the board of directors, its authorities and duties
- Financing sources, how it is used, financial management, and auditing
- Procedures for dissolving the organisation
- Board election procedures
- Members' penalties
- Procedures for changes in the constitution.
- Each organisation is regarded as an independent entity financially, administratively, and technically and operates to maximise the benefits of its members.
- The shares of a member to be determined by the number of production units owned (land area or number of livestock heads). The value of a member shares should not exceed 49% of the total shares.
- If the organisation is dissolved, its entire assets and liabilities will be distributed among the members as per their shares in the capital.
- All the organisations have the rights to cooperate and exchange experience and benefits with local, regional, and international organisations.
- All the organisations have the right to engage in all types of transactions such as selling, purchasing, mortgage, or borrowing from individuals, and financial institutions locally and abroad.
- The production units can be transferred to members and non-members wholly or partly by selling, inheritance, or donation.

#### **2.4.4 General comments on the Act**

- The Act is not complete because it does not include a section about the registration procedure.
- The types and hierarchical structure of the organisations at the locality, state, regional and federal levels is formed of several layers. These different layers and types may make it difficult for smallholders to understand and implement the law unless it is well explained with examples.
- The law ensures that each organisation is equally represented at the higher levels in the locality, state, region, and nationally. As such the law is a better alternative for small farmers representation compared to the previous farmers unions as they were controlled by the interests of large farmers.
- The law treats the organisations as companies giving the members full ownership and control of its resources to utilise these resources to maximise members' benefits. The other two Acts deny this right partially as in the Cooperative Act or wholly as in the voluntary and humanitarian Act.

- Despite the advantages mentioned, the law is not effective and operational at least in the three States covered by the programme. The state of implementation of the Act , in each of the three States is as below:
  - In the Red Sea State, the Director General of the State Ministry of Agriculture expressed that they were not consulted at the preparation stage and they think that it is a very complicated and advanced Act to be implemented by small farmers and artisanal fishers. The Director General stated that they have not taken any steps or actions to make the Act operational. The smallholders do not know anything about the Act.
  - In Kassala State, the Director General of the Ministry of Agriculture and his staff stated that they were not aware of the fact that a new Act was issued to replace the Farmers and Pastoralist Organisations Act 1992. The consultant provided them with a copy. The small farmers' preliminary committee in Wad-Alhilew was aware of the change because the committee started procedures to register a locality small farmers' union, but their request was rejected and the committee was informed of the changes.
  - The progress in Gedaref state is relatively advanced. The State Ministry of Agriculture prepared an awareness plan to inform the relevant partners about the law. The plan is targeting farmers in each locality and relevant public and private institutions. The plan was not implemented because a dispute arose between the State's farmers' union and the Ministry regarding who should be in charge to implement the Act. Each party thinks that the implementation of the Act should be under its umbrella.

At the federal level a Legal Officer from the Attorney General's Chamber was appointed as the National Registrar of Farmers Organisations. An extension specialist from the Extension and Technology Transfer Administration of the Federal Ministry of Agriculture was appointed as Coordinator for the Farmers' Organisations. The coordinator stated that a higher committee was appointed as the highest authority to make the law operational. The older farmers' and pastoralists unions' leaders are members of the committee. Although he is not a member, the Coordinator mentioned that the committee has not taken any steps or actions towards implementing the Act.

The above discussion reveals that the Act is not yet ready for implementation and as such it is not an option in the short term. The process until farmers start to establish and register their organisations is a lengthy one, involving settlement of disputes among the different partners, appointing of State registrars and their staff, establishment of offices, staff training, and mobilizing farmers to start establishing and registering their organisations. The process may need at least 6-12 months. Accordingly, the Act, as an option, is not available for the programme in the short term. However, the programme should consider it as the most appropriate option for implementation for the medium and long term. To achieve this, the programme needs to make some efforts to facilitate implementation of the Act through lobbying with the Federal Government and providing the needed technical support to make the Act operational at the programme area level. In the short term and to gain

implementation time, the programme should consider using one of the other two laws - the Voluntary and Humanitarian Work Act and the Cooperative Act.

## 2.5 Comparison of Feasible Options in the Short Term

This section of the report will compare the advantages and disadvantages of each of the two remaining options for the programme during the short run. The first option is the Voluntary and Humanitarian Work Act, under which the smallholders groups can register as civil societies not for profit. The second one is the Cooperative Act under which the groups can register as agricultural production/services/multipurpose cooperatives. The comparison will be from perspective of the smallholders. The interest and motivations of smallholders to organize themselves and resources under a legal entity is to increase crop yields at the minimum possible cost to secure their food and to maximise their financial benefits from selling the surplus at the best affordable prices. The following table identifies the advantages and disadvantages.

| The Act                               | Advantages  | Disadvantages  |
|---------------------------------------|---|--|
| The Voluntary & Humanitarian Work Act | The minimum number of members as a condition to register the society is 30. The law gives the Registrar the discretion to register societies with less than 30 members.   | <ul style="list-style-type: none"> <li>• Societies will be registered as civil society organisations not for profit. The smallholders' organisation needs to make profits from serving its members to cover its operational costs and be sustainable.</li> <li>• The Act does not allow founders to benefit from the society.</li> <li>• Societies are not allowed to invest, barter, sell, or mortgage their fixed and moveable assets.</li> <li>• The assets of a voluntary or charitable society are public ownership. If the society is dissolved assets will be transferred to another society with the same objectives.</li> <li>• The society needs to register each year which entails cost and additional effort.</li> <li>• After registration HAC does not communicate with societies for monitoring, supervision or training purposes. The only communication is the annual renewal of the license.</li> </ul> |
| The Cooperative Act                   | <ul style="list-style-type: none"> <li>• The society is a business established for the benefits of the shareholders.</li> <li>• The assets of the cooperative society are owned by its shareholders. The society is allowed to invest, sell, barter, borrow funds, and lend its members to realize its objectives.</li> <li>• In case the society is dissolved its shareholders will receive the re-valued</li> </ul> | <ul style="list-style-type: none"> <li>• The minimum number of members required to register a society is 50. However the State minister in charge has the discretion to approve the registration with less than 50 members.</li> <li>• In case of dissolving the cooperative the surplus assets over the revaluated shares and shares' profits, will be utilised to promote the cooperative</li> </ul>   |

| The Act | Advantages   | Disadvantages   |
|---------|--|---|
|         | shares plus the profits. <ul style="list-style-type: none"> <li>• After registration the cooperative administration maintains links with the active cooperatives by providing monitoring and supervision, financial audit, training, and contributes to the settlement of disputes which arises within the cooperative.</li> </ul> | movement and for social development purposes in the area. |

The above comparison reflects that the cooperative society would be the most appropriate option during the short term for the motivations and interests of the smallholders and for achieving the programme objectives of increased food production and income in a sustainable manner. If arrangements to make the Farmers Organisations Act operational were completed then the farmers can dissolve their cooperative societies and form basic farmers' organisations at the village level without considerable efforts and losses

### 3 CREDIT PROVIDERS IN THE PROGRAMME AREA

There are several microfinance providers in the programme area providing rural finance to smallholders. These are the Agricultural Bank of Sudan (ABS), The Savings and Social Development Bank (SSDB), The Red Sea Microfinance Institution, Kassala Microfinance Institution, and Gedaref Microfinance Institution. The latter three institutions are owned by the government of the respective States.

According to the microfinance policy of the Central Bank of Sudan (CBoS), there are three major loan products, mini, micro, and small loans. The table below reflects the features of the three loan products. Most microfinance providers do not have loan products within these three major products/ceilings tailored to the special needs of mini, micro, and small enterprises in the trade, services, and production sectors including farming and artisanal fishers. Also the microfinance providers do not have wholesale lending products tailored to the financial needs of business associations, such as smallholders associations. To increase outreach in rural areas, the policy of the CBoS encourages microfinance providers to lend through groups and formal business association and to use non-conventional securities e.g. collective savings as partial guarantees and movable assets.

| Product features                       | Mini loans   | Micro loan                            | Small loan                               |
|--|--|---------------------------------------|--|
| Loan size (SDG)                        | Up to 5,000  | 6,000 - 20,000                        | 21,000 - 150,000                         |
| Loan security                          | Arable crops   | Personal guarantor + post dated check | Real estate or equivalent value of bonds |
| Repayment:                             |  |                                       |  |
| Salam contract                         | Loan in cash and repayment in kind of the field crops financed e.g. sorghum, sesame; no profit margin is charged and repayment is in kind at the end of season. The amount of the crop delivered at the end of the season is determined by dividing the value of the loan by a fixed price per unit of the product. This price is set before the start of the lending season based on the average price of the product during that time and the expected price of the crop at the beginning of harvest time. |                                       |  |
| Morabaha, mugawala, Istisnaa contracts | The loan is given in kind and repayment in cash in instalments for non-farm enterprises and vegetables production and at harvest time for field crops. The profit margin (interest rate) ranges between 1.5 – 2%/month   |                                       |  |

The following paragraphs will discuss how the abovementioned microfinance providers in the Project area in each State, utilise these loan ceilings to issue microfinance loans for smallholders associations. The discussion will exclude the Savings and Social Development Bank as a potential lender to the project beneficiaries, because the branch in Port Sudan does not extend rural finance, the branch in Gedaref issue individual loans for medium farmers owning between 100 – 500 feddans, and the branch in Kassala does not service the targeted beneficiaries. Moreover, its branches are based in the capitals of the States.

