Sustain Africa

Inception Report - Sustain Sudan

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SUSTAIN AFRICA

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Table of Contents

1. Introduction 2
Goal of Sustain Sudan 2
Theory of Change 2
Executive summary 3
Positioning and Setup of the Inception Report 3
2. Findings during the Inception Period 5
Macro-economic situation in Sudan 5
Safety and security 5
Social impact: food security and public health 6
Geo-political developments and sanctions 7
Fertilizer market overview in Sudan 7
Finance and risk management 8
Cost build-up towards end users 9
Trends in international supply markets 9
Market responses to the idea of price discounts 10
Other farm inputs 11
3. Strategic Choices made as a Consequence 12
Targets Sustain Africa for winter season 2025 12
De-risking 12
Affordability 13
Strategy with respect to other farm inputs 14
Geographical focus 14
Budget 14
Transaction Portfolio 15
4. Special Topics 17
Guarantees and insurance 17
Roles of various project partners 18
Monitoring, Evaluation, and Learning Framework 19
Learning agenda 20
5. Workplan 21

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1. Introduction

Goal of Sustain Sudan

Our ultimate goal is to reduce hunger in Sudan by supporting local food production.

Theory of Change

Our analysis, as also highlighted in the 2024 report by Clingendael Institute CRU report, is that enhanced food security should mainly be achieved by reviving local food production in Sudan itself. Fundamentally, Sudan has a viable agricultural economy and infrastructure, and has traditionally produced most of its food itself, as well as for exports. Food aid is most necessary but can not be provided at the scale needed to really counter the existing and evolving famine[1].

To revive local food production in the relatively safe areas of Sudan, farmers require accessibility and affordability of farm inputs: seeds, fertilizers and crop protection; and secondarily also access to markets, finance and technical assistance. Quality seeds and fertilizers are needed to increase yields, which is especially important because significant parts of the arable lands of Sudan, formerly key areas of production (namely in Darfur and Kordofan), are currently out of production. Amongst farm inputs, the need for fertilizer is the most prominent.

Our focus, in order of priority, is on:

(i) increasing the volume of quality fertilizer supplies to the country
(ii) improving the affordability of fertilizer for smallholder farmers
(iii) increasing access to technical assistance
(iv) increasing availability of seeds and crop protection.

While there is no guarantee that 100% of these efforts will lead to increased food production (e.g., some fertilizer will also be used for producing export crops), we expect this to be the most effective way of improving food availability, and eventually, through market-based pricing, also affordability, of food.

We apply a **market-based approach**, based on support and incentives to existing market players.

Sudan's agricultural infrastructure includes professional agro-dealers with ample experience in importing and distributing farm inputs, both on "hub" and "retail" level. It has various banks that have financed and facilitated fertilizer imports, and logistics providers and infrastructure that have catered both for imports, exports and local food processing.
It also includes farmer organizations, national platforms and dedicated product organizations that have brokered fertilizer and seeds distribution to their members, as well as marketed their products.

[1] Traditionally, food aid has made up less than 2% of cereal consumption in Sudan. Currently food aid is reaching less than 10 % of the people who need it most.

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We aim to build on their existence, by reviving and strengthening these actors, so that Sudan will have a strong, private-sector based agricultural economy when emerging from the war. The market-based approach for instance implies that we identify which farm inputs financing options are feasible for each individual agro-dealer, and which type of de-risking is required for them to do the deal and increase volumes. Along the same lines, we have de-risking conversations with suppliers.

Executive summary

The Inception Report describes the learnings of the Sustain Sudan program during the first few months of its lifetime. The situation in Sudan, because of the war, the international, geopolitical context, the market volatility in global fertilizer markets and the further deteriorating macro-economic and humanitarian situation, is constantly changing and requires adaptation of the project strategy. As such, the Inception Report is a snapshot of the current situation and the response in project strategy choices to that situation.

The main choices made are:

- The project momentarily (2025Q2 / Q3) has to refrain from work in Darfur and Kordofan because of the extremely dire security situation there at the moment. Local hub agro-dealers have also halted their operations for the moment.
- The project will focus on fertilizer during 2025H2 and will potentially focus more on seeds and crop protection in 2026.
- The project focuses less on “blanket” fertilizer discounts but aims to put a voucher system in place that allows channeling price support specifically targeted to support identified smallholder farmer groups.
- The project will highly prioritize putting a trade guarantee facility in place, as de-risking in various forms is stressed both by Sudanese partners and international suppliers as the single most needed condition to get supply volumes back up again.
- The project team, consequently, adapts its project plan, budget, team composition to optimally implement these choices in its further operations.

Positioning and Setup of the Inception Report

This Inception Report concludes the initial phase of Sustain Sudan and lists the insights and recent developments on which our adapted Project Strategy is based.

It is based on our analysis of the situation in Sudan over the past few months, and on the assumption that our second donor, the Norwegian Embassy to Sudan, will also formalize its donor role. The budget choices in chapter 4 have been made with this assumption in mind.

In all of our writings, we have indicated that it will be necessary to adapt our program strategy (and -plan and -budget use) to recent developments within and outside Sudan. In chapter 2, we describe what those developments are as we see them now, and in chapter 3, we indicate the consequences for our targets, plan, budget and short-term priorities. The revised budget is based on the commitment by the NL government, the intended contribution of USD 3 mln by the Norwegian government for 2025 and an anticipated additional USD 2 mln for 2026. Chapter 4 deals with two specific topics, namely guarantees and roles of the various partners.