### 3.1 The Red Sea State

#### 3.1.1 The Agricultural Bank of Sudan (ABS)

The Agricultural Bank of Sudan (ABS) currently operates 2 branches in the State and these are the Port Sudan branch and the Tokar branch. The Tokar branch serves both farm and non-farm enterprise owners in Tokar locality.

The Port Sudan branch mainly was established to handle ABS imports of agricultural machinery and inputs and its crop exports. The shift in focus of ABS to serve small farmers and artisanal fishers in the State started during the 1990s with the opening of a branch in Tokar locality in the south of the State and the Swakin branch. The branch in Tokar locality was established to finance the small farmers of Delta Tokar flush irrigated scheme. The Swakin branch was established to serve artisanal fishers. The Sawakin branch provided financial services, mainly credit, to artisanal fishers for several years but due to the high default rate the lending business dwindled and the branch realized high losses and was closed several years ago. The bank approved the reopening of the branch for the year 2014, however to date this has not happened

The experience of Port Sudan branch in lending to artisanal fishers and vegetable growers is very limited. The branch provided few micro loans to individuals. Although the branch did not provide any credit for small farmers or artisanal fisher societies, the branch manager stated that the bank policy allows for lending smallholders through their societies applying the following lending requirements:

- Certificate of the society registration
- A letter from the society delegating the three officers (Head of Society, Secretary General, and Treasurer) of the society to complete the lending procedure, sign the contract, and to sign the guarantee cheque.
- List showing the names of the society members
- Copy of Identity cards of the three officers
- Opening of current account for each society member with a nominal initial deposit.
- Guarantee cheque from each of the three delegated society officers in case the sum of loans for all society borrowers do not exceed SDG 20,000. In addition, each society member will issue a post-dated cheque to the society with the sum of his loan.
- For loans to the society members above SDG 20,000 the loan security will be a real estate or a moveable asset.

The SDG 20,000 loan limit could only meet the needs of vegetable growers' societies and artisanal fishers for the *ramas* (small boats) package, if the number of members per society is not more than 20 members.

The SDG 20,000 loan limit will not meet the associations' financial needs considering that the size membership of the majority of the associations intended to be supported would be more than 20 members. To overcome this obstacle, the programme needs to negotiate with the bank on grounds that the programme will develop the technical capacities of artisanal fishers and vegetable growers to increase production in addition to developing the

institutional capacity of their associations in financial intermediation. The two interventions are expected to reduce credit risks. In addition the programme will assist the bank in participation with smallholders' associations to design loan products for the different groups.

### **3.1.2 The Red Sea Microfinance Institution:**

The Red Sea Microfinance Institution was established in 2013 with funding from the State Government and the Central Bank of Sudan. The institution operates from head offices in Port Sudan and reaches rural areas through mobile bank units.

The institution provides mini and micro-lending with a maximum loan size of SDG 20,000 and small lending with a maximum loan size of SDG 150,000. The institution provides loans for individuals only and does not do group or societies lending.

#### ***The following reflects the loan product, and lending conditions and requirements:***

- Individual lending only.
- Maximum loan size of SDG 20,000 for mini and micro enterprises and SDG 150,000 for small lending.
- Two photographs.
- Any document proving identity; a national identity card is preferred.
- A certificate reflecting the residential area or village.
- For loans of size up to SDG 20,000 the guarantee required is personal third party guarantor and a cheque from his bank account with the loan sum or he should be a salaried person.
- For loans above SDG 20,000 the security is a real estate or a movable asset with a value of 135% the loan value.
- Loan profit margin (interest rate) is 15% per year.
- Repayment is in instalments according to cash flow with a maximum loan maturity of three years

The Red Sea Microfinance Institution has around 3000 clients as active borrowers. It provided an insignificant number of loans to artisanal fishers and small scale irrigated farms.

Although the institution does not provide group lending, the Chief Executive Officer was agreeable to considering a partnership with the programme to finance one small society as a pilot intervention. The programme's role in the pilot would be the provision of the security and assistance with monitoring and follow up with the society.

### **3.2 Gedaref State:**

#### **3.2.1 The Agricultural Bank of Sudan:**

The bank operates two branches in the localities covered by the programme and these are Gedaref branch serving Central Gedaref locality and Dokha branch serving East Galabat locality. Both branches started providing loans to small farmers through cooperative societies in 2009 in response to a political initiative from the State government. Around 220 agricultural cooperative societies were formed in the two localities covered by the programme -- 91 in Gedaref Central locality and 129 in Galabat East. Around 40% of the

cooperatives are women societies. The cooperatives were established with a main objective to receive farming loans from ABS and other interested microfinance providers.

The cooperatives started to borrow from ABS to cover the costs of cultivation and weeding operation on Salam contracts. The repayment performance of the majority of the cooperatives, especially men cooperatives, was below average. From 2010 ABS refrained from lending to men societies and continued lending to the active and successful women societies. The table below reflects Gedaref branch lending to women societies of Gedaref Central locality during the period 2010 to 2012.

| Indicator                       | 2010    | 2011    | 2012    |
|---------------------------------|---------|---------|---------|
| Number of societies             | 26      | 22      | 29      |
| Membership                      | 780     | 660     | 870     |
| Total funds disbursed (SDG)     | 258,916 | 193,500 | 235,854 |
| Recovery percentage at due date | 91%     | 22,3%   | 95%     |

According to the Director of the Cooperative Administration and the branch manager, the below average performance could be attributed to the fact that the cooperatives were not formed based on the standard procedure and have borrowed without receiving the necessary training, The whole process was accomplished in a hasty manner in response to political pressures.

***The lending conditions required by the two branches are:***

- The cooperative registration license.
- List of cooperative members.
- Establishing of a current bank account at the branch.
- A certificate from the village popular committee proving that the society members are village residents.
- The loan securities are an undertaking from the village chief to assist in loan recovery, post-dated cheque from the cooperative account signed by the three officers of the society.

The membership of each of the women societies was fixed at 30 members so as to make the SDG 20,000 loan ceiling fit their financial needs. The ABS Gedaref Branch Manager mentioned that the SDG 20,000 ceiling is becoming insufficient to meet the needs of thirty members. He added that the only way to meet their financial needs is to reduce the membership of cooperatives to around 15 members, which may not be a realistic solution for the programme purposes, if the cooperative is to involve in tasks of arranging land preparation and inputs for the members by establishing links with the private sector.

With the average cost for each of the two technical packages disseminated by the programme being around SDG 750 per feddan and an average of 5 feddans cultivated by a small farmer means that the financial needs per farmer would be around SDG 3,750. If the farmer funded 25% of the cost then his borrowing needs would be around SDG 2,815. Thus,

a cooperative with 30 members would need to borrow around SDG 84,450 which is four times the loan size as per the lending policy for groups. The programme, through the Technical Support Committee, needs to approach the bank for negotiations to increase the loan ceiling on the grounds that the packages disseminated by the programme increase production and reduces natural hazards risks. To reduce the credit needs per society the bank in the first year may give finance to two feddans only, which makes the total finance needed by one society to around SDG 33,750. If the society showed commitment and good performance in repayment then the area financed could be increased gradually to a maximum of five feddans or even more.

According to the standard WFP ration, one person needs around 475 grams of sorghum per day. The average household size in Kassala and Gedaref is around 7 persons. The household need of sorghum is around 12.36 sacks per year (see the box below). Considering the average yield per feddan with the new technology packages is around 9 sacks per feddan, the two feddans are adequate to meet the household annual needs.

**Calculation of sorghum needs of an average household per year:**

Standard WFP ration of sorghum per person per day = 475 grams  
 Average household size in Gedaref and Kassala States = 7 persons  
 Annual needs of sorghum per the average household = 1,111.5 kg  
 Annual needs in sacks (average weight/sack is 90 kg) = 12,35 sacks

Involving ABS as a partner may convince ABS to link lending to small farmers with the application of the improved technology packages, which may expand the package dissemination. Another important factor needs to be considered in the negotiations is that the project interventions, the improved package and developing the institutional capacity of the farmers associations, would reduce credit risks.