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These roles have been laid down in contracts with subcontracted partners that are also made available. Chapter 5 concludes with our Workplan.

Separately, the following reports are available:

- Monitoring and Results Frameworks and Logframe
- Budget and Liquidity Prognosis
- Sample price build-up (under development)
- Contracts of subcontracted partners.

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2. Findings during the Inception Period

Macro-economic situation in Sudan

World Bank projections[2] show a contraction of Sudan's economy of 20.1% in 2023, a further 15.1% in 2024 and a forecast 7% decline in 2025. This is the "modest" scenario.

An extreme scenario by IFPRI[3] shows a 29.5% contraction in 2023, 12.2% in 2024 and an equal forecast of 7% in 2025. This scenario is more "front-loaded" but the final impact is not fundamentally different. Altogether, this scenario predicts the value of Sudan's economy to suffer a loss of 42% - from USD 56.3 bln in 2022 pre-war, to USD 32.4 bln by the end of 2025. The agricultural sector is estimated to shrink by 1/3rd.

In either scenario, the economic and social impact of the war is disastrous, with millions of people forced into exile, poverty and lasting hunger.

Debt to GDP ratio, according to IMF, stands at 252% mid 2025. Set against the recommendation of IMF to stay below 50%, and the rule of thumb that anything over 80% is untenable for African countries, this is alarmingly high, and basically positions Sudan even outside the space of the HIPC initiative of World Bank and IMF. Sudan faces major challenges in repaying its debt towards WB, IMF and IFAD.

Recently, the new SAF-led government in Port Sudan decided to release the exchange rate of the Sudanese Pound, which led to an immediate spike (on the informal market) from SDG 2,600 to SDG 3,100 per dollar. Since the beginning of the war, the exchange rate has increased by 400%.

Exact data on the foreign currency reserves are lacking, but the day-to-day practice and directives issued by Central Bank of Sudan imply that these are in a distinctly dire state.

Specific mention should be made of gold exports, that are estimated to have increased to around 100 kg per day. The gold mining facilities are almost equally spread over SAF[4]- and RSF-control, and proceeds are almost certainly partly used to finance activities of war. Whereas SAF would more use the Northern route through Egypt, and RSF the Southern route through South Sudan, in both cases much of this gold ends up in the UAE.

Safety and security

Since May 2025, we hold daily security briefings. These are led and provided by Clingendael Institute, complemented by experience from the ground by CIMMYT and 249Startups and insights from the IFDC security coordinator.

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2 World Bank. 2025. Sudan Economic Update. The Economic and Social Consequences of the Conflict: Charting a Path to Recovery © World Bank. https://openknowledge.worldbank.org/bitstreams/d53a1b60-13e9-47cb-9682-610b2841d001/download

3 Ahmed, M., Raouf, M., & Siddig, K. (2025). What Are the Economic and Poverty Implications for Sudan If the Conflict Continues Through 2025? *The Journal of Development Studies*, 1–22. https://doi.org/10.1080/00220388.2025.2510642

4 SAF = Sudanese Armed Forces; RSF = Rapid Support Forces

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While most of the heavy fighting currently pivots around West and North Kordofan, as well as around North Darfur's capital El-Fasher and various states in Darfur, two major events have shaken the feeling of security around international supplies:

- The drone attacks on infrastructure in Port Sudan, from May 3, 2025 onwards[5]. A fuel depot on the airport was hit on May 6. While vessels have continued to land and disembark in Port Sudan, this has caused great unrest and questions from virtually all suppliers that we are currently engaging with. It also urged us to consider alternative supply routes, mainly over land.
- The drone attacks by Houthis from Yemen on 2 Greek cargo vessels, one of them carrying fertilizers to Turkey, on the Red Sea. These attacks caused insurance premiums to jump with 150% for vessels on the Red Sea[6].

At the moment, suppliers – even one from Egypt – still prefer the sea route. Over land, e.g. from Egypt along the Nile and Lake Nasser into the North of Sudan, trucking is equally risky and horribly expensive.

Our main logistics provider, with whom we discussed over land transports through South Sudan into Darfur and West Kordofan, has suspended his activities given the intensification of activities of war, lack of legal enforcement and looting, robbery, personal threats to truck drivers and destruction of property.

Social impact: food security and public health

The situation in Sudan continues to be very dire in terms of food security[7]. Of the population of around 47 mln people, more than half (26 mln) are at ongoing and severe food security risk. Although the government in Khartoum does not support this, several states have declared famine. The situation appears to be most severe in Darfur and West Kordofan (availability and affordability), and amongst the poor in the major cities (affordability). Unicef estimates indicate that in 2025, 770,000 children under the age of 5 will encounter severe, acute hunger. In terms of food production, estimates are that there is a shortfall of food production of 1.9 mln Mtons (2024: 0.7). Various convoys of Unicef and WFP have been attacked and looted or destroyed by various armed groups[8].

Another increasing problem is the appearance of cholera in several cities, with over 83,000 cases and 2,100 deaths reported since July 2024[9]. Both hunger and cholera threaten families that recently have started to return to Khartoum after more than 3 mln people fled Khartoum State (source: Unicef).