**3.2.2 Gedaref Microfinance Institution**

The institution was established in 2014 with funding from the state government and the Central Bank of Sudan and started operations the same year. The institution extended farm loans to around 392 women farmers in 14 women agricultural cooperatives in Galabat West, Fashaga, and Al Guraisha localities as reflected in the table below. The loans were made in kind in the form of inputs applying Islamic morabaha contracts.

| Locality     | No of cooperatives | No of farmers | Funds disbursed SDG |
|--------------|--------------------|---------------|---------------------|
| West Galabat | 9                  | 242           | 237,000             |
| Fashaga      | 1                  | 30            | 30,000              |
| Guraisha     | 4                  | 120           | 120,000             |
| Total        | 14                 | 392           | 387,000             |

The institution lending to societies differs from ABS because it can lend more than the SDG 20,000 micro loan limit, without demanding a real estate security, to one society depending on the farmers' financial needs and the number of borrowers from the society.

**The institution has the following requirements for loans:**

- Registration certificate of the society.
- List of members.
- A photograph for each member.
- A post-dated cheque from the society and cheques from group leaders (each society is divided into groups to distribute the risk).

**3.3 Kassala State:**

**3.3.1 The Agricultural Bank of Sudan:**

The bank operates three branches in Kassala serving Kassala Rural locality, Wad-Alhilew serving Wad-Alhilew locality and Aroma branch serving Aroma locality. Currently Wad-Alhilew branch is only financing large and medium farmers. No loans have been extended to small farmers yet, as they were not organized in societies. According to the director of Kassala State cooperative administration, there are only four farmers' cooperatives in the locality and they have not been very active since being registered. The branch can lend to small farmers through societies applying the same conditions applied by ABS in Gedaref state.

**3.3.2 Kassala Microfinance Institution**

The Institution was established and started operations in May 2010. Currently the institution is operating 20 field offices covering all the localities of the State -- Kassala, rural Kassala, Halfa, Elgirba, Wad-Alhilew, Atbara River, Aroma, Waggar, Telkok, Hamushkoraib, and rural Kassala West.

The institution started lending to small farmers in the 2012/2013 season through small groups in Atbara river locality. This year, the institution extended its credit operations to small farmers' informal groups in Wad-Alhilew locality. The groups financed have between 5-20 members. The groups were formed and trained by the institution. Training of groups covered agricultural extension, micro-insurance, and the basics of microfinance. The loan values ranged from SDG 500 – 2000. The loan value is equivalent to 25% - 50% of the cost of production e.g. land preparation and inputs. The table below shows the institution lending to farmers' groups in Wad Alhilew in the 2013/2014 season.

| Number of groups | Number of famers | Loan value | Repayment |
|------------------|------------------|------------|-----------|
| 53               | 1000             | 500,000    | 82%       |

**Conditions of lending to farmers' groups:**

- The group should have a committee formed of three members.
- The list of the group members in addition to their identify papers (identity card, residence certificate, and two photographs for each member).
- A file is opened for each member for documentation.
- The security is personal guarantee of the three committee members plus a post-dated cheque from each committee member or from the head of the committee.

- Each member is issued a loan after signing the loan contract i.e. individual lending with the guarantee of the group leader.
- For registered societies with membership above 20 members, the membership will be divided into groups each with a group head. The guarantee is a personal guarantee from the group leader supported with a post-dated cheque from the group leader and a cheque from the society.

### 3.3.3 Potential Credit Providers

The above analysis reflects that lending practices of Kassala and Gadraref MFIs are not collateral based, and depend on being near to their clients through monitoring to reduce credit and clients' risks. Thus they should be considered as ready programme partners for linking producers' associations. On the same grounds, ABS and the Red Sea MFI cannot be considered immediate partners as their collateral requirements do not fit with the associations capacities in this regard. However, they could be potential programme partners considering that the programme interventions aim to increase crop yields and promote associations' capacities in financial intermediation thus reducing credit and clients' risks for all institutions willing to participate. Three of the institutions were already financing traditional technology packages and dealing with associations and informal groups of limited management capacities.

For ABS and the Red Sea Microfinance Institution, the programme should make attempts to attract them to participate, because they are the only institutions delivering rural credit in the Red Sea State. Moreover, ABS has a branch network covering the programme areas in Kassala and Gedaref States and it has more funds to expand outreach compared to the two MFIs. The programme can consider two options for seeking the involvement of ABS and the Red Sea MFI:

1. To establish a guarantee fund with each institution so that the societies can access lending exceeding SDG 20,000. This is not advisable as experiences locally and internationally has proven that guarantee funds are not sustainable as they encourages both parties, the lender and the borrower, not to meet their commitments. Moreover, their management requirements are complicated and to operate efficiently they need an independent institution.
2. The other option is for the programme to negotiate with the two providers:
  - Negotiations with ABS should focus on increasing the lending ceiling to producers' associations gradually using non-conventional securities, stepped loan system based on repayment performance i.e. bigger loans for 3 and then 5 feddans if the association's repayment is above 95%.
  - With the Red Sea State Institution negotiations should focus on introducing group lending methodology utilizing non-traditional securities, stepped lending system and performance measurement on piloting basis because they do not provide group lending.

## 4 ASSESSMENT OF SMALLHOLDERS' ASSOCIATIONS

In the three project States, with the exception of the Red Sea State, the assessment focused mainly on the groups already participating in the programme. In the Red Sea State in addition to the two participating associations, the assessment covered two potential participant associations, one in Ganab/Olaib locality and the other in Sawakin locality. The assessment covered the following issues: establishment, legal form and objectives, management and administration, funding sources and financial capacity, services rendered by the institutions to its members, and linkages with microfinance providers. In the following paragraphs the report will discuss the assessment in each State.

### 4.1 The Red Sea State:

#### 4.1.1 Arbaat Voluntary Society

##### ***Establishment, registration, and objectives***

The Society was established in 2002 with support from SoS Sahel UK and was registered as a local voluntary society under the Voluntary Act. The main objective of the Society is to contribute to the social and economic development of the 18 village communities of the area through various tools and programmes, including increased awareness with climate change, better sustainable natural resources management, encouragement and support to women development initiatives, support to micro and small enterprises, establishment of credit revolving funds, and development of the capacities of community based organisations (CBOs) in the area.

##### **Management and administration**

**Organisational framework:** The administrative framework of the society is formed of the general assembly, board of directors and executive office as follows:

The general assembly/board of trustees is formed of 36 members, with each village represented by two members. All the households in the village are supposed to be beneficiaries of the society as stated in its objectives. However, the bylaws did not mention any financial or other commitment of those beneficiaries to the society. The board of directors is formed of 18 members with each village represented by one member. The executive office is formed of an executive officer, secretary, treasurer, and a driver. They work as volunteers, but sometimes they are paid a salary if the society is involved with an international NGO partner in implementing a project in the area.

**Training of the executive office and board:** The board and the executive office received training in several fields like financial management (2 days), microfinance (1) day, disaster management, and vegetables production.

**Internal bylaws and implementation:** The bylaws were prepared in line with voluntary law and the objectives of the Society. It includes all the clauses necessary for managing a small local voluntary society i.e. objectives and tools; membership conditions and commitments and rights, organisational framework; meetings; sources of funding; the terms of reference of each of assembly, board, and executive office.

**Bookkeeping and financial management:** The Society maintains a simple incomplete accounting system formed of the following:

- Cash disbursement and cash received vouchers duplicate books.
- Procedures for cash disbursed and received although adequate are not documented in a financial procedures manual.
- A general ledger to record cash disbursed and received by the Society. Recording in the ledger is not up to date because the secretary whose responsible for recording has been absent since June 2014.
- The Society maintains a bank account.

**External audit:** the annual audit is done systematically each year by an auditor approved by the Humanitarian Aid Commission (HAC). In the report of the last audit report, the Auditor commented that though the accounting system is not complete the accounts reflect the true financial position of the Society.

**Meetings:** The Society keeps a book for meeting minutes but no minutes were recorded. Only names of those attended meetings were recorded. Meeting minutes were only recorded for the annual meetings organized to renew the Society's licence.

**Funding sources and financial capacity:**

According to its bylaws the Society's main funding sources are: Members' monthly contributions (it was SDG 20/month now reduced to 10/month); donations and grants; budgets of funded projects in which the Society participates as an implementing partner.

Currently the actual funding sources of the Society are:

The members' monthly contributions;

- The contribution of 3 artisanal fishers groups who received boats from the society through one of SoS Sahel implemented projects. The fishermen groups pay around 25% of the net returns from each fishing trip.
- Rental of a section of a house donated by SoS Sahel. The monthly rent is SDG 300. The other section of the house is used as an office premises for the Society.
- Rental (for social occasions in Port Sudan and Arbaat) of a tent and a generator.

At the time of the visit the cash balance of the Society at the bank account was around SDG 26,000 collected from the above mentioned sources.

**Service rendered by the Society:**

The only services delivered by the Society to the targeted beneficiaries have been the supply of vegetable seeds at cost once or twice during previous seasons. All the services rendered by the Society were through projects implemented by SoS Sahel. With the exception of distributing vegetables seeds, sorghum seeds, and insecticides once or twice the Society has never provided its members with other services nor has it implemented any initiative of its own. For example one of the objectives of the Society is to establish a credit revolving fund to finance farm and non-farm enterprises of its targeted beneficiaries in the 18 villages. To date the Society has not taken any actions towards this objective; not even establishing a management system for the revolving fund.