5 Sudan's RSF launches second drone attack in Port Sudan, security sources say | Reuters

6 https://www.reuters.com/world/europe/ship-risk-sinking-after-first-houthi-red-sea-attack-this-year-2025-07-07/; https://apnews.com/article/mideast-wars-yemen-houthis-israel-6dc55ee05a9d1e78621788aa0bc52168

7 https://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/IPC_Sudan_Acute_Food_Insecurity_Jun2024_Feb2025_Report.pdf

8 Five humanitarians killed in 'horrendous' attack on aid convoy in Sudan | UN News

9 Sudan: Cholera Operational Update (3 July 2025) | OCHA

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Geo-political developments and sanctions

It would be a mistake to see the war in Sudan as only an internal conflict. The warring parties can only continue their activities with funding, arms and ammunition supplies, intelligence and technical support from elsewhere. It is fair to say that the war also divides the Arab world and Sudan's African neighbors.

Several attempts are made to resolve the conflict in Sudan in diplomatic context. For us, 2 stand out at the moment:

- The Quad: Sudan-focused discussions led by the US, with Egypt, KSA and the UAE as participants.
- The GCC, the Gulf Cooperation Council, with Bahrain, KSA, Kuwait, Oman, Qatar and UAE as participants. The GCC is not actively pursuing peace talks, but could be instrumental in agreeing on certain humanitarian interventions between the parties.

Our stance is:

- To position Sustain Sudan as neutral broker of farm inputs supplies and support, without affiliation to any of the warring parties, in all of our external communications.
- To comply with all international sanction regimes (US, EU, UK, UN). This implies sanctions checks on domestic participants and exclusion of Iran-produced fertilizers from the program.
- To work with the Port Sudan authorities where necessary in terms of farm inputs imports regulator through the SSMO, and with the Ministries of Foreign Affairs, Finance and Agriculture because of their respective roles in (regulating) imports. The project avoids as much as possible to bestow legitimacy upon the SAF-controlled government – or RSF-proclaimed shadow authorities, for that matter.
- To refrain from bilateral contact with the UAE, but to seek contact under the umbrella of a wider regional platform. For this, the GCC seems the most appropriate and least political – rather than the Arab League that we initially targeted.

Political developments in Sudan

At the moment, a SAF-led government in Port Sudan is in the making. And very recently, the RSF coalition has launched a shadow government, apparently with the aim to obtain a seat at the table of international initiatives.

As soon as things settle, we will aim to renew the rapport that we had developed with the former Acting Minister of Agriculture. One option is for HE the Minister to request colleagues from other Gulf countries in prioritizing fertilizer supplies to Sudan, which might unlock the impasse that we currently experience in contacts with suppliers from KSA and Qatar.

Fertilizer market overview in Sudan

Demand: the winter season is typically the season where mainly the bigger, irrigated farms constitute the demand for fertilizer. Our estimate is that this demand for the winter season 2025 will effectively be between 50,000 and 100,000 Mtons of fertilizers – mainly DAP and

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Urea-46, but also other specialty types. Under this last category, we do find demand up to 10,000 Mtons for Ammonia Sulphate ("AmSul") and some demand for NPK triple-15 with Zinc.

Finance and risk management

Financing and risk management are crucial for any market-based approach.

The fertilizer import sector in Sudan is caught between the competing priorities of the Government of Sudan and international suppliers.

- The Sovereign Complex of Sudan wants to preserve precious foreign currency and does not want importers sending foreign currency abroad before goods have come into the country. The "Documents against Acceptance" structure that the Government promotes is aimed at that goal, but precludes any payment security ("trade guarantee") to be given to international suppliers. Letter of Credit issued within Sudan, are prohibitively expensive (30% and up), especially when they have to be confirmed by an international bank, so don't offer any real solution.
- International sellers of fertilizer seek security to avoid the risk of losing money if agro-dealers in Sudan are unable to pay – which is quite likely in their view given the war situation.

Based on this, three fundamentally different business models have emerged amongst agro-dealers:

- Some of them can offer "Pre-payment", "Cash at Documents" or (standby) "Letters of Credit" (L/Cs), issued or confirmed by an international bank, through their related legal entities incorporated outside Sudan. This is then later internally settled with a "Documents against Acceptance" procedure, as required by the Central Bank of Sudan.
- Some agro-dealers (but only very few) have the benefit of trust from international suppliers, so can access the fertilizers directly through a Documents against Acceptance" procedure.
- Some agro-dealers lack both options, and would therefore be dependant on other forms of Pre-payment or require a third party to issue trade guarantees in support of their trade transactions.
- In most transaction structures that we currently have under design, the actual payment and de-risking conditions are a combination of the above.

Risks and the need for de-risking are widely acknowledged – to that extent that we should probably see this as the most critical enabling factor to enhance fertilizer supplies.

Specific asks we've received, include the need for:

- **Freight Insurance** of the supply over sea. Many shipping companies have insurance contracts that exclude Port Sudan, and additional insurance, if available at all, comes with additional cost.
- **On-land insurance** against activities of war. Multiple agro-dealers have suffered losses, either through destruction of warehouses with their stocks or equipment, theft/looting, or contracting defaults by supply chain partners.

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- **Risk participations** for traders that see market opportunity to increase their volumes but either lack the risk appetite to fully take this on their books, lack the working capital altogether and/or lack the capabilities to provide security to their suppliers.
- **Counter-guarantees** to secure advance payment against late- or non-delivery.
- **Tenor extensions** for agro-dealers that have access to supplier credit, but for whom the term (say, 90 days) does not match their forecast cash flows; for instance in the case where contract farming requires the full season to be completed and agricultural produce to have been sold, before cash is received and payment can be made.
- **Price support or other incentives** (e.g. cover of insurance premiums or logistic costs) that increase the business proposition of importing fertilizer in spite of the high cost of distribution and the high end-use price.

Basically, insurance and a trade guarantee facility have become the main facilitators we feel need to be put in place, to realize the growth in trade volumes we target.

Cost build-up towards end users

We have a cost build-up methodology under construction and have assembled basic cost build-ups for the initial transactions we are structuring.

What stands out, is the extremely high distribution and finance and de-risking costs over the supply chain to Sudan. Even in our most exceptional case, where we achieved a supplier discount of some 30% on the fertilizer, this largely evaporates in the end use price because the logistic costs are a multiple of the product production cost.

Recently, import tariffs into Sudan, already high, were increased by almost 20%. Insurance premiums for the last leg towards Port Sudan over the Red Sea increased by 150% after the Houthi attacks on 2 Greek vessels. Lastly, the new government decided to release the exchange rate of the Sudanese Pound, which led to an immediate increase (on the informal market) from SDG 2,600 to SG 3,100 per dollar.

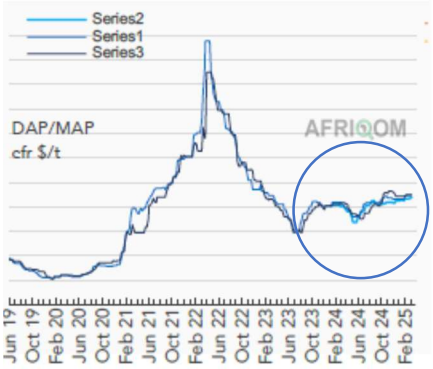
Altogether, fertilizer will remain extremely expensive to Sudanese farmers.

Trends in international supply markets

Prices of DAP and Urea-46 have seen a constant upward push over the last 3 months.

DAP demand keeps being pushed by countries like India and Ethiopia, that basically deplete the production capacity of regional suppliers – Ma'aden, for instance, has committed to long term supplies to India, basically filling their supply agendas for months ahead. Another issue with DAP is the special specifications required by the Sudanese authorities ("SMMO"), that imply procurement of a full vessel at least. This is an area where Sustain Sudan can step in, but it is doubtful whether we can realize this on time for the winter season and prices also quickly deplete our financial resources. Overall, DAP remains the most critical product for Sudan. Lately, only very small quantities have been supplied to Sudan. Although technically speaking NPS should be an interesting and price-effective alternative to DAP, Sudanese farmers and retail agro-dealers are showing reluctance to adopt the product.

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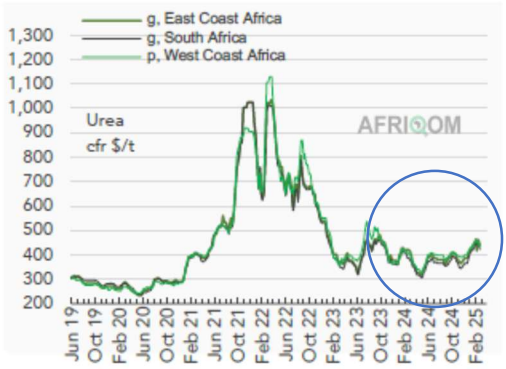


Figure 1: DAP/MAP and Urea prices 2019 – 2025; source: Afriqom.

Urea prices also demonstrate an upward trend, though not as much as DAP. The production of Urea is a much more distributed global market, that also in the fertilizer crisis of 2022 has shown ability to adjust – with some delay – to a changing balance of supply and demand. In the last 4 months, one vessel allegedly carrying approx. 25,000 Mtons Urea-46 from Oman, has entered Port Sudan.

NPK prices have been relatively stable so far, probably because these blends typically build on somewhat older stocks of raw materials. Over time, we should expect prices to increase as well, although not us sharply as DAP. Like in the case of Urea, NPK has a much wider production base globally.

Other than this, only small quantities have reached the country, mostly of more specialized products like various other types of NPKs and small quantities of AmSul, NPS, TSP and other fertilizer blends.

AmSul is seen by some as price-effective alternative to Urea-46, by others simply as the product of choice for their crop. Although not very big, there is definitely a market for AmSul in Sudan. In case of use as Urea-46 alternative, AmSul requires application in a 3:2 ratio.

With one exception, appetite of suppliers to agree price discounts has severely dropped after the war incidents mentioned above. Basically, suppliers reason that in the current global suppliers' market that the fertilizer industry is, and with all the additional complexities of supplying to Sudan, we must feel happy if they supply at all. Some of them refuse supplies from the outset because of these complexities.

Market responses to the idea of price discounts

When floating the idea of marketing discounted fertilizers, we have met more push-back than expected. Several representatives, both from industry partners and from overarching industry bodies, have warned for potential market distortion with adverse effects on existing agro-dealers and in the end on uptake of fertilizers, and advised against the use of "blanket" discounts. We have combined that with findings from Sustain Africa in other countries and come to a more tailored approach in chapter 3.

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Other farm inputs

Seeds: The situation is somewhat confusing. While there is a total lack of seeds in Darfur and Kordofan – and farmers mainly use seeds extracted from produce from previous seasons, which we know generally produces poor results – we receive mixed messages from elsewhere in the country. Recently some more positive messages were received about the FAO initiative to distribute seeds, where apparently also left-over stocks from the previous season are used again. Seed reproduction on dedicated farms in Sudan continues to some extent. CIMMYT also engages in other programs that focus on seed distribution.

Crop protection: the situation is more or less similar to seeds, in the sense that the initial ask for focus on herbicides has not been repeated much recently.