***Since its establishment, the Society has not prepared and implemented any development initiative of its own. All the activities implemented by the Society were through SoS Sahel implemented projects. Failure of the society to implement any interventions of its own is mainly attributed to the fact that both the board and executive office do not possess fund raising, planning and implementation capacities nor do they have the aptitude to develop such capacities through training. It might be advisable to start forming and capacitating societies with a smaller number of member's within a very limited geographical area (one village or two neighbouring ones).***

### **Linkages with Finance Institutions**

The Society has neither supported the establishment of community revolving funds as stated in its objectives, nor established links with financial institutions to facilitate financing for some of its beneficiaries who have effective demand. In fact one or two of the Society's members have obtained vegetable production loans from ABS. Some members think that borrowing from banks or similar institutions is against sharia, which may reflect a need to raise their awareness and knowledge about formal financial services provided in the market. Others did not approach microfinance providers because of fear from default and its repercussions. The fear of default is a result of a feeling that they have limited knowledge and experience in vegetable production.

#### **4.1.2 Hadal-Awaib Women Society**

##### ***Establishment:***

Hadal-Awaib village is in Arbaat area around 20 kilometres west of Port Sudan. The Society was established as a voluntary society in 2007. The total membership of the Society is 44 women. The main objective of the Society is socioeconomic development of Hadal-Awaib household through improved livestock production, improved water supply, supporting women to establish non-farm enterprises, adult education classes, and girls' education.

##### ***Management and Administration:***

***Organisational framework of the Society:*** The organisational framework is simple; formed of the assembly and an executive office/committee which is formed of 9 members with similar tasks to those of Arbaat and other voluntary societies. According to the bylaws the term of the committee is 1 year. For the next term the current committee has taken steps to include educated young women from the village into the committee to support the Society.

***Training of committee members:*** The committee received training in skills of organisation and management, bookkeeping, and the management of lending and savings groups. Other society members received training in skills of vegetables production, food processing, and combating HIV/AIDS.

***Bylaws:*** The Society, with the support of an educated woman from Port Sudan, prepared its own bylaws following HAC standards. The bylaws cover most of the important items needed for operation, which include objectives and means of realizing the objectives, membership

commitments, administrative and financial management issues, penalties, and general provisions. Both the committee and members are committed to the bylaws in terms of meetings, payment of monthly contributions etc. ***Although the Society operates a simple savings and lending programme, it has no written credit bylaws or a savings and credit management system at the society level which would be crucial if the programme is expanded or the society entered into a financial intermediation relationship with one of the microfinance providers.***

***Bookkeeping and financial management:*** The financial management system of the Society is simple and adequate considering the limited transactions of the Society. It is documented in the bylaws of the Society. It is formed of a simple accounting system (general ledger and voucher books) and sound financial procedures which are strictly followed by the Society.

The Society prepares a financial report at the end of each term. The report is audited by HAC and it is presented to the assembly in its annual meeting.

The Society is receiving food for work and is keeping a separate book to record the in kind transactions of food i.e. food received and food disbursed to members participating in the food for work activities.

#### ***Funding sources and financial capacity***

Members' monthly contributions of SDG 10 per member is the main source of funding for the Society's operations. The bank account balance of the Society at the time of the interview was around SDG 1,500.

#### ***Services rendered by the society to members***

Despite the limited financial resources and other material resources compared to Arbaat the Society provides members with several services which include:

- Lending to members for various income generation activities like poultry, petty trading, and handcrafts. Lending is done by turn because of the limited funds. No charges were imposed on loans because members believe that charging a return on lending is against sharia principals. Up to the time of the interview the Society disbursed loans to 30 members.
- Procurement of vegetable seeds, fuel and other inputs for members to grow vegetables in the Society's farm, where each member was allocated a parcel of land to cultivate. The inputs and fuel are provided to members at cost. The farm is fenced and contains an open hand dug well with a pumping unit. The farm was established with support from SoS Sahel.
- Eradication of miskete trees through food for work
- With self-help efforts the Society built and furnished premises for its use. The premises are used as an office and a community development center where women can meet and practice their activities.

***Despite its limited financial and other material resources, compared to Arbaat Society, Hadal-Awaib has been doing tangible things for its members,. Though simple these actions are appreciated by the members and has encouraged them to support their Society. The success of the Society relative to Arbaat could mainly be attributed to the fact that the Society's size, in terms of membership and geographic coverage, is manageable and in line with capacities of the committee.***

#### ***Linkages with finance and other institutions***

The Society has not obtained credit from any microfinance provider so far. Some members approached the Red Sea State Microfinance Institution to borrow because their credit needs are higher than the financial capacity of the Society. The institution rejected their applications because they were not able to provide personal guarantors to secure their loans.

The Society has a current bank account at the Savings and Social Development Bank.

#### **4.1.3 The Fishermen Society in Sawakin**

##### ***Establishment:***

The Society was established as a cooperative society in 1997 with support from a development project established to support fishermen displaced from conflict areas in the southern parts of the State. It ceased operating with the closure of the project. In 2010 the Society was re-registered and started to operate under the support of the Modernization of Artisanal Fisheries in the Red Sea Project. The Project was funded by CIDA and implemented by UNIDO. The current membership of the Society is 450 from Sawakin and other neighbouring landing sites.

##### ***Management and Administration:***

***Organisational framework of the society:*** Like other societies, the Fishermen Society of Sawakin is formed of a general assembly, a board of directors of 9 members, and an executive office formed of six officers. The term of the board and executive office is three years. The term of the current executive office was extended for another three years because the executive office members have provided personal guarantee for 9 cooperative members who were provided with new boats with co-financing from Zakat Chamber 70% and three commercial banks 30%.

***Training of the Committee Members:*** The committee members have received training delivered by different development interventions implemented in the area. The trainings covered: leadership and leadership skills, bookkeeping, and administrative skills. In addition, they received training in managing the fish landing site constructed by UNIDO under the modernization project in Sawakin Jetty. After the training, the committee acted as co-manager of the site with the Red Sea State Fisheries Administration. The modernization project also organized a training tour to Uganda for some of the committee members to learn from their peer artisanal fishers at Lake Victoria.

***Bylaws:*** The Society developed and approved its bylaws in the first meeting of the Board after the society was re-registered. The bylaws include many broad objectives of the society.

The bylaws did not include the minimum details needed to manage a society with 450 members e.g. tasks of the board and executive office, funding sources, financial procedures, penalties etc. The bylaws were written by pen in the meeting minute's book. ***This indicates unawareness of the board members with the importance of bylaws as being the operations manual for managing the society.***

***Bookkeeping and financial management:*** The accounting system of the Society is not adequate. It is formed of cash disbursement and received vouchers book. There is no ledger to record the details of the financial transactions.

***Meetings:*** According to the executive office the Board and executive office members meet monthly or according to need to discuss the affairs of the Society. Because it is difficult to organize meetings for all the members, as they are scattered in several jetties, the Society's board divided the members into groups of 20. Each group nominated a group leader to represent it in the Society's meetings. Accordingly assembly meetings were only organized for these representatives who make decisions on behalf of their group members.

***Funding sources and financial capacity:***

The main funding sources of the Society are a membership fee of SDG 10 per member paid once and a monthly fee of SDG 2 per member. When the Society was re-registered in 2010 the contribution was set by the board at SDG 5/member/month. It was reduced to 2 SDG afterwards in response to requests from members. Even after the reduction of fees, its payment was not systematic. The reluctance of members to pay is a clear indication that members are not committed to the society. Similar to Arbaat Society, the limited technical and material support provided to members since its establishment were obtained from foreign funded projects.

The executive members who attended the meeting mentioned that the Society may receive additional income from operating the four boats donated by the Modernization of Artisanal Fisheries in the Red Sea Project. The boats were donated in 2013 and have not operated since, because as claimed, the engines given with the boats were too small. The executive members indicated that the Society will request support from donors or loans from banks to purchase engines. So far the Society does not have a concrete plan to operate the boats.

The Society maintains a bank account. The balance of the account at the time of the interview was SDG 1,000, which is far from being adequate to enable the Society to provide services of any kind to its members or to pay its management expenses.

***Services Rendered by the Society to its Members:***

As mentioned above, the Society has not provided any services to its members. ***Similar to Arbaat Society the main reasons were large number of society members and the wide geographic area where they reside and operate compared to the organisational, planning, and managerial capacities of the board and executive office.***

### ***Linkage with Finance Institutions:***

In 2010 and with initiative from the Zakat chamber, 9 of the poor society members were able to own their boats. The Zakat chamber funded 70% of the cost and the remaining 30% were funded by loans from three commercial banks. The three executive officers of the Society (the chief executive officer, secretary, and treasurer) provided personal guarantee for the borrowers. Other than these transactions the society has not established direct links with any microfinance providers to facilitate borrowing by members. It also worth mentioning here that during the consultant's interview with ABS Port Sudan branch, the branch manager mentioned that a few of the fishermen who will be supported by the programme have approached the bank as individuals to obtain loans to pay their contributions in the different packages provided by the programme. The Society did not take any initiative and effort to support them.