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3. Strategic Choices made as a Consequence

Targets Sustain Africa for winter season 2025

As indicated above, we expect real demand for winter season 2025 to be between 75,000 and 100,000 Mtons of fertilizer. With the 25,000 Mtons of Omani Urea-46 that recently arrived in Port Sudan, that has led us to target a goal of 50,000 Mtons. Table 1 shows our current targets (subject to availability, demand and pricing). For summer season 2026, we target a volume of 150,000 Mtons.

	AmSul	DAP	Urea	NPK	NPS	
CFR Price	310	800	500	450		
Target MT	10.000	15.000	20.000	5.000		50.000
Target Value	3.100.000	12.000.000	10.000.000	2.250.000	-	27.350.000
Guarantee/ Discounts	620.000	2.400.000	1.500.000	450.000	-	4.970.000
	20%	*20%*	*15%*	*20%*	*0%*	*18%*
Tonnage to be guaranteed	2.000	3.000	3.000	1.000	-	9.000
						18%

Table 1: Targets Sustain Sudan winter season 2025, current benchmark prices and tonnages. Price sources: Sustain Sudan and Afriqom.

De-risking

We work with KfW and the German government to see if they can commit a "Ungebunder Finanz-Kredit Deckung" – a trade guarantee facility that Germany has made available in similar situations (a.o. in Iraq and Ukraine). We also study alternatives, both government-funded and with multilateral development banks. While none of this will be ready for the winter season 2025, we hope that it will assist us in further scaling in summer 2026.

The instrument should be able to:

- Have a high risk tolerance
- Transfer political risk cover to beneficiaries in Sudan
- Provide sufficient comfort to international suppliers
- Be flexible in the instruments it offers
- Ideally also be able to issue part of its funds as non-recoverable support.

For winter 2025, we propose to dedicate project resources from the Dutch and Norwegian funding – as much as possible, through guarantees or loans that will allow us to apply the

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resources “revolving” and possibly to other goals – e.g. seed supply, smallholder vouchers. In other cases, to provide incentives in the form of non-recoverable support of insurance premiums, logistics costs or funding of smallholder farmer vouchers.

Basically, what we do here is to “bridge” the anticipated availability of a dedicated trade finance de-risking facility that will take more time to develop. The revised budget and liquidity prognosis show how we aim to commit the resources.

Even though we do all we can to avoid guarantees to be claimed, and avoid defaults on loan repayments, we need to stress that this is a risk-carrying activity that may incur losses, hence use of project budget that cannot be utilized again in 2026. We are of the opinion that this is the best use of project budget we can make, to achieve our main goals, but do not want to be seen as obscuring the associated risks. Finance and de-risking are risk-carrying activities with potential associated losses.

On the side of insurance, we are working with shipping insurance companies to identify opportunities for freight insurance up to Port Sudan, and we have also identified options for insurance of stocks being transported over land and stored in warehouses. This is especially important for companies that lack resilience in terms of own equity – which is the case for many SME agro-dealers. Depending on the level to which we participate (directly or indirectly) in the risk through guarantees, we will make such insurance compulsory. Ballpark figure of costs for additional sea freight insurance is 0.75 – 1.25 %; for on land insurance 4%; both of the CFR value of the stock.

Affordability

Across the board, we aim our focus to reduce cost of fertilizer on reducing the cost build-up across the supply chain. That means that we focus – within the constraints of sanctions and exclusions – on:

- identifying the cheapest supplies of fertilizers globally, helped by the detailed market information and consultancy that we have secured from Afriqom
- bulk procurement of fertilizers (mainly DAP and Urea)
- cost-effective alternatives (AmSul and NPK and possibly NPS)
- engagement with Sudanese agro-dealer affiliated logistics providers
- channeling supplier discounts (although we expect these to be small) to the market as a whole
- reduction of the cost of financing and de-risking.

For smallholder farmers specifically, we focus on enhancing affordability of fertilizers by use of a tailored voucher scheme. Experience of the use of such schemes in Sudan has already been acquired by CIMMYT, FAO and WFP, and we aim to tap these sources to lower operating costs and to enhance synergies. We identify the target groups with our local partners. As a consequence, funded discounts by the program will be specifically channeled to smallholder farmers – within the larger client mix of an agro-dealer – hereby also largely reducing the risk of market distortion. This will to a larger extent happen in summer season 2026 which is the season in which smallholder farmers are more likely to purchase fertilizers.

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Strategy with respect to other farm inputs

For winter season 2025, we focus on fertilizer exclusively. For summer season 2026, we make timely preparations to discuss seeds and CP availability, as basis for us to decide whether we commit free-falling financial resources to this.

Geographical focus

The ongoing and large-spread activities of war in Darfur and Kordofan have led us to pause our focus on the region for now. Around 2025Q4 or early 2026, we will review this decision. Geographical focus in the rest of the country is chosen in conversation with agro-dealers and other distributors of fertilizers, and with our local partners.

Budget

In line with the strategy choices above, we have applied the following changes:

- Budget reservations for seeds and herbicides and for RSF-controlled regions have entirely been moved to 2026.
- We have made a significant reservation for the Sustain Sudan contribution to guarantees, basically as bridge towards a larger trade guarantee facility that we are aiming to put in place with an external agency (government-led or multilateral). The budget reserved here is primarily meant as cash-collateral for (bank) guarantees issued to provide partial risk participations to help mitigate the risks of supply chain actors identified in chapter 2 under “de-risking.” The guarantees are meant to be revolving, meaning that to the extent they are not claimed, the nominal amount falls free after the guarantee expires, and can be re-invested either as guarantee or as funding of other project activities, e.g. seeds/herbicides or voucher funding.
- We have applied a few minor adjustments relating to staff involved in the program.
- The total remains equal to USD 15 mln.
- In case of additional material changes in the budget, these will be submitted to the donors for their consent.
- We have split the budget to the 2 donors currently committed to fund the program. The budgets for Project Management, Guarantees and Local Implementation through CIMMYT are split between the two donors. The budget for funding smallholder farmer vouchers is entirely on account of Norway.
- Based on the revised budget, program plan and liquidity prognosis (visible on the next page), along with this report we will issue separate requests for disbursement of the second tranche of the NL government funding and release of the 2025 contribution of Norway.
- The liquidity forecast indicates that disbursements of the second tranche of the Netherlands grant in August 2025 and the first tranche of the Norwegian grant in September 2025 are critical to retain positive liquidity and for achieving our goals for the winter season 2025.

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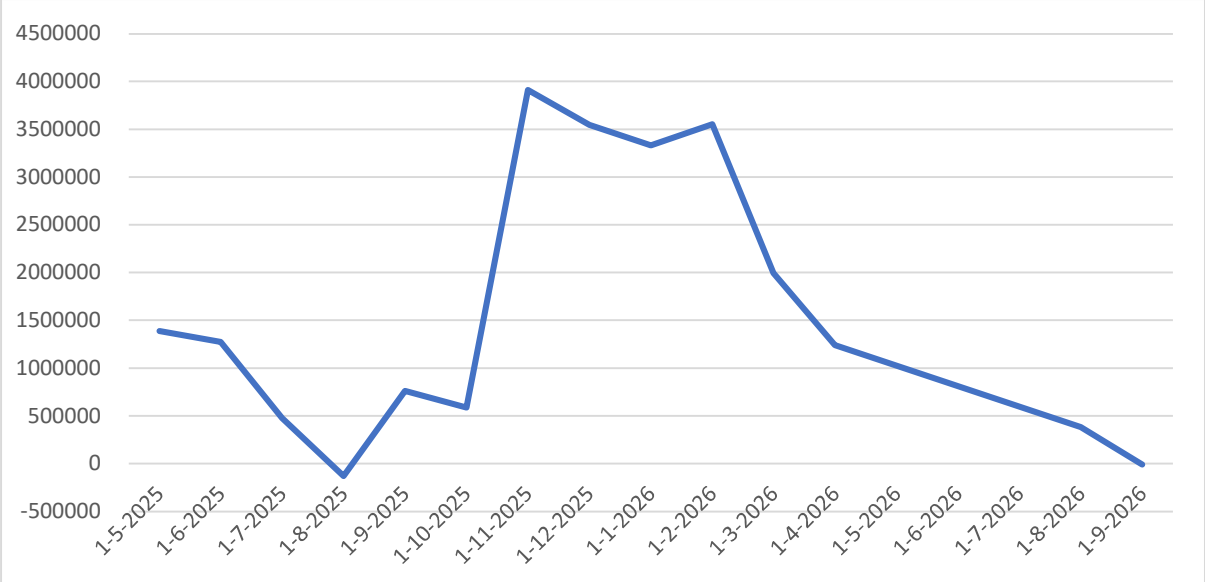


Figure 2: Liquidity forecast according to budget

Transaction Portfolio

Currently, our portfolio is as follows:

- **AmSul:** We have sourced 2,500 Mtons of AmSul which we are currently marketing under agro-dealers. This offer is of particular interest to agrodealers due to its close proximity of origin and discounted pricing. Of our first 3 buyers, 2 have completed and passed our due diligence and been introduced to the seller, and the third has just started that process. Agro-dealers have been selected to provide a mix in size and distribution channels. Tonnage for each of them is 500 Mtons. We are marketing the remainder and expect no difficulty in unlocking this demand. Transactions are currently in the phase of deciding on finance options, de-risking support from Sustain Sudan, official SSMO approvals and fixing the landing date. Design of fertilizer bags for the first batch has been completed and "go" for the production has been given. We expect this experience with smaller quantities to be of great help once we scale up. Our final goal in AmSul for 2025 is 10,000 Mtons.
- **DAP**: We deem DAP the most critical product for Sudan, yet indispensable to achieve yields. We aim to liaise with one or two of the big-3 agro-dealers to see if we can partner in securing one vessel for the winter season 2025. Compliance with SSMO requirements is of special importance here, as typical product characteristics in the market are different. Our target is 15,000 – 20,000 Mtons. Given the high price of DAP (USD 750 – 850 / Mton CFR), this will be a drag on our financial resources. Also, the very limited supply options may hinder us in realizing this goal.
- **Urea-46**: Given the global market interest in the product, our approach is to structure a bulk vessel transaction to reduce logistic cost and be attractive to suppliers. We have identified an anchor partner and several global suppliers, and are aiming for a 20,000 – 30,000 Mtons vessel. In addition to the few current stocks in the country, this should

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bring a good mix and volume of fertilizers on national level. The finance structure and portfolio of agro-dealers are currently under development.

- **NPK-triple 15 with Zinc**: solicitations for offers for 10,000 Mtons have very recently gone out to manufacturers and traders.
- **Other fertilizers**: no activities yet.