#### **4.1.4 Erim Society for Fish Production and Marketing**

##### **Establishment:**

Erim Society was established as a local voluntary society in February 2011. It was established by some of Erim artisanal fishers with the initiative and support of a FAO project to receive material and training assistance. The society membership is formed of 34 men and one woman.

For the previous two years 2012 and 2013 the Society's licence was not renewed as the voluntary act requires. However, the Society has been active during this period and was re-registered in November 2014 to receive the Project support.

##### ***Management and administration:***

***Administrative framework of the Society:*** The administrative framework of the Society is formed of an executive office and a general assembly.

***Training of the Committee Members:*** The committee members have received training from the FAO project. The trainings covered: leadership and leadership skills, bookkeeping, and administrative skills.

***The Bylaws:*** The Society is committed to follow its bylaws in terms of systematic collection of members' monthly contributions, organizing term meetings, levying penalties for not paying the monthly cash contribution (dismissal from the Society if monthly contribution are not paid for three months).

***Bookkeeping and financial management:*** Like most Societies visited and interviewed by the consultant, the financial management system of the society is not adequate. It is formed of received cash voucher book only. There are no other voucher or forms for cash disbursements and there is no general ledger to record transactions. Cash disbursements are approved by the Head of the executive committee only, which is not a sound financial procedure. Moreover, the Society's cash is kept in the personal bank account of the Treasurer, because the Secretary, one of the Society's signatories, does not have a national identity card which is mandatory to opening a bank account. ***These drawbacks in the***

***Society's financial management regulations indicate that HAC is not monitoring the application of the financial regulations set in the Voluntary Act which are mandatory to all societies registered under the Act.***

As mentioned above, the Society was not registered with HAC for the last two years and accordingly no financial audit was done, but the committee stated that the treasurer has prepared financial reports for these last two years and the reports were presented to the assembly.

***Funding sources and financial capacity:***

The society has several sources of funding which include the following:

- Renting 10 ice boxes donated by FAO. The monthly rent per box is SDG 75.
- The monthly fees of membership of SDG 10/member/month, which generates around SDG 350 a month.
- Providing members with inputs like hooks, threads, nets etc. The inputs are provided as in-kind credit for one month against a profit margin of 10%.

At the time of the interview the cash balance of the Society was around SDG 5,000 which is significant considering the limited number of members 35, compared with Sawakin Society that is older and with membership of 450 members.

***Services Rendered by the Society to its Members***

The society is currently providing its members with fishing inputs on a credit basis in addition to renting cold boxes.

***Linkages with Finance Institutions and Providers of Other Services:***

The Society has no experience in borrowing from microfinance providers nor has it practiced financial intermediation to enable its members to access loans. The participants in the interviews mentioned that they did not borrow for several reasons including collateral demands that cannot be met, lack of knowledge of how to access finance from microfinance providers, and reluctance to approach providers.

## **4.2 Kassala State**

### **4.2.1 Steering Committee of Wad-Alhilew Small Farmers' Group**

***Background:***

The steering committee was formed in 2010 as a temporary preparatory committee to complete the registration of Wad-Alhilew Small Farmers' Union under the umbrella of Kassala State Farmers' Union. The Committee's request was rejected because at that time the Government issued the Farmers' Organisation Act that cancelled the farmers' unions' law. Accordingly, the current committee is not a formal one and it is regarded as a preparatory committee until they register under the new Act or any other suitable Act.

The association has a total membership of around 5,000 farmers (of which around 15% are women) in 35 villages. The membership of the association was registered by the committee.

**Management and Administration:**

**Administrative framework:** The intended farmers' union have two management levels; these are the board and the executive committee. The board is formed of 35 members i.e. one representative for each of the 35 villages. The executive committee is formed of 8 members - the chairperson, his deputy, a treasurer and five committee members.

**Bylaws:** The committee has no bylaws.

**Management and administration:** The administrative system is not complete. It is formed of the members' record book, which reflects members' names and villages. The financial management system is formed of one book for recording members' financial contributions, and financial expenses with supporting documents.

**Training:** The committee members did not receive any sort of management or leadership training, but attended a workshop in food security advocacy organized by the State Ministry of Agriculture.

**Funding sources and financial capacity:** The main funding sources are the contributions of members. These contributions are not systematic and collected at times of need only. For example at the time of preparations to establish the union, the committee collected around SDG 6,000, which was spent on furnishing the rented office and covering the operational expenses. Currently there is a budget deficit of around SDG 8,000 and it is covered by the head of the temporary Committee.

**Services provided by the committee:** Although it is an informal Committee they perform several activities to benefit their members;

- Organizing farmers and coordinating the assistance received from the International Partners operating in the area such as Wult Hunger Hilfe and JICA.
- Distributing seeds provided by the State Ministry of Agriculture.
- Reporting pest infestations to the Administration of Plant Protection.
- As trusted community leaders, the committee members informally approached financial institutions in the town to finance farmers who are short on finance during the cultivation season by providing personal guarantee for these farmers.

**Linkages with finance institutions:**

The Committee established linkages with some finance institutions like ABS and Kassala State Microfinance Institution in Wad-Alhilew. During 2010 – 2014 some of their members received loans from these institutions as individuals from ABS and informal groups from Kassala Microfinance Institution. The guarantees used for borrowing were personal guarantees or post-dated cheques from borrowers if known to the bank. The number of borrowers during this period was around 250 farmers. Around 150 borrowed from ABS in 2014 and their loan sizes ranged from SDG 3,000 – 10,000. Some of them have shared the loans with other weaker farmers who cannot approach the bank as individuals. The head of the committee claimed that the loan repayment rate is 95%.

### **4.3 Gedaref State**

In Gedaref there are two types of small farmers' groupings, one is formal and represented by agricultural cooperative societies referred to above in chapter 3. The second groupings are informal represented by village traditional leaders including the village chief who present themselves and speak on behalf of the village community when approached by outsiders.

#### **4.3.1 Cooperative societies:**

Between 2009 and 2010 and in response to achieving the objectives of the Microfinance Strategy in Sudan approved by the Central Bank of Sudan in 2008, more than 700 agricultural cooperatives societies were formed by small farmers in the State. Women farmers have formed separate societies from men. Of the 700 societies, 220 were formed in the Project area, 129 in Galabat East and 91 in Central Gederef. Around 37% of cooperatives formed were women societies. The societies were mainly formed to enable small farmers to access production loans from ABS and the Savings and Social Development Bank (SSDB). In response to political pressures from the State Government, the State Cooperative Administration formed these cooperatives without following the basic principles and procedures of cooperatives formation as said by the Administration Director. The Director revealed that these cooperatives do not have management systems and they did not receive the routine training for newly formed cooperative societies. From the first year the majority of these societies have defaulted partially or wholly. The SSDB ceased serving these cooperatives after the first year. ABS continued to serve the women societies with good performance as discussed in chapter 3.

#### **4.3.2 Informal committees:**

In the two project localities, the programme selected 12 villages, 6 in each locality, to implement the technology packages. In each village the programme requested the village leaders to form a village committee of 6-12 members representing the village households. The main function of these committees is to coordinate the programme activities at their villages. The committees have not received any management training and they do not have any form of administrative system.

In some of these villages like, Tawariet and, Rashid, the communities formed farming cooperative societies and obtained loans from ABS during 2011 and 2012. In 2013 they did not borrow because they felt that the rains would not be good. For some reason the programme did not approach such participating villages through their societies either because of lack of information or because the society is not representing the village as their memberships do not include all the village households.

#### **4.3.3 Capacity Gaps:**

The above analysis revealed various findings about the situation of smallholder associations, which differs in each State.

**In the Red Sea State** the majority of the smallholder groups were organized as legal entities registered either as multipurpose cooperatives, around 20 of them according to the cooperative administration registry, or voluntary societies. With the exception of a few, like

Hadal-Awaib and Erim Societies, the majority were not active. The Director of Cooperative Administration stated that around 65% of the cooperatives registered by fishermen and farmers in Ganob and Sawakin localities are not active.

From the four case studies done for the purpose of capacity assessment, the above analysis shows that the main reasons for inactive groups were large size in terms of membership and geographical coverage compared to planning and managerial capacity of their committees. In addition committee members serve in the society as volunteers without remuneration. Supporting the formation of smaller societies at village community levels would have been a better alternative than big societies with larger memberships and wider geographic coverage at administrative units or locality levels.