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4. Special Topics

Guarantees and insurance

Our "tools" to incentivize fertilizer supply transactions will basically include the following:

- **Freight Insurance** of the supply over sea. Many shipping companies have insurance contracts that exclude Port Sudan, and additional insurance, if available at all, comes with additional cost. After attacks by Houthi armed groups in Yemen on Greek vessels on the Red Sea, insurance premiums there rose from 0.5 to 1.25% over night. On a 20,000 Mtons vessel with a price per Mton of USD 500, this would make an extra cost of USD 75,000. We are working on increasing our knowledge and network, to be able to offer solutions to suppliers that lack this themselves. Sustain Sudan can consider to co-fund the additional premium.
- **On-land insurance** against activities of war. Multiple agro-dealers have suffered losses, either through destruction of warehouses with their stocks or equipment, theft/looting, or contracting defaults by supply chain partners. We have identified Sudanese insurance companies who offer this type of insurance, but at about 4% of the value. In the above example, that would come down to USD 400,000. Significantly more, of course, and experience to what extent these insurance policies really work is lacking. When able to choose, Sudanese traders would almost always choose to risk the stock rather than to increase the price by 4%. With (partial) support by Sustain Sudan – and/or by making this compulsory to obtain a risk participation from us – we can promote the use of this important instrument.
- **Counter-guarantees** to secure advance payment against non-delivery. This question we've had in one particular case so far. It is not only perceived as insurance against final non-delivery, but also against late delivery, hence missing the season. What's different from other cases is that the tenor here would rather be 30 – 60 days, than 90 – 120.
- **Risk participations** for traders that can increase their volumes but either lack the risk appetite to fully take this on their books or lack the working capital altogether. In these cases the agro-dealer does not have the (full) capacity to finance the deal themselves, does not have access to external confirmation of their L/Cs or simply finds it too costly. In those cases, Sustain Sudan might choose to issue a (partial) guarantee, linked to an acceptance against documents transaction – again, relatively short term. Usually, we would also require at least a partial downpayment from the side of the buyer.
- **Tenor extensions** for agro-dealers that have access to supplier credit, but for whom the term (say, 90 days) does not match their forecast cash flows; for instance, in the case where contract farming requires the full season to be completed and agricultural produce to have been sold, before cash is received and payment can be made. A tenor extension basically accepts the full risk of payment, but does have the time to check whether payment can reasonably be expected. Tenor extensions can be done both funded and unfunded, and in quite a few cases they might actually need to be funded.

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With regards to insurance, our role will be mainly to build up expertise and possibly to help fund some of the premiums. We will not take our own insurance risk here.

The reason to look at a dedicated trade guarantee facility for Sudan is, that existing trade guarantee facilities all exclude Sudan in their risk appetite statement. With regard to the mechanics of this facility, a few options exist:

- We can hire expertise and issue the cash-collateralized guarantees by a bank with trade finance capabilities. We will contact both US- and UAE-based banks for this, and have initiated recruitment of experienced trade finance experts
- We can outsource the management of guarantees to an agency with capabilities, e.g. Trade and Development Bank in Kenya. We aim to interview TDB on short notice
- A mix of the two.

Roles of various project partners

The contracts for subcontracted partners will be made available to the donors. Summarizing, the various roles are as follows:

- IFDC is responsible for:
    - Overall project management and leading the international and implementation part of the project
    - Donor relations and fundraising
    - Project strategy
    - International sourcing of farm inputs supply and contracting
    - Coordination and alignment with international development partners
    - Compliance (including sanctions compliance) and legal
    - Trade guarantee short and long term solutions
    - Financial management and reporting
    - Audit
    - Safety and security (overall leadership)
    - Communications and PR, including comms with the federal government and regional political fora
- CIMMYT is responsible for:
    - Implementation post-contracting
    - Technical assistance to retail agro-dealers, farmer organizations and farmers, including digital extension
    - Communications with state level government
    - Price-, volume- and quality controls
    - Alignment with other initiatives in Sudan, identification of opportunities to create synergies
    - Safety and security of their staff
    - Providing feedback to project management on experience from the ground
    - Farmer voucher system
    - Seeds advisory and integrated farm inputs packaging

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- 249Startups is responsible for:
    - Communicating fertilizer import transactions on the Sudanese side
    - Ensuring compliance with Sudanese regulatory frameworks including SSMO
    - Brokering contact with the Sudanese federal government
    - Providing any assistance sustain Sudan can offer to make deal closing and actual imports work smoothly
    - Basically, 249startups are the communicator for the "sourcing" activities of the international team
    - Safety and security of their staff
- Clingendael Institute is responsible for:
    - Advisory on the topic of safety and security
    - Providing the lead input to daily security briefings
    - Program advice based on continual political and geopolitical analyses
    - Analysis of implications of sanctions.
    - Advisory on conflict-sensitive programming

Altogether, there is overlap in the field of safety and security – and that is deliberate. For the rest, tasks are clearly assigned and in practice, there are basically no examples of situations where overlap created confusion.

Monitoring, Evaluation, and Learning Framework

A separate report "MEL Framework Sustain Sudan" describes the Joint Implementation Plan for implementation on-the-ground by Sustain Africa and CIMMYT. This Monitoring, Evaluation, and Learning (MEL) Framework is aligned with Sustain Sudan's project proposal and the rest of this inception report. It incorporates the updated Theory of Change for the Implementation on-the-ground, the Results Framework, Monitoring Plan and Learning Agenda. The MEL system is designed to support adaptive management, accountability, and evidence-based decision-making throughout the project lifecycle.

Here we suffice with showing the Results Framework with high-level indicators. For more details, the reader is referred to the separate "MEL Framework Sustain Sudan."

Table 2: Results Framework and key reporting indicators; source CIMMYT / IFDC

Level	**Results Statement**	**Indicators**	**Means of Verification**	**Assumptions/ Risks**
Goal	Improved food security and agricultural resilience in Sudan	• % reduction in food insecurity • % increase in cereal production	National food security assessments FAO/WFP reports	Security allows implementation
Outcome	Increased access to affordable inputs	• % farmers receiving inputs • % discount achieved	Distribution records Farmer surveys	Market channels remain functional
Output	Fertilizer supply secured and delivered	• Volume of fertilizer delivered • Number of shipments	Shipping and customs records	Ports and routes remain accessible

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Learning agenda

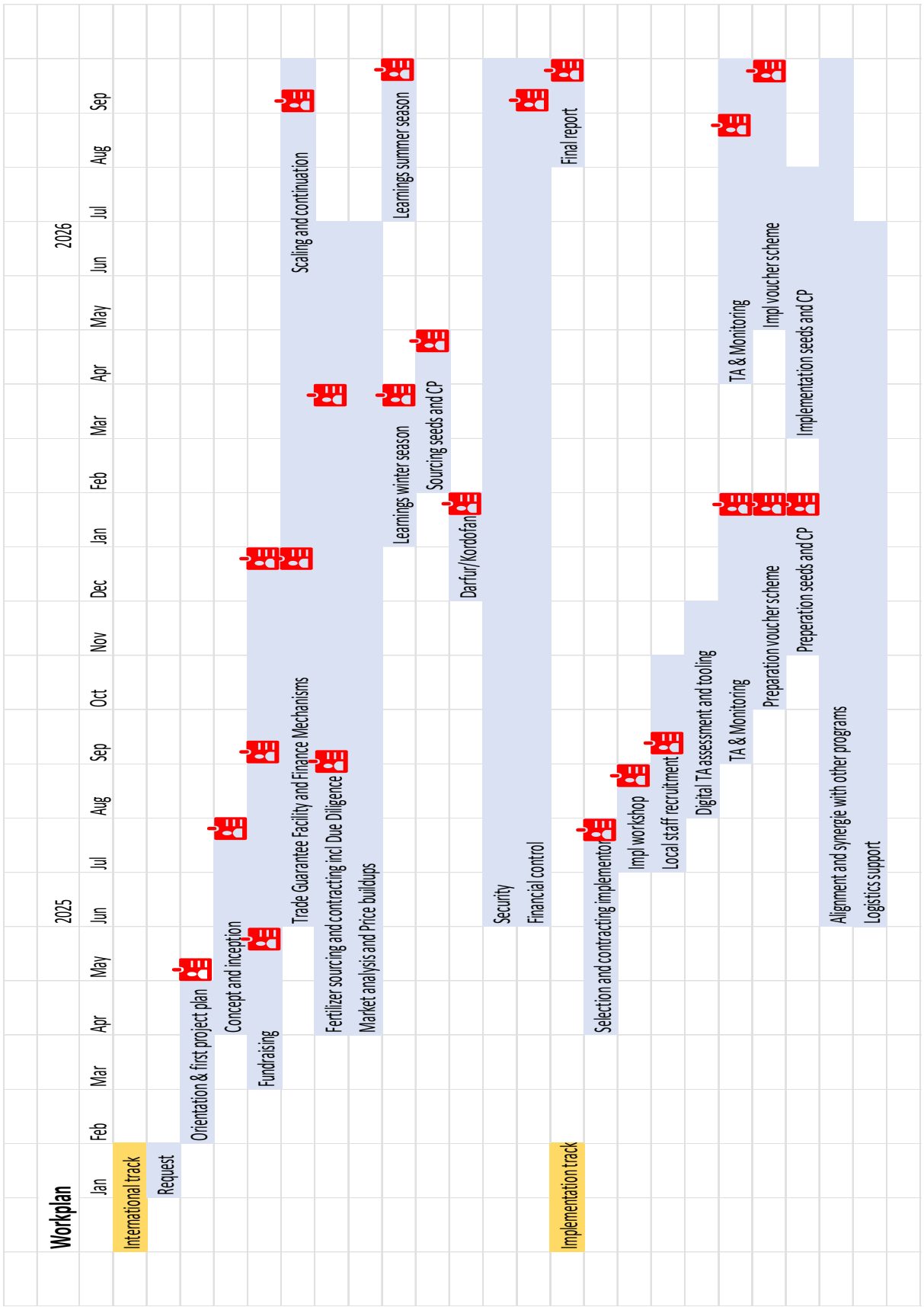
In the other 10 Sustain Africa projects, it has appeared valuable to have a separate budget for a learning agenda. In that learning agenda, we have had an external agency evaluate the program as a whole and have studied capita selecta on price drivers in fertilizer markets, finance and de-risking models and fertilizer policy recommendations.

In the case of Sustain Sudan, we could for instance use this to hire an external agency to evaluate the program – not to be confused with the external audit, which has been budgeted separately on request of the donors – focusing on the basic learnings of the program: "How can a market-based approach be effectively used in a war economy to reduce hunger, and what special conditions need to be put in place to enhance effectiveness?"

In the earlier version of the budget, we erroneously had 2 budget lines for the learning agenda, which led to overestimating the costs. We have now reduced this to one line of USD 250,000, which should suffice to commission one study.

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5. Workplan



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Signatures

Date: Jul 31 2025

Signature: Bea Bezmalinovic

Bea

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