***The experiences of Arbaat Development Society and that of Sawakin Fishermen Society as a partner in previous projects indicates that dealing with these societies as the programme implementing partners in the area will not guarantee the sustainability of the programme outputs and results in terms of linking the smallholders to finance institutions and input dealers. A better approach to secure sustainability is through dealing with smaller societies, which management requirements are in line with the community capacities after receiving the necessary technical support. It is good that SoS Sahel the implementing partner in the Red Sea State has already divided those participating in the programme into small groups based on the villages in Arbaat area and to residential areas within Sawakin town and landing sites outside Sawakin.***

Despite the fact that all the Societies interviewed have received training in management and accounting, three of the four Societies assessed do not have adequate management and administrative systems. It seems that the training received is short, theoretical, and without complementary follow-on on the job training to ensure the committee members master the skills acquired.

**In Kassala State** the farmers were not organized in formal associations and have not received any technical support in group management, general management, or simple bookkeeping and financial management. For example, the limited management arrangements done by Wad-Alhilew farmers' preliminary committee was done on their own without any professional external support.

**In Gedaref State**, although there are many small farmers' cooperatives in the programme area (around 220) with some in participating villages, none have received technical support in management of cooperatives as confirmed by the Director of the Cooperative Administration. The low credit repayment performance of these cooperatives could mainly be attributed, beside political interference, to lack of technical support in management especially savings and credit management. Having simple systems of savings and credit management in place and applied would have improved the repayment performance of the newly formed cooperatives. All the societies and groups in the other States do not have such capacities.

One of the more important roles for small business associations, like smallholders' associations and other community based organisations, is that of financial intermediation to enable members to access financial services from formal finance institutions (savings and credit). Fulfilling this role, however, requires institutional capacity in savings and credit management at the association's level. Most associations use members' savings as tangible partial collateral to secure their loans. Such a system requires savings and credit bylaws to regulate savings and lending operations at the association level and a recording system to facilitate monitoring of savings and loan collection from members on behalf of the financial services producers. None of the associations assessed maintain such systems, including the farmers' cooperative Societies served by the agricultural bank in Gedaref State, and none of the institutions serving them include this as a condition qualifying associations for borrowing.

## 5 CONCLUSIONS

### 5.1 The Regulatory Environment for Smallholders Associations

1. The interest and motivations of smallholders to organize themselves and resources under legal entities is to increase crop yields at the minimum possible cost to secure their food and to maximise their financial benefits from selling the surplus at the best price. The most appropriate legal forms which meet these objectives were the Farmers and Livestock Production Organisations Act and to a greater extent the Cooperative Act. The Farmers Organisations Act is the best option as it gives members full ownership and control over their assets while the Cooperative Act give them partial ownership and control. However, the Farmers Organisations Act is not ready for implementation and will not be operational in the short term i.e. the coming 6-12 months. To gain implementation time the Cooperative Act remains the only option in the short term. In the medium and long terms changing from cooperatives to farmers' organisations at village level would be feasible and achieved without considerable effort and cost to farmers.

### 5.2 Microfinance Providers

2. The lending practice of Kassala State Microfinance Institution and Gedaref State Microfinance Institution are not collateral based, depends on being near to clients with closer monitoring, and to some extent they are in line with good microfinance practices. Their lending conditions are within the capacity of small holders. These two MFIs are the most ready to be programme partners. The capacity of the existing and potential recipient institutions will have to be developed in savings and credit management. Developing institutional capacity together with financing of the technology packages availed by the programme are expected to contribute to reducing credit and production risks leading to improved repayment performance, which in turn will contribute to sustainability of access to financial services by smallholders and sustainability of the programme interventions.
3. The lending practices of the other two providers, ABS and the Red Sea State MFI, are much more collateral based. The Red Sea State MFI does not provide group lending and if it did, the requirement would be a tangible security (real estate). ABS lends to a maximum of SDG 20,000 with alternative non-traditional securities. However, both institutions would consider being programme partners given that the finance would be for technology packages with higher yields compared to the traditional ones; and that the programme would develop the institutional capacities of the planned smallholders' institutions to manage savings and credit at their levels. Both interventions reduce production and credit risks and improve repayment performance.
4. The reduced credit risk which will result from programme interventions is expected to convince ABS and other rural finance providers to link their lending with the application of improved technology packages through well-developed farmers' institutions. Such improved lending practices are expected to expand the diffusion of the improved technology packages, encouraging smallholders to organize into formal and well-developed institutions. The end result would be expanded microfinance outreach and

access to financial services by smallholders guaranteeing sustainability in the medium and long-run.

### 5.3 Associations' Capacity Gaps

The capacity level of the existing smallholders groups and associations differ in each State.

5. **The Red Sea State:** The majority of the smallholders groups in the Red Sea State were organized as legal entities registered either as multipurpose cooperatives or voluntary societies. The majority of the cooperative societies were not active or had insignificant activity. The main reason for being inactive was large sizes in terms of number of members and geographical coverage. A better alternative to secure sustainability would be capacitating smaller societies with limited numbers of members and within a very limited geographical coverage (one village or two neighboring villages).
6. Despite the fact that all the societies interviewed have received training in management and accounting, the majority do not have adequate management and administrative capacity. It seems that the training received is short, theoretical, and without monitoring and on the job training.
7. **Kassala State:** The farmers were not organized in formal associations and have not received any technical support in group management, general management, or simple bookkeeping and financial management. The limited management arrangements done by Wad-Alhilew farmers' preliminary committee was done without any or very limited professional external support.
8. **Gedaref State:** In Gedaref State large numbers of small farmers' cooperative societies were formed hastily in response to political pressure to access microfinance loans from banks. These small farmers' cooperatives are deficient in savings and credit management and financial intermediation. The low credit repayment performance of these cooperatives could mainly be attributed, beside political interference, to lack of institutional capacity in financial intermediation management. Having simple systems of savings and credit management in place and applied would improve the repayment performance of the cooperatives.

## 6 RECOMMENDATIONS

### 6.1 The Appropriate Legal Entity Form for Smallholders Institutions

1. The Farmers and Livestock Producers' Organisations Act of 2011 is more appropriate (compared to the Cooperative Act of 1999) to meet smallholders interests and programme objectives. The Act is not expected to be operational during the short term (the next 6-12 months). Until the Act becomes operational, and as the programme needs to deal with smallholders through formal institutions, the following actions should be taken simultaneously:
  - i. At the field level the implementing partner NGOs could start arrangements in coordination with the cooperative administrations to support smallholders in organising themselves as producers' cooperative societies with objective of those cooperatives facilitating members' access to finance, land preparation services, inputs, and marketing. As a first step towards registration, the implementing NGO partners in the three States should organize mobilization and advocacy campaigns in collaboration with the Cooperative Administrations to explain the 3 Acts and the results of the assessment, focusing on the cooperative society establishing process, the current situation of the Farmers' Organisations Act, and the arrangements which will be taken i.e. registering as cooperatives and then changing to the farmers' organisations if the Act became operational.
  - ii. Immediately after the mobilization and advocacy campaigns, the farmers' groups at each village could start the registration process in coordination with the NGO implementing partners and the cooperative administrations. The role of the implementing partner in each State could be to provide guidance to the communities in the process of registration and technical support in the preparation of the societies' constitution/bylaws. As an example, the implementing NGOs could prepare standard constitution/bylaws that could be further refined by communities and the cooperative administration. In the Red Sea State, it is suggested that SoS Sahel prepare two constitutions, one for farmers' societies and the other for fishermen societies. The bylaws need to be drafted and ready for the approval of the cooperatives assemblies at the establishment meetings. Any further changes in the bylaws responding to special conditions of each society, if any, could be made in the assembly establishment meetings.
  - iii. At the federal level and simultaneously with actions (i) & (ii), the programme, through the EU and the Advisory Committee, needs to prepare and implement arrangements for lobbying with the Government and the acting farmers' union at Federal and State levels to expedite implementation of the act.
  - iv. When the Farmers Organisations Act becomes operational and implementable, producers' cooperatives that have formed can be dissolved to form basic smallholders' organisations at the village level. The cost in terms of time and material resources resulting from dissolving the cooperative and forming organisations under the Farmers Organisations Act should not be considerable i.e. no training is needed and the only cost would be that of dissolving and re-registration.

2. In villages with existing agricultural cooperatives as explained in chapters 2 & 3 above, the implementing NGO partners in consultation with the Cooperative Administrations and the village communities should decide whether to promote the existing cooperatives or dissolve it and form new ones. This should be considered for each village separately.

## **6.2 Potential Microfinance Providers**

3. The lending conditions to groups and associations applied by Kassala State MFI and Gedaref State MFI can be met by smallholders' associations, after these have received some further development. The two MFIs have expressed interest and readiness to participate in the programme. The TA Team and the NGO implementing partners should approach the two MFIs formally to ascertain their commitment and participation.
4. The lending conditions of ABS for loans above SDG 20,000 cannot be met by the newly established cooperative societies. The Red Sea State MFI does not provide group lending. However, they should not be disregarded as potential providers. The programme, the Programme Advisory Committee, and the Technical Support Committees at the State level should approach ABS at the State and Head Office levels and the Red Sea State MFI for negotiations to attract ABS to give loans beyond the SDG 20,000 ceiling using non-traditional collaterals and savings and for the Red Sea State Institution to provide group lending above SDG 20,000 against similar conditions. The attraction factors/incentives for the potential and ready programme partners would be:
  - i. That they will finance improved technologies giving better yields compared to the current traditional ones applied in rain-fed farming, vegetable production, and by artisanal fishers;
  - ii. They will deal with more developed associations in terms of savings and credit management which is expected together with the improved technology packages to reduce production and credit risks and improve repayment performance above the current levels.
  - iii. Institutions, including Kassala and Gedaref MFI, would apply stepped loan systems where the loan size/area financed per member and per Cooperative will increase with good repayment performance.
  - iv. The programme will cooperate with the finance institutions, if necessary, to design loan products for the different packages and the stepped loan system
  - v. In addition to developing the capacities of the associations, the programme will provide regular monitoring for the performance of the associations which will help the financial institutions in achieving their objectives of reaching smallholders.
  - vi. At the end of the first lending season, the NGO implementing partners, with support from the TA Team, should carry out a SWOT analysis to come up with recommendations and plan for improvement.
5. Attracting ABS and the Red Sea State MFI is very important because they are the only potential providers operating in Red Sea State. Moreover, ABS operates an extensive branch network with a wide geographical coverage which may facilitate expansion of the programme interventions to other areas. As a first step in the linkage process with the ready Partners and the negotiations process with ABS and the Red Sea State MFI, the programme represented by the NGO implementing partners, the Programme Advisory

Committee, and Technical Support Committees at the State level needs to take the following actions, where the TA Team should facilitate the process:

- i. The TA Team needs to prepare a handout and a presentation in Arabic describing: programme objectives, outputs, and expected results focusing on technology packages & associations' capacity development and their impacts on productivity, reduction of risks of natural hazards and credit risks, which will reflect positively on repayment performance compared to the traditional practices, financing and lending to undeveloped farmers organisations; the incentive factors of the programme, which should attract all the institutions to participate especially ABS and the Red Sea State MFI. Most important also is to reflect programme achievements in the first year in terms of productivity, **financial returns, and profitability increments compared to those of the traditional practices.**
  - ii. The TA Team, in coordination with the NGO implementing partners and the Technical Support Committees, could organize a workshop at State level to explain the programme objectives, results, achievements, and the attraction factors utilizing the hand-out and presentation. The audience of the workshops would be the Managers and key staff of the three MFIs, ABS relevant branch managers and key staff and the Eastern Region Manager, inputs and land preparation service providers, relevant officers of Cooperative Administrations, and programme relevant staff from NGO partners and State Ministries of Agriculture.
  - iii. The TA Team through the Programme Advisory Committee in Khartoum needs to organize a meeting with ABS executive management to explain the project objectives, results, first year achievements etc. utilizing the above-mentioned hand-out and presentation.
6. Immediately after accomplishing the first step, the TA Team and NGO partners should start arrangements for developing the capacity of farmers' associations in general management, accounting, and savings and credit management. The capacity development details will be described in the following section.

### **6.3 Associations' Capacity Development:**

7. To implement the programme interventions SoS Sahel, the Implementing NGO in Red Sea State, has been coordinating with Arbaat Development Society and the Fishermen Cooperative Society in Sawakin as partners to reach the farming and fishermen communities under their Umbrella. To implement the technology packages, SoS Sahel has divided the targeted beneficiaries into groups based on villages in Arbaat and on residential areas within Sawakin and landing sites outside Sawakin. As discussed above, experience has shown that interventions implemented in partnerships with these two Societies in previous projects were not sustainable. Accordingly, SoS Sahel should directly target those communities at the villages, residential areas, and landing sites to form smaller societies with manageable sizes in terms of membership and geographic coverage in line with the local communities' managerial capacities. SoS Sahel should explain the reasons for taking such action to the two above-mentioned societies.
8. To maintain a balance between manageable cooperative sizes as a measure to reduce credit risk and achieve economies of scale for the purpose of accessing inputs and land preparation services at better terms, SoS Sahel, Wult Hunger Hilfe, and ZOA should

ensure that the cooperatives' membership **should be in the range of 30 – 50 members** and should cover one or maximum two neighbouring villages/residential areas/landing sites. The three NGOs should arrange with the States' Cooperative Administrations for the necessary approvals to register cooperatives with less than 50 members.

9. To develop the managerial capacity of the newly formed cooperatives the TA Team and NGO partners need to take the following actions:
  - a) **Preparation of an operations manual** which is valid and can be used by any smallholders' society registered under any Act. Preparation of the manual should be simultaneous with or prior to starting the registration process so as to be ready immediately after the registration of cooperatives is completed. The manual should comprise the following chapters:
    - **The cooperative constitution** mentioned above which was prepared at the registration stage.
    - **Savings and credit management chapter** containing the following sections: (a) Credit and savings bylaws in line with the lending criteria of the credit providers, (b) loans product design, (c) simple member loan application form, (d) lending procedures (e) loan recoding book, (e) Savings recording book.
    - **Simple accounting one entry system** with financial procedures and financial management system. The accounting system should contain a general ledger; cash received and disbursed vouchers; cash disbursement application form, and financial procedures. The financial management system should contain a budget, income statement and balance sheet forms.
    - Procurement and contracting.

The operation manual should include explanations using examples. The TA Team needs to recruit the services of a specialized person to prepare the manual.

- b) **Training of trainers:** The training of trainers should target those who will train the cooperative committees (the three executive officers and some board members) on how to apply the operation manual. To guarantee sustainability of the intervention, the training of trainers' participants should be officers from the three implementing NGO partners and their local NGO partners. The training will be delivered by the specialist who prepared the operations manual.
10. **Training of the cooperatives committees:** In addition to training on how to implement the operations manual, the committees should also receive training in the following cooperative related issues: basic principles of the cooperative movement; what farmers can achieve through cooperation; situations where farmers can establish unions of cooperatives or unions of basic organisations and what they can achieve through these unions. This part of the training should be delivered by the cooperative administration in each State. The training of the committees should be the full responsibility of the three NGO implementing partners.

11. After the theoretical training and during implementation, the NGO partners should provide on the job training for some time until they ensure that the cooperatives' committees are applying the manual efficiently and effectively.

12. To ensure implementation of the management system, it is preferable that the implementing NGO partners provide each cooperative with a printed copy of the manual and one set of books, vouchers, and forms used in savings and credit management and accounting & financial management systems. The cost of these sets could be shared by the cooperatives and the programme.

## 7 ACTION PLAN

The Action Plan attached as Annex III of this report reflects the recommendations in terms of areas of interventions, the outputs of each area of intervention, the activities of each output, and the responsibilities of each stakeholder.

## ANNEX I. TERMS OF REFERENCE

### **Rural Business Development Specialist on Farmers Organisations and Capacity Development in Gedaref, Kassala and Red Sea States**

#### **1. Introduction**

The Sudan Food Security Programme – Smallholders component (SFSP-SC) is a four year programme funded by EU and implemented by ZOA and Zenab NGOs in Geadref State, Wult Hunger Hilfe in Kassala State and SoS Sahel in Red Sea State.

The main Objective of the SFSP is to improve livelihood for rural smallholders. The specific objective is increased productivity and income for rural smallholders in the three States.

The project has three results to be achieved:

Result 1: Improved practices and techniques for rain fed agricultural production are successfully applied by targeted smallholder farmers

Result 2: Appropriate inputs and technologies in support to agricultural activities are available and used

Result 3: Increased access to, and use of, services (financial services, traders, etc)

The demand of individual small farmers is very limited and often dispersed. Accumulated demand will reduce transport and distribution costs, which in most instances represent a pre-requisite for more affordable and sustainable access to the inputs and services provided by the private sector. To facilitate such a process, SFSP will work with existing or to-be-established smallholding farmers' groups and support them to obtain the most appropriate registration within one of the government structure.

The achievement of such a result will also facilitate the establishment of a constructive business relationship between smallholding farmers and formal financial services providers. Such a business relationship is a "*conditio sine qua non*" in order to guarantee smallholding farmers with a better access to inputs/mechanization services and improve their position in the agriculture value chain.

Landell Mills Ltd (LML) has been contracted by the European Union to provide technical assistance to the above-described programme. Taking into consideration the new implementation modalities and the innovative approach promoted by the programme, LML would like to recruit a short term expert – Rural Business Development Specialist - to provide specialized analysis and advice on farmers' representation structure and organisations to be supported for the effective and efficient programme implementation.

## **2. Specific Tasks/Job Description:**

- i. Describe and analyze the government policy framework and regulatory environment within which farmer organisations operate.
- ii. Map existing and planned farmers representation structures/organisations in each state with particular focus on; their type, mandate, capacity, role, membership structure, management arrangements, institutional linkages, accountability and sustainability.
- iii. Identify strengths and weaknesses of existing farmer organisations in target areas, focusing on capacity gaps and capacity development needs.
- iv. Identify the best type of legal representation structure for SFSP beneficiaries' groups.
- v. Propose a way forward for the appropriate registration of SFSP beneficiaries' groups.
- vi. Map existing formal financial service providers to farmers, their experience, requirements for accessing services, gaps in this area and how can smallholders make the best use of services available.
- vii. Identify opportunities and constrains for the SFSP in linking smallholders to financial institutions.
- viii. Propose a sustainable way forward for linking farmer organisations to financial service providers.

## **3. Expected Outputs:**

- The consultant is expected to produce a draft report of 20 – 40 pages to be submitted to LML before 30 December 2014.
- LML will provide comments on the draft report within five days from submission.
- A final report shall be submitted no later than one week from receipt of LML's comments on the draft report.

## **4. Inputs Required**

The Expert is going to be based in Khartoum with field trips to Gedaref, Kassala and Red Sea States.

## **5. Timeline:**

The duration of this assignment is 28 working days in the period 16 November 2014 through 15 January 2015.

## **6. Qualifications of Expert**

Post graduate Degree in agricultural economics, rural development or other related subject.

Professional Experience:

- At least seven years of experience in working with farmers and/or financial institutions in the public or private sector.
- At least three consultancy assignments with donors, international organisations/institutes and/or NGOs.
- Proven knowledge of farmer organisations and other farmer representation structures.
- Acquaintance with East Sudan.

- Knowledge of English and Arabic

## ANNEX II. LIST OF PERSONS INTERVIEWED

| Name                         | Institution   | Post                                      |
|------------------------------|---|---|
| <b>Khartoum</b>              |   |   |
| Mohamed Saad Biyoumi         | Extension and Technology Transfer Administration of the Federal Ministry of Agriculture | Coordinator of the Farmers' Organisations |
| <b>Red Sea State</b>         |   |   |
| Nimat Ali Abdallah           | HAC – Red Sea State   | Director General                          |
| Sadiya Sid Ahmed Elhaj       | Ministry of Economic Affairs & Investment -Cooperative Societies Administration         | Acting Director                           |
| Nayla Abu-Zaid               | Ministry of Economic Affairs & Investment -Cooperative Societies Administration         | Audit Section                             |
| Isam Abdelrahim Sorkti       | State Ministry of Agriculture, Animal and Fisheries Resources, and Irrigation           | Director General                          |
| Hammad Tekoli Ojank          | State Ministry of Agriculture Sea Fisheries Administration                              | Director                                  |
| Abdulatif Abdalla Abdelwahab | Agricultural Bank of Sudan – Red Sea Branch   | Acting branch manager                     |
|                              | Red Sea State Microfinance Institution  | Managing Director                         |
| Hassan Aohaj                 | Arbaat Development Society  | Chief Executive Officer                   |
| Hassan Ali                   | Arbaat Development Society  | Treasurer                                 |
| Aisha Mohamed Sharif         | Hadal Await Women Society   | Society chief                             |
| Madina Mohamed Sharif        | Hadal Await Women Society   | Treasurer                                 |
| Madina Mohamed Musa          | Hadal Await Women Society   | Secretary                                 |
| 3 women                      | Hadal Await Women Society   | members                                   |
| Mobarak Mohamed Saeed        | Arbaat Artisanal Fishers Society  | Society Secretary                         |
| Siedie Mohamed               | Arbaat Artisanal Fishers Society  | Deputy Secretary                          |
| Mohamed Abdallah Adam        | Eirim Artisanal Fishers Society   | Society Chief                             |
| Hashim                       | Eirim Artisanal Fishers Society   | Treasurer                                 |
| Ahmed Sir Alkhatim           | Eirim Artisanal Fishers Society   | Member                                    |
| <b>Kassala State</b>         |   |   |
| Hatim Mergani                | Wult Hunger Hilfe - Kassala Programme   | Programme Director                        |
| Ali Iesa Hussein             | State Ministry of Agriculture   | General Director                          |
| Abdelgadir Haj Ali           | State Ministry of Agriculture Planning and M&E Administration                           | Director                                  |
| Mohamed Dien                 | State Ministry of Agriculture – Extension and Technology Transfer                       | Director                                  |
| Hussien Hashim               | Kassala state Humanitarian Aid Commission   | Director of Procedures unit               |

| <b>Name</b>                           | <b>Institution</b>  | <b>Post</b>                         |
|---------------------------------------|---|-------------------------------------|
| Ibrahim Gasim                         | Kassala state Humanitarian Aid Commission                     | Director of Training Unit           |
| Omar Musa                             | Agricultural Bank – Kassala Branch                            | Manager                             |
| Marya Alkhidir                        | Kassala Microfinance Institution                              | CEO                                 |
| Mohamed Widaa                         | Cooperative Administration                                    | Director and cooperatives registrar |
| Bothaina Rajab                        | Cooperative Administration                                    | Director of Kassala locality        |
| <b>Gedarif state</b>                  |   |                                     |
| Al Tahir Imam                         | Programme Manager   | ZOA                                 |
| Adil Ahmed Attia                      | HAC Gedarif state   | Commissioner                        |
| Ali Abdelrahman                       | State Cooperative Administration                              | Director                            |
| Hajir Ahmed Ibrahim                   | Extension and Technology Transfer Administration              | Direct                              |
| Hammad Alawad                         | Agricultural Bank Eastern Region Administration               | Regional Director                   |
| Elfatih Almahi                        | Agricultural Bank – Gedarif Branch                            | Manager                             |
| Dr Ibrahim Mohamed                    | Gedarif Microfinance Institution                              | Deputy Manager                      |
| Ishag Hassan and three members of the | Rashid Village Agricultural Committee – Galabat locality      | Secretary                           |
| 3 member of Famers committee          | Alsabot village – Galabat Locality                            | Secretary and two committee members |
| Salah Balla Mohamed                   | Um khangar – Gedarif Central                                  | Agricultural committee              |
| Abdelrahman Mostafa                   | Azaza agricultural committee Gedarif Centra                   | Secretary                           |
| Ahmed Ali Taha                        | Um Khanjar Almadrasa-agricultural committee – Gedarif Central | Secretary                           |
| Bahaa Hassan                          | Um Sinaibra agricultural committee – Gedarif Central          | Secretary                           |

## ANNEX III. ACTION PLAN

| Intervention Area   | Results  | Activities  | Whose Responsibility   |
|---|--|---|--|
| <b>Support to small holders to establish producers' associations</b>  | Cooperatives established by small holders groups   | <ol style="list-style-type: none"> <li>1. Mobilization and advocacy campaigns to prepare smallholders to establish cooperative societies.</li> <li>2. Preparation of the cooperatives bylaws/Constitution</li> <li>3. Starting and completing cooperatives registration.</li> </ol>   | The implementing partners NGOs; the cooperative administrations at states levels; The participating communities with support from the TA Team. |
|   | The Farmers' Organizations Act is operational, registering & supporting smallholders groups.                             | Lobbying with Government and acting farmers unions at federal and state levels to expedite implementation of the Farmers Organisations Act.   | The EU, TA Team, The Programme Advisory committee.   |
| <b>Linking small producers; association to microfinance providers</b> | Farmers societies/organisation linked to microfinance providers and accessing financial services in a sustainable manner | <ol style="list-style-type: none"> <li>1. Registering farmers' groups to have corporate personality as cooperatives societies and as farmers' organisations when the Farmers' Organisations Act becomes operational.</li> </ol>   | Implementing NGO partners, The cooperative administrations, and later on the Farmers' Support Facility.  |
|   |  | <ol style="list-style-type: none"> <li>2. Developing the institutional capacities of the newly registered Cooperatives/organisations in management and financial intermediation.</li> <li>3. Cooperating and participating with the microfinance providers in designing loan products for the different technology package and the stepped loan system.</li> <li>4. Assess the financial intermediations performance of the societies/organisations and generate recommendations and plan for improvement.</li> </ol> | NGO implementing partners with support from Landell Mills  |

| <b>Intervention Area</b>   | <b>Results</b>   | <b>Activities</b>   | <b>Whose Responsibility</b>  |
|--|--|---|--|
| <b>Developing the institutional capacities of the farmers' societies/organisation to establish sustainable links with microfinance, inputs, and land preparation services providers.</b> | Farmers' societies'/organisations accessed production and marketing finance, inputs, and land preparation services | <ol style="list-style-type: none"> <li>1. Preparation of the operations manual</li> <li>2. Producing enough copies of the manual to be given to cooperatives.</li> <li>3. Procurement of the material support of accounting book, vouchers, forms, and calculators. One set for each cooperative society'</li> <li>4. Training of Trainers</li> <li>5. Class training of the cooperatives committees</li> <li>6. Mentoring and on the job training</li> </ol> | <ol style="list-style-type: none"> <li>1. TA Team</li> <li>2. NGO partners</li> <li>3. NGO</li> <li>4. TA Team</li> <li>5. NGOs partners</li> <li>6. NGOs</li> </ol> |